



Indonesia

Overview

With 263 million citizens, Indonesia is the most populous country in Southeast Asia, the world's most populous Muslim-majority nation, and the world's third-largest democracy (after India and the United States). It has the world's 16th-largest economy and the 8th-largest when ranked by purchasing power parity. It straddles important sea lanes and borders the Strait of Malacca, one of the world's busiest trade routes, as well as the Indian Ocean and the South China Sea.

Over the past two decades, Indonesia has become a robust democracy, holding four direct presidential elections, each considered by international observers to have been largely free and fair. In the most recent, held in April 2019, President Joko Widodo was reelected to a second five-year term. Indonesia is an active member in regional diplomatic institutions and a leader of the Association of Southeast Asian Nations (ASEAN). The U.S.-Indonesia relationship has broadened in recent years, with closer military and counterterrorism cooperation and a range of new educational, environmental, and energy initiatives. Some Indonesian trade and economic regulations are of concern to the United States. Indonesian leaders speak about the nation's central place in the "Indo-Pacific" region—an important strategic concept for the Trump Administration.

Some 87% of Indonesians are Muslim, with the vast majority subscribing to moderate, syncretic forms of the religion. Religious diversity is enshrined in the constitution. Some observers, however, express concern about growing political influence of conservative religious groups who have organized mass demonstrations against non-Muslim politicians. Indonesia also has a recent history of violent extremism: several bombings in Jakarta and tourist center Bali targeted Westerners in the 2000s, and the persistence of smaller-scale attacks raises concerns about the dangers posed by Indonesians returning from the Middle East.

Political Background

President Widodo, universally known by his nickname "Jokowi," was reelected in April 2019 elections, winning 55% of the popular vote. He campaigned on promises to improve Indonesia's infrastructure and raise living standards, particularly in underdeveloped areas. As of early June, Widodo's opponent Prabowo Subianto had yet to concede the elections, and demonstrations that followed the May 21 results announcement—spurred by Prabowo's largely unsubstantiated allegations of electoral fraud—led to six deaths in Jakarta.

Widodo chose Ma'ruf Amin, a conservative Islamic leader, as his Vice President, at least in part to quell criticism from some Islamic groups that his government is not sufficiently conservative. Such criticism has been a thorn in Widodo's

side throughout his presidency, particularly in 2016-2017, when Basuki Tjahaja Purnama, a political ally who is an ethnically Chinese Christian, was charged and convicted of blasphemy for a comment he allegedly made about the Koran at a campaign rally.

Widodo has struggled with a shifting political coalition, as rivalries between parties, and even within Widodo's PDI-P party, have complicated governance. The 2019 parliamentary elections made it likely that he can hold together his legislative coalition, although Prabowo's Gerindra party emerged as a stronger force in the political opposition. Widodo's government has enacted several economic reform packages aimed at streamlining bureaucratic processes to boost foreign and domestic investment.



Size: Slightly less than three times the size of Texas, spread over an archipelago of around 17,000 islands, including 6,500 populated islands

Population: 262.8 million

Religions: Muslim 87.2%, Christian 7.0%, Roman Catholic 2.9%, Hindu 1.7%, other 0.9% (includes Buddhist and Confucian), unsp. 0.4% (2010 est.)

GDP (Official Exchange Rate): \$1.015 trillion (2017 est.)

GDP Per Capita (PPP): \$12,400

Infant Mortality: 21.93/1,000 live births

Source: Graphic created by CRS. Fact information from CIA World Factbook, and World Bank, 2019

U.S. Engagement with Indonesia

The United States engages Indonesia across a wide range of issues, encouraging Indonesians to deepen their democratic institutions, promote religious tolerance and the rule of law, develop a more liberal trade and investment climate, combat terrorism and engage on international issues such as maritime security and climate change. In October 2015, the United States and Indonesia upgraded their bilateral "Comprehensive Partnership" to a "Strategic Partnership," with a minister-level dialogue intended to address maritime cooperation, defense cooperation, economic growth and development, energy cooperation, cooperation on global and regional issues, and people-to-people ties. In January 2018, on a visit to Jakarta, then-Defense Secretary James

Mattis said: “We probably engage with the Indonesian military more than any other nation anywhere in terms of mil-to-mil engagements.” U.S. assistance to Indonesia totaled an estimated \$132 million in FY2019. Most U.S. assistance supports health, environmental, and educational initiatives. Indonesia is part of the Indo-Pacific Maritime Security Initiative, which aims to strengthen Naval and Coast Guard capabilities in the region.

