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Prabowo's First 100 Days: Foreign Policy, Trade Challenges, and Bilateral Opportunities

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SYNOPSIS

*Prabowo Subianto took office as Indonesia's new president on 20 October 2024. **Muhammad Haziq bin Jani** reflects on recent trends in Indonesian foreign policy and foreign economic engagement as well as the challenges facing the Prabowo administration. Particularly, he highlights areas where Singapore could cooperate with Indonesia and the hurdles it may need to be mindful of.*

COMMENTARY

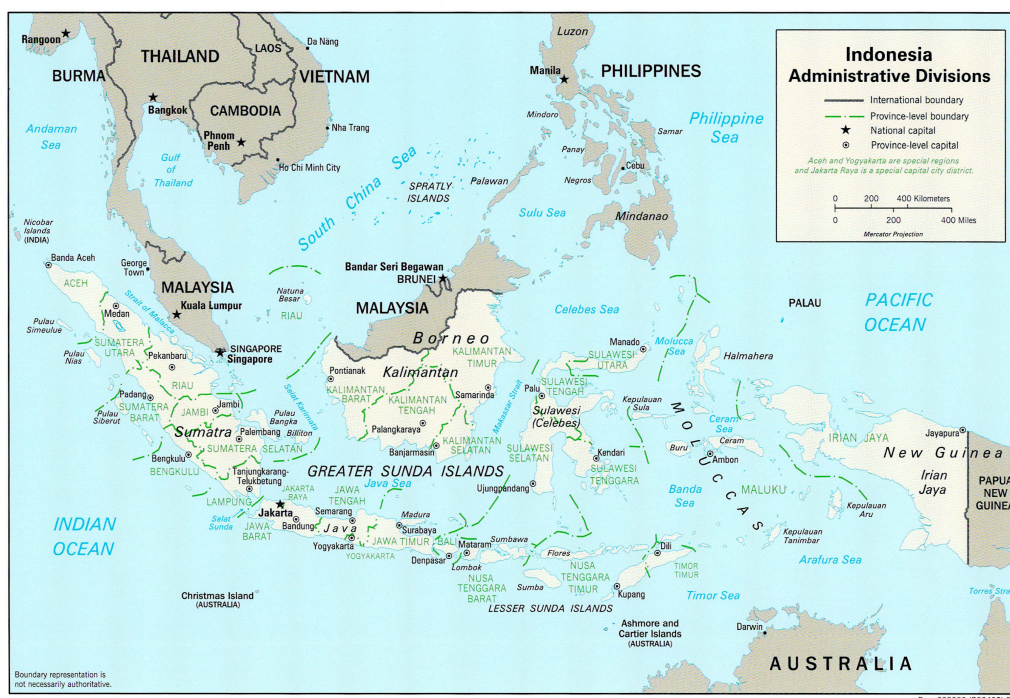
On 9 October 2024, Indonesia's outgoing vice president, Ma'ruf Amin, made his first, and most likely last, appearance at the 44th and 45th ASEAN summits in Laos, standing in for President Joko Widodo ("Jokowi"). The meetings among ASEAN members and those with global powers including China, Russia, and the United States represent the last mark that the Jokowi administration and its foreign ministry would make at a regional platform in which Indonesia has played a significant [leadership role](#).

Vice President Ma'ruf's statements at the ASEAN summits are thus to be taken as indicative of Indonesia's foreign policy priorities at the brink of the country's transition to the Prabowo Subianto administration and amid speculation over who the new president would select to head Indonesia's foreign ministry, and the extent to which he would influence its direction and vigour.

Ma'ruf's speeches indicated Indonesia's desire to capitalise on the region's economic growth, potential and connectivity. He [lauded](#) the Regional Comprehensive Economic Partnership (RCEP) as a "monumental achievement" and the "largest free trade agreement in the world". He also [emphasised](#) the importance of government and business sector collaboration in ASEAN, highlighting the 8.3% decline in intra-ASEAN trade compared to the previous year. An interconnected regional trade and economic

ecosystem would be conducive to Indonesia's ability to reap the rewards of and build upon Jokowi's economic policy of *hilirisasi* or industrial downstreaming. Ma'ruf [welcomed](#) Chile, Sri Lanka, and Hong Kong's intention to join the RCEP.

