

Research Report April 2019

INDONESIA INVESTMENTS

“Election Special; At the Crossroads”



Indonesia Investments Research Report

Election Special; At the Crossroads

April 2019



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Preface

Indonesia Investments' monthly research report is written and published by Van Der Schaar Investments B.V. - located in Delft, the Netherlands. The report aims to inform the reader of the latest, most relevant political, economic and social developments in Indonesia as well as those key global developments that are impacting on the Indonesian economy or politics.

Our research reports are intended for a wide audience, including both individual and corporate investors, financial market participants, policy makers, journalists, academics, and analysts.

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Lastly, we would like to emphasize that although we strive to present accurate, up-to-date, and objective information to the reader, Indonesia Investments cannot guarantee the accuracy of all data that is included in this report.



Introduction

Indonesia organized a gigantic and crucial event on Wednesday 17 April 2019. That day, the people of Indonesia visited the ballot boxes for the presidential and legislative elections. It was a huge event, not only from a logistical perspective (for the first time in Indonesian history the presidential and legislative elections were held simultaneously) but also because the results are believed to have crucial and far-reaching consequences for the direction of the world's third-largest democracy.

This presidential election is basically a referendum in which the Indonesian people are asked whether they are satisfied with incumbent President Joko Widodo's reform agenda. Or, whether they - the people - want to take the nation into a different direction. In that case, presidential hopeful Prabowo Subianto is the choice (although it remains unclear in what direction Subianto wants the country to turn, and which specific policy adjustments would be needed to accomplish that).

What is clear is that identity politics (specifically Muslim identity) have played a key role in the 2019 elections. Political actors have been busy showing 'how Muslim they are' in an attempt to gain votes in Indonesia, a country that is home to the world's largest Muslim population and where conservatism has been rising rapidly over the past couple of years (a process that seems to have been sped up considerably by Jakarta having a Christian governor between 2014 and 2017). In the days leading up to the elections, Widodo even went for a quick visit to Mecca to perform the small pilgrimage. Although Widodo also met Saudi Arabia's King Salman to discuss bilateral economic cooperation, particularly in the energy and tourism sectors, it was awkward timing and most likely his last effort to gain some additional Muslim votes at home.

What is also interesting to note is that presidential candidates Widodo and Subianto (a repeat of the 2014 presidential election which was only narrowly won by Widodo) seem to have traded strategies compared to their previous battle. This is most apparent in both men's choice for running mates. While Widodo selected conservative Islamic cleric Ma'ruf Amin as his running mate (an apparent attempt to shore up his Islamic credentials and prevent another outburst of religious tensions as had been seen in Jakarta's 2017 gubernatorial election), Subianto decided (a last minute decision) to select Sandiaga Uno as his vice-presidential candidate. Uno, who had been deputy governor of Jakarta since 2017, is one of Indonesia's richest businessmen (something which surely comes in handy considering the important role of money politics in Indonesian elections). But interestingly enough - just like Widodo and Subianto - Uno actually lacks Islamic credentials. Therefore, teaming up with conservative Muslims or even with radical Muslim groups and organizations has been the strategy to shore up Islamic credentials in the 2019 elections. This is the reason why many analysts have stated that conservative Islam is the true winner of Indonesia's latest elections.

The elections of Indonesia, which went peacefully and smoothly overall, are interesting for three reasons: (1) results are perceived to have a big impact on the future (economic and political) direction of the country, (2) it informs us whether the level of religious tolerance in Indonesia and the level of support for religious pluralism and the secular state have declined, and (3) the presidential election was simply exciting because it seemed to become a very close race again. These three matters - and much more - are explained in great detail in this report.

Based on the unofficial exit polls and quick counts (which have proven in earlier elections to be very reliable indicators), Indonesia's 2019 presidential election was won by Joko Widodo, the incumbent president. We feel this is a positive outcome, simply because with Widodo in office we know what to expect (based on his first administration - in the 2014-2019 period - economic and social development are prioritized). With Subianto in office, on the other hand, we would have entered a period of uncertainty, something which is never good for a country's business and investment climate as well as the whole economy.

We would also like to take this opportunity to thank you for purchasing this April 2019 edition of our report, titled '**Election Special; At the Crossroads**'. We hope it contains valuable information for you!

Lastly, Indonesia's General Elections Commission (KPU) is scheduled to announce the official election results on 22 May 2019. After the official results, candidates have up to 72 hours to file a complaint at the nation's Constitutional Court. In that case, a nine-judge panel will have 14 days to reach a decision (a decision that cannot be appealed). Considering presidential hopeful Subianto, who seems to have lost the presidential election based on the exit polls, does not easily accept defeat, we would not be surprised to see him opt for this route (as he did in the 2014 election).

By the way, those who want to follow the live count of the KPU can open the following page: <https://pemilu2019.kpu.go.id/#/ppwp/hitung-suara/>

Indonesia Investments
Research Department
Jakarta, Indonesia - 4 May 2019

Contact

Office Delft, the Netherlands

Vaandelstraat 42
2611 DB Delft
The Netherlands
M +31 (0)6 27 05 85 32
E info@vanderschaar-investments.com

Representative Jakarta, Indonesia

APL Tower, 16th Floor, T9
Podomoro City (Central Park)
Jl. Let. Jend. S. Parman, Kav 28
West Jakarta - 11470, Indonesia
P +62 (0)21 135 760 830
M +62 (0)8 788 410 6944 (incl. WhatsApp texts)
E info@indonesia-investments.com





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