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Indonesia-US Relationship under Prabowo: Time for a Revival

Alexander R. Arifianto

SYNOPSIS

ALEXANDER R. ARIFANTO argues that now is a good opportunity to revive Indonesia's relationship with the United States, given Prabowo Subianto's interest in deepening the country's foreign policy engagement with its key bilateral partners and the potential to reach mutually beneficial trade agreements with the United States on critical minerals and renewable energy.

COMMENTARY

Indonesia is undergoing a leadership transition as Prabowo Subianto is poised to take over the presidency from Joko "Jokowi" Widodo after winning the country's sixth consecutive free and democratic election last February. The lead-up to the changeover on 20 October is an opportune time to revisit Indonesia's relationship with its key bilateral partners, particularly the United States.

While Indonesia has consistently followed a "free-and-active" (*bebas aktif*) foreign policy from the time it declared its independence in 1945, we cannot assume foreign policy continuity through presidential changeovers because different presidents might have their own sets of foreign policy agendas and priorities. Indonesia and the United States have developed a close bilateral relationship since both nations established diplomatic relations in 1949. Despite its difficulties over several decades, this relationship remains one of Indonesia's most important bilateral relationships.

Prabowo's Leadership Style

Having been raised overseas [during his childhood and young adulthood](#), Prabowo is the first Indonesian president with a cosmopolitan educational background and an understanding of the importance of foreign policy in helping to shape Indonesia's international role in bilateral and multilateral fora. As a junior military officer, Prabowo also had the experience of studying and living in the United States when [he underwent advanced military training courses](#) in Fort Bragg (now Fort Liberty), North Carolina, in 1980 and Fort Benning (renamed Fort Moore), Georgia, in 1985. Given this background and experience, Prabowo is very comfortable interacting with his US counterparts, particularly in the defence and security sector.



Prabowo Subianto at a bilateral exchange with US Secretary of Defense Lloyd J. Austin III at the Pentagon, Washington D.C., August 2023. Given Prabowo's educational background, experience, and familiarity with his US counterparts, particularly in the defence and security sector, it is timely for Indonesia to renew its bilateral relationship with the United States when Prabowo assumes presidency in October. *Image from Wikimedia Commons.*

Nonetheless, many US policymakers are concerned about Prabowo's previous nationalist and anti-colonial rhetoric. Prabowo's views on the United States' geopolitical rivals like Russia and China may also be a source of concern. Such concern is particularly warranted after [Prabowo's visit to meet with](#) Chinese president Xi Jinping in April this year and [his meeting with](#) Russian president Vladimir Putin four months later.

However, Indonesian analysts have highlighted the fact that Prabowo also visited other countries during these visits. For instance, [he visited Japan and Malaysia](#) during the same trip that he undertook to China, while also [visiting France and Turkey](#) during his trip to Russia. Rizal Sukma, former Indonesian ambassador to the United Kingdom and a senior fellow at Indonesia's Centre for Strategic and International Studies (CSIS), argues that all these visits signal Indonesia's continuing commitment to [a non-aligned-based international diplomacy](#) under the Prabowo presidency. The only difference is that this time Indonesia will be led by a president who will play a more active role in international fora.

Challenges in Indonesia-US Bilateral Relations

Concern about the future of US-Indonesia relations arises from the widespread perception that Jokowi has not had close relationships with US presidents Donald Trump and Joe Biden, unlike his predecessor, President Susilo Bambang Yudhoyono, who had a close relationship with his American counterpart, President Barack Obama. The lack of closeness is indicated in the fact that during his decade-long presidency, [Jokowi held only six one-on-one bilateral meetings](#) with his American counterparts – two each with Obama, Trump, and Biden – while [he held 18 one-on-one meetings](#) with China's president during the same period.

Furthermore, US foreign direct investment (FDI) in Indonesia is on a downward trend. In 2022, total US FDI in Indonesia [was US\\$11.9 billion](#), a 7% decrease from the previous year. At the same time, [there has been a significant decline](#) in American companies investing in the critical mining sector in Indonesia. US companies invested approximately US\$3.5 billion in Indonesia's mining sector between 2009 and 2016, but their investment [dropped to nearly zero](#) between 2017 and 2019. Meanwhile, China invested approximately US\$22 billion in Indonesia's mining sector between 2009 and 2016.

