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Indonesia

Overview

With over 280 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—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 25 years, Indonesia has become a robust democracy, holding five direct presidential elections, each considered by international observers to have been largely free and fair. In the most recent, held in February 2024, Defense Minister Prabowo Subianto was elected to succeed President Joko Widodo. Prabowo is scheduled to take office in October. His Vice President-elect is Widodo's eldest son, Gibran Rakabuming Raka.

The U.S.-Indonesia relationship has broadened over the past two decades, with closer military and counterterrorism cooperation and a range of new educational, environmental, and energy programs initiated during the Obama Administration. Congress has played a key role in guiding the relationship, including by restricting interactions with security services accused of rights abuses, promoting cooperation on issues such as maritime security and counterterrorism, and conducting oversight of programs, including Indonesia's Millennium Challenge Compact.

Indonesia's foreign policy is guided by its historical role as a leader of the Non-Aligned Movement, and successive Indonesian governments have resisted aligning too closely with the United States or others, including the Peoples Republic of China (PRC or China). Indonesia is an active member in regional diplomatic institutions, and served as the 2022 chair of the Group of 20 (G-20) 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 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 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 PRC 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, PRC Coast Guard vessels reportedly have harassed Indonesian energy exploration vessels in the South China Sea more frequently, and have accompanied fleets of PRC fishing vessels into Indonesia's EEZ.

Political Background

On February 14, 2024, over 200 million Indonesians voted in presidential, parliamentary, and local elections—the world's largest one-day democratic exercise—and selected Defense Minister Prabowo as president. Prabowo, the ex-son-in-law of the country's former authoritarian president Suharto, is a former general who was removed from the military in 1998 for allegedly torturing political activists, and who was implicated in 1999 violence in Timor-Leste. A scion of a wealthy Indonesian family, Prabowo campaigned on promises to continue the economic development policies of President Widodo, who remains popular. He has also advocated a more active foreign policy for Indonesia, although he has not outlined specifics of that role.

Figure 1. Indonesia



President Widodo tacitly supported Prabowo's campaign, and many analysts expect the new government to continue Widodo's populist focus on economic development. One of Widodo's signature initiatives is a plan to move Indonesia's

capital from Jakarta to East Kalimantan, on the island of Borneo. Widodo has enacted several economic reform packages aimed at streamlining bureaucratic processes to boost foreign and domestic investment. Poverty and uneven economic development remain major issues.

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 2023, the United States and Indonesia upgraded their bilateral “Strategic Partnership” to a “Comprehensive Strategic Partnership,” continuing minister-level dialogues 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 government has expressed concern that the Islamic State (IS) is conducting recruiting in Indonesia’s national language (Bahasa Indonesia). 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

Over the past two decades, 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 of natural resources to Northeast Asia, including Japan, South Korea, and China. It is the world’s leading exporter of palm oil. 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. Abuses still occur, including some by members of the military. Alleged abuses are particularly frequent in areas with simmering secessionist movements such as Papua. 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 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. Many observers say Indonesia’s democratic system and independent press and civil society are creating a more accountable system in which people can choose their leaders and participate in policymaking.

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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