

Indonesia Investments

A Controversial Surprise

- Why Is Gibran as Vice-Presidential Candidate a Controversial Choice?
- Can the Hamas-Israel War Impact on Economic Growth in Indonesia in 2023?
- The Role of Hydropower in Indonesia's Transition to Renewable Energy
- Bank Indonesia Raises Its Key Interest Rate to 6.00% to Support the Rupiah
- Indonesia's Core Inflation Sinks to Levels We Normally Only See in Crises
- Rupiah May Strengthen in November

OCTOBER 2023

**Van Der Schaar Investments B.V.
CV Indonesia Investments**

Indonesia Investments

Monthly Report – October 2023

‘Road to the 2024 Elections; Prabowo Subianto Pulls a Controversial Surprise’



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Preface

The monthly report of Indonesia Investments is written and published by business consultancy CV Indonesia Investments, headquartered in Yogyakarta (in Indonesia), with the assistance of investment company Van Der Schaar Investments B.V. (based in Delft, the Netherlands). This report aims to inform the reader of the latest, most relevant, political, economic and social developments in Indonesia as well as those crucial international developments that (may) impact on the economy of Indonesia or on its politics.

Our reports are intended for a diverse audience, including individual and corporate investors, financial market participants, diplomats, policymakers, decision-makers, academics, journalists, and analysts.



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Introduction – October 2023 Report

Sometimes it can be hard to find a topic to write about in this introduction. However, the month of October 2023 presented various interesting, even controversial, topics that deserve attention.

Most notably, Indonesian President Joko Widodo's son Gibran Rakabuming joining the 2024 presidential election as Prabowo Subianto's vice-presidential candidate. This is a controversial move on many levels.

Firstly, it required a Constitutional Court ruling to allow 36-year-old Gibran to join the race as, previously, a minimum age requirement of 40 years (without exception) was set in the 2017 General Election Law. Interestingly enough, the Chairman of the Constitutional Court is Anwar Usman who is the uncle of Gibran. This seemingly is a case of conflict of interest. I remember writing about this topic last year when Anwar Usman married President Widodo's sister in May 2022, arguing that it would be wise for Usman to step down from his position at the Constitutional Court. Not because it is a conflict of interest per se when the President and Constitutional Court Chairman are brother-in-law, but because it is a situation that gives the *impression* of conflict of interest, which is a situation that needs to be avoided too. If not, then any ruling by the country's Constitutional Court that favours President Widodo (or other family members) will be met by scepticism. So, in this case, when the Constitutional Court

paved the way for Gibran to join the 2024 election, I immediately thought: “well, that figures”. And this doesn’t leave a good impression of the country.

Secondly, Widodo and Gibran are PDI-P members. PDI-P is the biggest political party in Indonesia, and is chaired –for decades– by Chairwoman Megawati Soekarnoputri. In the context of the 2024 election, the PDI-P threw its support behind Central Java Governor, and PDI-P member, Ganjar Pranowo as the party’s presidential candidate. This decision certainly has a chance of success because Ganjar is a Widodo-like “man of the people” and thus enjoys widespread popularity around Indonesia. Seemingly, Megawati was a bit reluctant at first to support Ganjar as she probably preferred to select her own daughter, Puan Maharani, in an effort to safeguard the continuation of the Sukarno dynasty in Indonesian politics (Puan, however, lacks any significant popularity around the country, and so it would be political suicide for the PDI-P to nominate Puan).

So, the (unexpected) decision of Gerindra Party Chairman Prabowo to join the race with Gibran as running mate (a decision Widodo must have known in advance), feels like a little coup. And indeed, for many years already, there has been speculation that relations between Megawati and Widodo have not been too great. So, it seems that near the end of his decade-rule, Widodo sort of sabotages the PDI-P’s chances in the 2024 election. Moreover, in recent months the word ‘on the street’ in Indonesia was that Widodo actually supports Prabowo in the 2024 presidential race, with the main

reason being that Prabowo supports the further development of the new capital city in East Kalimantan.

It also means the PDI-P is further isolated. Already, it saw nearly all relevant political parties join other coalitions in the road toward the 2024 elections, but now it might also need to face the threat that many Widodo loyalists will back Prabowo-Gibran, instead of the PDI-P's candidate.