Lastly, while Indonesia and the United States elevated their relationship to a Comprehensive Strategic Partnership in November 2023, the partnership agreement has been criticised by two Indonesian analysts for [promoting "symbolism over substance"](#) due to its lack of any major economic or security cooperation deal, particularly in relation to critical technology and minerals. They argue that without new bilateral or multilateral trade agreements, the chance of any meaningful American economic engagement with Indonesia in the near future will be remote while the United States will continue to lose ground as a leading source of FDI in the country.

Opportunities for New Partnership

While Jokowi seems to have been lackadaisical in developing Indonesia's relationship with the United States, Prabowo, who has served as defence minister under Jokowi since October 2019, has shown an interest in promoting strong defence and security ties with the United States. His desire to retain strong military ties with the US military was most likely a consideration behind the Indonesian Defence Department's procurement of [24 F-15 fighter jets and 24 S-70Ms Black Hawk transport helicopters](#) last year. In addition, over the past decade, Indonesia has co-hosted the annual [Super Garuda Shield military exercises](#), which began as a bilateral exercise between the US and Indonesian militaries and has since been expanded to include 22 other nations. The defence and security sector thus is a likely area for closer relations under the incoming Prabowo presidency.

Another key area where the United States and Indonesia can develop a deeper economic relationship is the ratification of a critical minerals agreement, which would boost future American investment in the Indonesian mining sector. The foundation for such an agreement [was established in a joint statement](#) between presidents Biden and Jokowi on 13 November 2023, when the Comprehensive Strategic Partnership between the two nations was announced. If enacted, this agreement would not only diversify the number of prospective new nickel investments in Indonesia, but, more

importantly, [it would create an incentive](#) for Indonesia to implement stronger manpower and environmental standards in its nickel, tin, and other critical mining industries.

The ratification of a critical minerals agreement should be complemented with amendments to the Joint Energy Transition Partnership (JETP) initiative – a multilateral energy transformation financing scheme which Indonesia signed in 2022. The Indonesian component of the JETP, amounting to US\$20 billion, is aimed at helping the country transition away from non-renewable energy sources, particularly coal.

Nonetheless, the implementation of Indonesia's JETP [has been problematic](#) due to the complexity of its financing scheme – a good part of the funds made available to Indonesia will be in the form of loans rather than grants or technical assistance and Indonesia would still face a 70% financing gap to achieve its goals – and the lack of political will by policymakers to fully implement its provisions. In light of this, Indonesia and the United States [should revise the JETP agreement](#) to include provisions that promote transitioning from coal-powered nickel smelting facilities to those that utilise renewable energy sources.

Concluding Remarks

Under the Prabowo presidency, Indonesia is expected to retain its nonaligned *bebas aktif* foreign policy. Nonetheless, one of its most important bilateral relationships is with the United States, given the long-standing cooperation that both countries have had in both the economic and defence and security sectors. After a period of lukewarm relationship under Jokowi, there are plenty of new opportunities to renew the US-Indonesia relationship under the incoming Prabowo administration.

Indonesia should avail itself of these opportunities regardless of who emerges as the winner of the forthcoming US presidential election in November. In particular, these opportunities lie in strategic sectors such as critical minerals and renewable energy sectors. Initiatives such as the proposed US-Indonesia critical minerals trade agreement should be followed up by both parties and amendments should be sought to the JETP scheme. These initiatives would encourage new investment by US companies in the critical minerals sector while also encouraging the development of a homegrown “clean” minerals and renewable energy industry in Indonesia.

Some American policymakers may have concerns regarding Prabowo's nationalistic and anti-colonial outlook and his diplomatic initiatives with their geopolitical rivals like China and Russia. However, they should look beyond this simplistic interpretation of his rhetoric and symbolic initiatives. Prabowo's foreign policy is likely to constitute continuity with Indonesia's long-standing *bebas aktif* foreign policy, which, while promoting geopolitical nonalignment, in reality considers the United States as one of Indonesia's key security and economic partners.

Since Prabowo is expected to be more engaged in international diplomacy than his predecessor, there is no other perfect timing for the United States to revive its relationship with Indonesia – particularly in securing agreements in the abovementioned critical sectors.

Alexander R. ARIFANTO is Senior Fellow and Coordinator of the Indonesia Programme at the Institute of Defence and Strategic Studies, S. Rajaratnam School of International Studies (RSIS).

S. Rajaratnam School of International Studies, NTU Singapore
Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798
T: +65 6790 6982 | E: rsispublications@ntu.edu.sg | W: www.rsis.edu.sg