Security Cooperation

U.S.-Indonesia security cooperation has deepened over the past decade, with the two militaries conducting dozens of regular annual engagements, including efforts to deepen maritime security cooperation and to combat terrorism. This represents a sharp change from the early 2000s, when U.S. policies enacted in response to earlier human rights abuses by Indonesian forces severely limited bilateral engagements. In 1999, Congress suspended all International Military Education and Training (IMET) programs with Indonesia after Indonesia’s military and its militia proxies killed over 1,000 in Timor-Leste following Timor’s vote to pursue independence from Indonesia. Programs were restarted on a limited basis in 2002 and, from 2005 to 2010, the United States largely normalized military relations. In 2010, the U.S. resumed limited IMET programs with the *Kopassus* special forces.

Widodo’s government has announced plans to increase military spending to 1.5% of GDP from levels below 1%, focusing particularly on maritime capabilities. Indonesia is increasingly involved in rising South China Sea tensions. Jakarta does not consider itself to have a formal territorial dispute with Beijing, but China’s extensive nine-dash line claims overlap with Indonesia’s Exclusive Economic Zone (EEZ), the coastal area over which a state has the right to regulate economic activity. Indonesian officials regularly voice concern about maritime behavior they see as overly aggressive, and have periodically confronted or warned off Chinese fishing and law-enforcement vessels seen as encroaching on Indonesian waters. In 2017, Indonesia elicited a formal diplomatic protest from Beijing by renaming waters off the Natuna Islands, north of Borneo, the North Natuna Sea.

Militancy and Terrorism

Indonesia has had a long-running issue of domestic militancy, and the Islamic State (IS) has raised concerns among many in Indonesia by conducting recruiting in Bahasa Indonesia, Indonesia’s national language. In May 2018, a set of suicide attacks in Surabaya killed 12 civilians, with at least one attack conducted by a family that had recently been deported from Syria. Indonesia amended its 2003 Anti-Terrorism Law following the Surabaya attacks, lengthening periods in which suspects can be detained without charge and broadening police rights to prosecute those who join or recruit for militant groups. U.S.-Indonesia counterterrorism cooperation is close; the United States and Australia helped to create Indonesia’s elite counterterrorism unit, Densus-88, which has weakened militant groups such as Jemaah Islamiyah (JI), an al-Qaeda affiliate responsible for several bombings in the 2000s.

Economic Issues

In recent years, Indonesia’s economy has frequently posted growth of more than 5%-6% annually, buoyed in part by its favorable demographics (66% of its population is of working age). It is a large producer of natural gas and oil, and is a member of the Organization of the Petroleum Exporting Countries. It is also the world’s leading exporter of palm oil. Still, about half of Indonesian households are near the national poverty line of \$24.40 per month. Despite its large population, Indonesia is the 26th largest U.S. trading partner, ranking below neighbors such as Singapore, Malaysia, and Thailand. Over recent years, Indonesia has imposed some policies criticized by foreign investors, including foreign ownership restrictions and local content requirements in some industries, as well as renegotiation of contracts for some energy and mining projects. President Widodo has sought to lift bureaucratic obstacles facing foreign direct investment (FDI), and has actively courted more FDI, particularly in the infrastructure sector.

Human Rights Issues

Most observers believe Indonesian human rights protections have improved over the past 15 years. However, abuses still occur, including some by members of the military. Alleged abuses are particularly frequent in areas with simmering secessionist movements such as Papua. Some argue that religious intolerance is rising. Islamist organizations have harassed and attacked minority religious groups, including Christians and other Islamic sects, such as the Shia and Ahmadiyya, and, in 2016, large demonstrations by Islamist groups opposed to Jakarta’s Christian governor raised concerns about creeping intolerance.

Indonesia is labeled a Tier 2 nation in the State Department’s 2018 Trafficking in Persons report, which calls it a “major source country and, to a much lesser extent, destination country for women, children and men subjected to sex trafficking and forced labor.” Corruption is widespread: Transparency International ranked Indonesia 89th out of 180 nations in its 2018 Corruption Perceptions Index, below other Asian nations such as China and India. However, many observers believe that Indonesia’s democratic development and the growth of its independent press and civil society have created a more accountable system in which people can choose their leaders and participate in policymaking through community or nongovernmental organizations.

Environmental Issues

Indonesia is among the world’s most bio-diverse regions, but its record of environmental protection is constrained by weak rule of law and poor land management. Because of deforestation, Indonesia is a major emitter of greenhouse gases—the world’s third or fourth largest when emissions from deforestation are taken into account. Illegal logging remains rampant. In the 1960s, forests covered 82% of Indonesia; today, they cover 49%. Extensive wildfires cause severe air pollution each year. The United States conducts numerous environmental and clean energy programs in Indonesia. A \$600 million Millennium Challenge Corporation (MCC) compact took effect in 2013, with about \$332 million devoted to a “Green Prosperity” program aimed at renewable energy and land management.

Ben Dolven, Specialist in Asian Affairs

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