Thirdly, what made Widodo a very popular person in the 2000s and 2010s was that he was a political outsider. Unlike most Indonesian political leaders, Widodo did not originate from a politically-connected family, nor did he originate from the army or a family with high religious positions. On the contrary, he has a humble background, hence became known as the 'man of the people' who understood what most people (ordinary Indonesians) experience in their daily lives (contrary to the typical leader that was raised in a palace, or palace-like circumstances).



However, after being Mayor of Surakarta (2005-2012), Governor of Jakarta (2012-2014), and President of Indonesia (2014-2024), this 'bottom-up' effect has waned.

Particularly considering there has now emerged a 'Widodo dynasty' in Indonesian politics. His oldest son Gibran became Mayor of Surakarta in 2021 before joining the 2024 election as vice-presidential candidate. Meanwhile, his youngest son Kaesang Pangarep recently became Chairman of the Indonesian Solidarity Party (PSI). Lastly, Widodo's daughter Kahiyang Ayu married real estate developer Bobby Nasution in 2017 who would become Mayor of Medan (North Sumatra) in 2021. And so, two of his children, and one son-in-law, play important political roles.

It is fair to argue that it is not a coincidence to see a number of close family members suddenly become influential political actors. But this is nothing new to Indonesia. There are quite some examples of family members (specifically politicians' children) turning into politics. Megawati herself is the daughter of former President Sukarno. And, Megawati's daughter Puan Maharani was a minister (in Widodo's first cabinet), before she became Speaker of the House.

Meanwhile, Prabowo's father, Soemitro Djojohadikoesoemo, held three ministerial positions between 1950 and 1978 (and Prabowo was also the son-in-law of former President Suharto). Or, Agus Yudhoyono, son of former President Susilo Bambang Yudhoyono (SBY), who has been eager to follow in his father's footsteps, albeit not as successful. So, seeing the children of Widodo entering politics is hardly a surprise although it does mean that the 'bottom-up' effect is now gone. The Widodo family is now simply part of the country's political elite.

The topic of the 2024 elections in Indonesia is discussed in more detail in one of the articles in this month's report.

Other interesting, perhaps even important topics, discussed in this month's report are to what extent the Israel-Hamas war (can) impact on the Indonesian economy, and the huge pressures that are being felt by the Indonesian rupiah (almost hitting IDR 16,000 per US dollar in late October 2023).

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Managing Director

Indonesia Investments

Yogyakarta, Indonesia

1 November 2023



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- Politics -

Road to the 2024 Elections of Indonesia: Three Pairs of Presidential and Vice Presidential Candidates

There is quite some controversial material to discuss after the Constitutional Court of Indonesia (*Mahkamah Konstitusi*, or MK) paved the way for incumbent President Joko Widodo's eldest son, Gibran Rakabuming Raka (henceforth Gibran), to team up with Gerindra Chairman Prabowo Subianto in the presidential race.

First, back to the basics. The 2024 presidential and legislative elections are a very important moment in Indonesian history as we will see a new Indonesian president after Widodo will end his decade of rule (2014-2024). Considering Indonesian law only allows two presidential terms (five years, each), Widodo is not able to compete in this race.

Having a new person at the steering wheel in this young (and pluralist) democracy could have big implications for the investment environment if policies take a drastic turn, and that is why it is important to take a closer look at recent developments.

Moreover, we now have certainty about the presidential and vice-presidential pairs that are running in the upcoming 2024 election (in Indonesian presidential elections

the presidential and vice-presidential pairs run as fixed, inseparable couples). With the registration deadline recently being moved to 25 October 2023, three pairs were officially registered at the General Elections Commission (*Komisi Pemilihan Umum*, or KPU) in the second half of October 2023. These pairs are: (1) Anies Baswedan and Muhaimin Iskandar, (2) Ganjar Pranowo and Mahfud MD, and (3) Prabowo Subianto and Gibran.

Table 1; Schedule of Indonesia's 2024 General Elections:

Date	Phase
19 October 2023 – 25 October 2023	Political parties (coalitions) officially register their presidential and vice-presidential candidates
28 November 2023 – 10 February 2024	Campaign period
14 February 2024	Election day
14-15 February 2024	Vote counting
15 February 2024 – 20 March 2024	Recapitulation of Vote Count Results
1 October 2024	Members of House of Representatives (DPR) and Regional Representative Councils (DPD) are sworn in
20 October 2024	New President and Vice-President are sworn in

Source: General Elections Commission Regulation No. 3 of Year 2022

[...]

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