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All Eyes on Prabowo's Next Steps After Jokowi's Deft Balancing Act

By Leonard C. Sebastian and Januar Aditya Pratama

SYNOPSIS

The 2023 energy export deal with Singapore reflects a governance style marked by an assertive executive and regulatory flexibility. Question is, can Indonesia maintain a balance between authoritarian pragmatism and the demands of a modern, competitive economy?

COMMENTARY

As Indonesia gets ready to transition from Mr Joko Widodo's decade-long presidency to Mr Prabowo Subianto's leadership, the narrative among some observers of "democratic backsliding" fails to fully capture the complexities of the country's governance model.

While these critics decry President Widodo's "authoritarian turn", such analyses often miss the mark in understanding the driving forces behind Indonesia's current political and economic dynamics.

The presidency of Mr Widodo, popularly known as Jokowi, has been characterised by a pragmatic approach that prioritises economic development and investment attraction over strict adherence to democratic ideals. This is exemplified by his administration's ability to swiftly modify regulations to appease investors, often bypassing lengthy deliberative processes.

This governance style, reminiscent of the late Suharto's 32-year presidency, which centred on rapid economic growth, has drawn both praise for its effectiveness and criticism for its authoritarian undertones.

Yet, framing this approach simply as "democratic backsliding" misses the historical

context and its appeal to many Indonesians who prioritise tangible development over abstract democratic ideals, as reflected in Mr Widodo's high approval ratings.

This model of governance – pragmatism tinged with authoritarianism, marked by state-led development and selective market liberalisation – is likely to continue under Mr Prabowo's leadership. As the leadership transition unfolds, it is important to consider how this model will shape Indonesia's key sectors moving forward.

Indonesia's evolving governance is perhaps most clearly seen in the energy export regime. This sector embodies the delicate balance between economic ambitions, regulatory flexibility and state-driven development that has defined Mr Widodo's presidency and is likely to continue under Mr Prabowo.

Jokowi's Deft Touch

A notable milestone in this regard is the memorandum of understanding signed in September 2023 between Indonesia and Singapore, aimed at developing commercial projects and interconnections for cross-border renewable energy trading.

Just seven months later, during the April 2024 Leaders' Retreat between Mr Widodo and Singapore's then Prime Minister Lee Hsien Loong, both leaders emphasised the "positive momentum" in this area.

Although they provided few additional details, their remarks underscored the importance of this agreement, marking Indonesia's first attempt to export renewable energy.

Mr Widodo's deft handling of the regulatory constraints and challenges that could have hampered this progress cannot be overstated. While the Ministry of Energy and Mineral Resources holds the final authority on renewable energy exports, the involvement of other agencies, such as the Coordinating Ministry for Maritime and Investment Affairs and the state-owned electricity company PLN, had the potential to create bottlenecks.

Another obstacle was a rule requiring PLN to purchase all renewable energy produced by the private sector within Indonesia. Although aimed at boosting domestic renewable energy production, it could restrict exports by creating a captive market. More notably, the Ministry of Energy and Mineral Resources mandates the use of a certain percentage of local parts and technology – or "local content requirement" – in specific sectors, a requirement that could raise costs for renewable energy projects and reduce their competitiveness in export markets.

How did Mr Widodo's administration navigate these challenges? A prime example of its regulatory flexibility is the introduction in 2023 of regulations that temporarily lowered the local content requirement for solar panel manufacturing, directly responding to the plan to export renewable energy to Singapore.

Politically, Mr Widodo's decision on Aug 19 to replace Mr Arifin Tasrif with Mr Bahlil Lahadalia as Minister for Energy and Mineral Resources highlights his readiness to make bold moves in advancing his economic agenda. Mr Bahlil, a loyalist and

chairman of the Golkar Party, is known for his investment-friendly policies from his tenure as Investment Minister, making him a strong fit for Mr Widodo's economic goals.

Mr Bahlil's appointment is also viewed as a strategic effort to neutralise potential opposition to the energy export deal from within the ruling Indonesian Democratic Party of Struggle (PDI-P), with whom Mr Widodo is currently at odds, as Mr Arifin, the outgoing minister, is a PDI-P member.

These regulatory and political manoeuvres reflect Mr Widodo's governance style, marked by a pragmatism that prioritises economic development and attracting investment. While this approach has faced criticism for potentially weakening democratic institutions, it has played a notable role in advancing Indonesia's economic objectives, especially in strategic sectors such as renewable energy.

The Way Forward

As Indonesia transitions to Mr Prabowo's leadership, the future of this governance model – whether it persists or evolves – will be crucial in shaping the nation's economic trajectory and its position in the global renewable energy market.

There is no question that Mr Widodo's style marks a departure from the deliberative decision-making process of the Reformasi era of the late 1990s, which followed the end of Mr Suharto's rule. The current President has favoured a more assertive executive role to drive economic growth. The question on the minds of those who observe Indonesia closely is whether this approach is viable in the long term, especially in an increasingly complex global landscape.

It may deliver short-term economic gains, particularly by attracting foreign investment and advancing key infrastructure projects, but it also risks entrenching a governance model that sidelines democratic accountability. If President-elect Prabowo continues along this path, Indonesia may face a paradox: achieving economic modernisation at the potential expense of democratic deepening.

This could lead to a political environment where dissent is increasingly marginalised, and policy decisions are concentrated in the hands of a few, raising concerns about the sustainability of such a model in the face of future economic or social crises.

Moreover, the reliance on state-driven development strategies could stifle innovation and competition in the long run. While this model has enabled rapid decision-making and policy implementation, it may also create a rigid economic structure that is less adaptable to global market changes.

As Indonesia seeks to position itself as a key player in the global renewable energy market, fostering a dynamic and competitive domestic industry will be crucial. Mr Prabowo's administration will need to balance the benefits of state intervention with the need to cultivate an open, innovative and competitive business environment. How well he strikes this balance could either solidify Indonesia's status as a regional economic powerhouse or present new challenges if the state's role becomes overly dominant.

The Indonesia-Singapore electricity export deal will be a defining test of Indonesia's renewable energy ambitions and, more crucially, of its governance model. If Mr Prabowo can skilfully navigate the complexities of global energy markets while maintaining domestic support, Indonesia could emerge as a leader in renewable energy exports. However, if state control becomes too dominant, the country risks stifling the dynamism that has driven its recent successes. For now, Mr Prabowo has promised continuity in key sectors like energy, yet his stance on the renewable energy export regime remains unclear.

To understand Indonesia's future trajectory, it is essential to move beyond the simplistic "democratic backsliding" narrative and focus on the broader implications of its governance model.

The renewable energy export framework provides a critical lens through which to view shifts in the country's political economy, with significant stakes for both domestic and international stakeholders.

As Mr Prabowo takes office, the choices he makes in the coming years will determine whether Indonesia can achieve a sustainable balance between authoritarian pragmatism and the demands of a modern, competitive economy.

Dr Leonard C. Sebastian is a Senior Fellow at the Indonesia Programme, Institute of Defence and Strategic Studies, S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore. Mr Januar Aditya Pratama is a junior researcher at i-Hi Consulting in Indonesia, specialising in developmental issues, particularly in underdeveloped regions of the country. The original version of this commentary was first published in The Straits Times on 26 September 2024.