On the South China Sea tensions, Ma'ruf [emphasised](#) dialogue and respect for international norms, including the 1982 UN Convention on the Law of the Sea (UNCLOS), the ASEAN Treaty of Amity and Cooperation, as well as the Bali Principles. He [proposed](#) reactivating direct talks between high-level officials from ASEAN and the Chinese government and urged that the South China Sea code of conduct negotiations be accelerated.



Indonesia under the new Prabowo administration will have to maintain a delicate balance between enforcing its sovereignty over the waters of the Natunas Besar administrative region, which often see incursions from Chinese vessels, and the economic imperative of maintaining good relations with China. *Image from Wikimedia Commons.*

Prabowo's Foreign Policy Challenges

Although Ma'ruf provided a clear sense of Indonesia's regional foreign policy aspirations, the new president may have a different view of the "continuation" he had based his election campaign on. There are two reasons why Prabowo's foreign policy may depart somewhat from Jokowi's. First, he may want to distance himself from the post-electoral domestic developments that have [dented](#) Jokowi's approval ratings. These include protests over what was perceived as Jokowi's attempt to change electoral laws to allow his youngest son to contest in regional elections. Second, the polyglot Prabowo may want to put his own imprint on Indonesia's foreign policy.

In the months since Prabowo won the presidential election, it would seem that he had already started to chart [a new path](#). While Jokowi showed less interest in foreign policy

than domestic policy, Prabowo has visited more than a dozen countries, beginning with China, to lobby for stronger economic ties. He also visited Turkey and Russia with a view to boosting defence ties. Prabowo is likely to [send a special envoy](#) to attend the 16th summit of the BRICS (Brazil, Russia, India, China, and South Africa) grouping.

Relations with China

One of Prabowo's challenges will be to tread a careful path in relations with China. Indonesia needs to demonstrate clearly its sovereignty over the waters around the Natuna islands, which Indonesia has renamed the North Natuna Sea. In [response](#) to China's incursions into Indonesian waters in the area in 2016, Indonesia had already begun funding upgrades to military facilities in the Natuna islands, where it had established a military presence. That military presence has grown from two infantry companies to a battalion with marine and air defence capabilities. Since then, the Indonesian navy and air forces have had to also [keep up](#) with China's continued incursions into its exclusive economic zone, transferring the Jakarta-based West Fleet Command Headquarters I to Tanjung Pinang, capital of Riau Islands Province, where the Natunas are located, and the First Fleet Command Marine Combat Group to Ranai, capital of Natunas district. These measures [allowed](#) Indonesia to match China's incursions in [size](#) and profile.

Yet, Indonesia also needs to calibrate its approach to North Natuna in line with its broader relationship with China. China has been an [increasingly important](#) source of foreign direct investments (FDI) for Indonesia since the 2008 global financial crisis. Prior to the crisis, China did not figure as a major non-ASEAN source of FDI. However, after launching its Belt and Road Initiative (BRI) around 2013, China climbed its way up to emerge among the top three non-ASEAN sources of FDI. From [2019 onwards](#), as China's electric vehicles (EV) and renewable energy industries grew, China ousted Japan as the top non-ASEAN source of FDI in Indonesia, losing the spot only [once](#), to Hong Kong in 2021.

FDI inflows will be an important consideration for the Prabowo administration, given that it will be inheriting the mega project of building a new capital, Nusantara. Construction of the new capital was [estimated](#) to cost a whopping US\$35 billion, out of which only 20% would come from public funds. Even if Prabowo intends to de-prioritise or slow down the momentum to build Nusantara, he will still be hard pressed to find sufficient sources to fund his own spending plans, which include social welfare programmes – free meals for school-going children and nutritional support for pregnant women – [budgeted](#) at about US\$4.7 billion. Prabowo also has plans to [modernise the military](#), and ensure Indonesia's [food and energy security](#). Meanwhile, infrastructural projects, for which China is a [key investor](#), will continue to be a [priority](#) for the new administration. Prabowo is cognisant of the importance of Indonesia-China relations in this regard. Indeed, China was the first country he visited after he had clinched the presidency. Prabowo has [plans to visit China](#) in November to discuss the project to build a giant seawall from Jakarta to Surabaya.

