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Indonesia

Overview

With over 279 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 7th-largest when ranked by purchasing power parity. It straddles vital 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. The next national elections are slated for February 14, 2024. President Widodo is barred by term limits from seeking a third term.

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 programs initiated during the Obama Administration. Indonesia's foreign policy is guided by its historical role as a leader of the Non-Aligned Movement, and successive Indonesian governments have bristled at the notion of aligning too closely with the United States or others, including China. Indonesia is an active member in regional diplomatic institutions, and served as the 2022 chair of the Group of 20 (G-20) nations and the 2023 chair of the Association of Southeast Asian Nations (ASEAN).

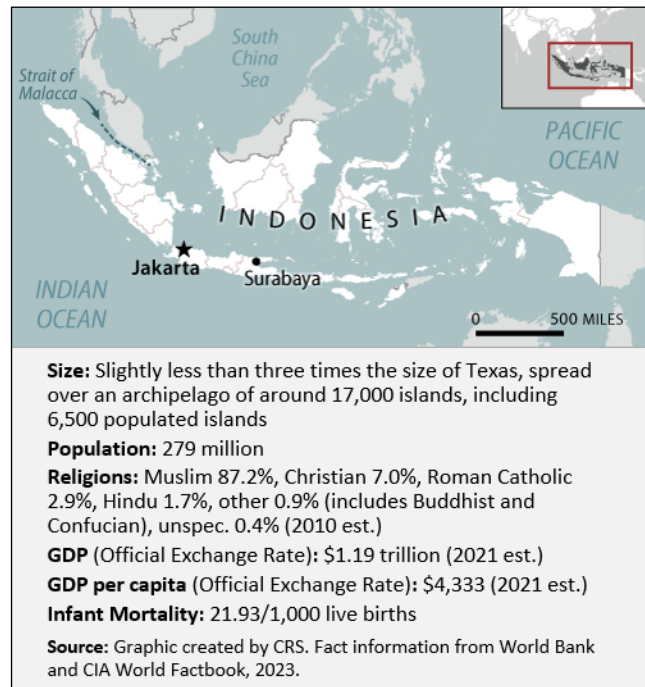
Some 87% of Indonesians are Muslim, with the vast majority subscribing to moderate, syncretic forms of Sunni Islam. Religious diversity is enshrined in the constitution. Some observers, however, express concern about growing political influence of conservative religious groups. Non-Sunni Muslims and other religious minorities have been targets of violence, and some conservative groups have organized mass demonstrations against non-Muslim politicians. Indonesia also has a history of violent extremism: several bombings in Jakarta and tourist center Bali targeted Westerners in the 2000s, and smaller-scale attacks have occurred periodically.

Indonesia is increasingly involved in rising South China Sea tensions. Although the two nations do not dispute sovereignty over any land features, 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 authorities periodically confront or warn 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.

More recently, Chinese Coast Guard vessels reportedly have harassed Indonesian energy exploration vessels in the South China Sea more frequently, and have accompanied fleets of Chinese fishing vessels into Indonesia's EEZ.

Political Background

President Widodo, universally known by his nickname "Jokowi," was reelected in 2019, winning 55% of the popular vote. He campaigned on promises to improve Indonesia's infrastructure and raise living standards, particularly in underdeveloped areas. One of his signature initiatives is a plan to move Indonesia's capital from Jakarta to East Kalimantan, on the island of Borneo. Widodo has delivered on some of those promises, enacting several economic reform packages aimed at streamlining bureaucratic processes to boost foreign and domestic investment. However, poverty and uneven economic development remain major issues.



Some observers have bristled at Widodo's willingness to bring authoritarian and conservative Islamist voices into his cabinet. Defense Minister Prabowo Subianto, a former Army Special Forces Commander, was implicated in a range of human rights violations in the 1990s. Vice President Ma'ruf Amin, a conservative Islamic leader, was chosen at least in part to quell persistent criticism from some Islamic groups that Widodo's government is not sufficiently conservative. In the upcoming Presidential polls, Prabowo, Central Java Governor Ganjar Pranowo, and Jakarta Governor Anies Baswedan have declared their candidacy. Widodo's eldest son, Gibran Rakabuming Raka is running for Vice President as Prabowo's running mate.

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 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. 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. In 2022, the two countries finalized several agreements, including a \$698 million Millennium Challenge Compact supporting climate-conscious infrastructure development, as well as pacts on Coast Guard capacity building and support for sustainable fishing, marine biodiversity, and reducing plastic pollution.

Security Cooperation

U.S.-Indonesia security cooperation has deepened over the past decade, with the two militaries conducting around 170 annual engagements, including on maritime security cooperation and combatting 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, particularly the *Kopassus* special forces—headed at the time by Defense Minister Prabowo—and 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 United States resumed limited IMET programs with *Kopassus*.

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 2018, Indonesia amended its 2003 Anti-Terrorism Law, lengthening periods for 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 favorable demographics (66% of its population is of working age). It is a large producer of natural gas and oil, as well as critical minerals including nickel, and a major supplier to the large economies of Northeast Asia, including

Japan, South Korea, and China. It is also the world’s leading exporter of palm oil. Despite its large population, Indonesia is the 24th-largest U.S. trading partner, ranking below neighbors such as Singapore, Malaysia, and Thailand. Bilateral trade totaled \$47.5 billion in 2022.

Indonesia has imposed some policies criticized by foreign investors, including foreign ownership restrictions and local content requirements in some industries, and has forced renegotiation of contracts for some energy and mining projects. President Widodo has actively courted FDI, particularly in the infrastructure sector. U.S. investment in Indonesia totaled \$11.9 billion in 2022.

Human Rights Issues

Most observers say 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 analysts 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. In 2016, large demonstrations by Islamist groups opposed to Jakarta’s Christian governor raised concerns about creeping intolerance.

The State Department’s 2023 Trafficking in Persons report listed Indonesia as a Tier 2 nation and reported it “does not fully meet the minimum standards for the elimination of trafficking but is making significant efforts to do so.” Corruption is relatively widespread: Transparency International ranked Indonesia 110th out of 180 nations in its 2022 Corruption Perceptions Index, below other Asian nations such as China and India. However, many observers say Indonesia’s democratic system and its growing independent press and civil society are creating a more accountable system in which people can choose their leaders and participate in policymaking through community or nongovernmental organizations.

Environmental Issues

The United States conducts numerous environmental and clean energy programs in Indonesia, which is among the world’s most biodiverse countries. In 2022, the United States, Japan, and Indonesia announced a Just Energy Transition Partnership (JETP), aimed at accelerating private investment in sustainable energy. Indonesia has made some progress on environmental issues such as deforestation, 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 considered. Illegal logging remains rampant. In the 1960s, forests covered 82% of Indonesia; today, they cover 49%. Extensive wildfires cause severe air pollution each year. Climate change has led to recurrent poor harvests. In 2022, Indonesia twice instituted palm oil export bans, increasing the global costs of cooking oil.

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