Protecting Domestic Industries

Even as Prabowo seeks closer economic ties with foreign partners some of the moves made in recent years by the Jokowi government – in which Prabowo served as

defence minister – are calculated to safeguard Indonesia’s interests at the expense of free trade principles. These moves include [blocking the China-based e-commerce app](#) Temu and considering a ban on Apple’s [latest phone model](#). China-based e-commerce applications like Temu and Shein were of concern to Indonesia because their business model threatened domestic micro, small and medium enterprises. As for Apple, its latest iPhone 16 was on the chopping block because the company had fallen short of its investment commitments to Indonesia by about US\$100 million, or more than half of what was promised.

Separately, Indonesia has banned the export of various critical raw materials. For instance, it has announced that it will [halt EV-related raw mineral exports](#), now that it has built up its capabilities to produce value-added products such as lithium iron phosphate cathodes in partnership with Chinese firms. While such trends seem to go against free trade principles, they also open up opportunities for foreign players to invest in Indonesia’s efforts to manufacture value-added products.

Singapore-Indonesia Bilateral Opportunities

Singapore has been a [top FDI source](#) for Indonesia since 2014, having reached highs of US\$13 billion and US\$15 billion in 2022 and 2023 respectively, and already approaching US\$9 billion at the mid-mark of 2024. These amounts included [US\\$9.2 billion](#) worth of investments into renewable energy projects in Riau Islands Province (KEPRI) and the development of a logistics hub in Indonesia’s busiest seaport in Tanjung Priok in 2022.

Singapore is aware of KEPRI’s strategic value for both countries, given its location, and the untapped potential of its blue and green economies. Singapore-listed companies have developed large-scale green energy facilities in KEPRI, which [supported thousands of jobs](#) in their construction phase. However, Singapore’s food security footprint in KEPRI is [limited](#). The two countries may wish to consider mutually beneficial projects that could produce [higher quality](#) fresh produce, such as poultry and eggs, which can support domestic and regional consumption. At the moment, Indonesia is looking to cooperate with [Malaysia](#) in this sector.

Singapore-listed companies have also shown strong interest to [invest in](#) Nusantara. This interest includes investing in [green energy](#). Beyond Nusantara, Singapore has strong interest in cooperating with Indonesia in the development and financing of low-carbon energy infrastructure, the development of new and emerging clean energy technologies, as well as in cross-border electricity trading. The two countries signed a [memorandum of understanding](#) (MoU) in this regard in January 2022. In September 2024, Indonesia’s coordinating minister for maritime affairs and investment, Luhut Pandjaitan, announced that Indonesia would be exporting [2-3 gigawatts](#) of green electricity to Singapore. However, Singapore would need to be mindful of the potential for Indonesia to renegotiate agreements already signed owing to domestic considerations. Four months after the signing of the aforesaid energy-related MoU, Indonesia’s minister of energy and mineral resources, Bahlil Lahadalia, called for a [halt](#) to energy exports, citing domestic consumption priorities. Also, just days after Luhut’s recent announcement, Bahlil said he was [keeping a close eye](#) on whether the sale of electricity to Singapore compromises national needs and economic benefits.

Energy cooperation apart, with the Indonesian Ministry for Education, Culture, Research and Technology [likely to be split](#) to allow the Prabowo administration to manage his different goals at the levels of primary and secondary education, higher education, and research, Singapore may have opportunities to cooperate with its neighbour in ways that can uplift the quality of education across subjects and levels. Such cooperation may have the added benefit of promoting better understanding and relations among the [youth](#) of both countries. There is also the potential for undertaking joint research to produce new knowledge and perspectives that could boost the reputation of universities across the entire archipelago. Such cooperation may not incur billions in investment but could be immeasurably impactful.

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