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Indonesia's 2024 Outlook: Are There Black Swans on the Horizon?

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SYNOPSIS

*Looking beyond the horizon, the worst-case scenario for Indonesia in 2024 would involve the upcoming general elections lacking legitimacy and prompting domestic polarisation amid major global disruptions. **IIS GINDARSAH** discusses three key themes to watch in the coming year.*

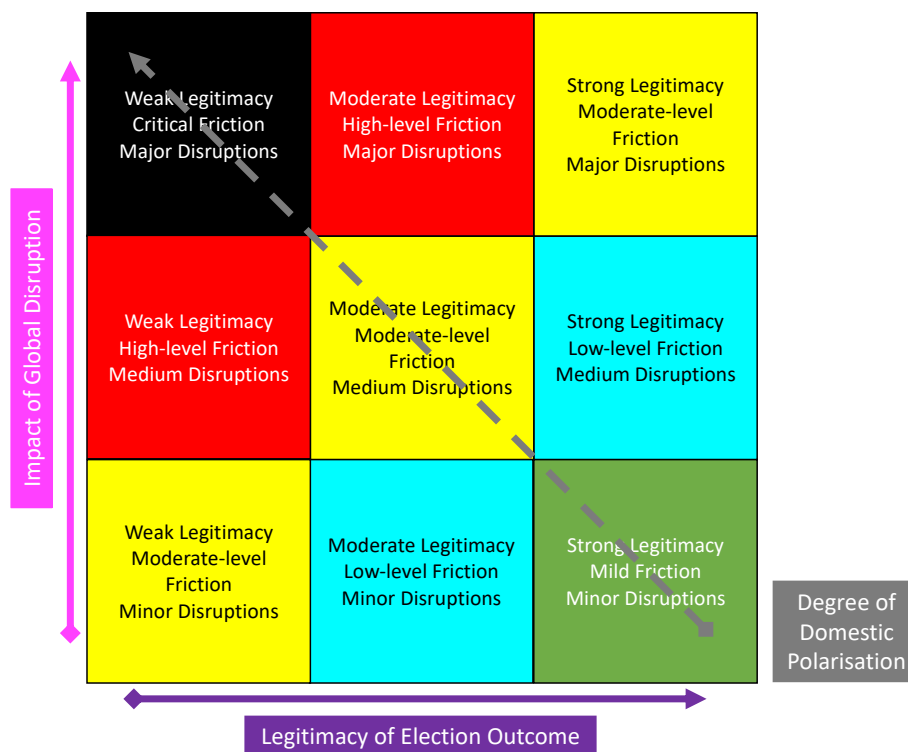
COMMENTARY

As 2023 draws to a close, armed conflicts continue to rage in Gaza and Ukraine. Competition for strategic resources and cutting-edge technologies is reshaping geopolitics and global trade. Given the unprecedented interest rate hikes by central banks in the world's major financial centres, households and businesses feel the effects of high borrowing costs and tight credit conditions.

Combine these developments with issues surrounding the ongoing campaigning for elections in Indonesia. The world's third-largest democracy will hold simultaneous legislative and presidential polls on Valentine's Day 2024. Indonesian voters are typically non-ideological, but they care about what candidates can offer to make their lives more bearable.

Indonesia's political environment next year will be shaped by the integrity of the electoral process, the level of societal or political frictions, and the effects of potential

global disruptions. The varied combinations of these three factors yield nine possible risk scenarios that could affect the country’s outlook in the foreseeable future (see chart).



Legitimacy of Election Outcome: Moderate

Elections have become a permanent feature in Indonesia since 1998, characterised by strong voter turnout and legitimate leadership transitions despite fierce contestation among the political elites. This may not be the case in 2024.

The Constitutional Court (MK) recently made the controversial ruling of allowing candidates below 40 years of age to contest in a presidential election. This ruling paved the way for Gibran Rakabuming Raka – President Joko “Jokowi” Widodo’s eldest son – to run for election as Prabowo Subianto’s vice-presidential candidate. Critics decried the ruling as nepotistic and undemocratic, considering that the court’s chairman, Anwar Usman, is Gibran’s uncle.

The MK Honorary Council’s subsequent view that Usman violated the court’s code of ethics did not nullify Gibran’s candidacy. Nevertheless, the issue will continue to haunt the ongoing electoral process, particularly if there is a dispute over the vote count. The gravity of the situation is exacerbated by enduring institutional problems within the electoral governing bodies. The General Elections Commission (KPU) has been criticised on two grounds: lacking a commitment to uphold the 30% quota for female representation and permitting those who had previously been convicted of corruption

to run for legislative office before the lapse of the mandatory five-year waiting period upon their release from prison.

More recently, the Financial Transactions Analysis Centre (PPATK) reported signs of election-related money laundering, including the use of bank safe deposit boxes for channelling cash. Owing to weak rules on campaign financing, the Election Oversight Agency (Bawaslu) [refrained](#) from taking action on alleged infractions occurring before the official campaign period.

The integrity of the 2024 general elections may be further diluted by government interventions. Local bureaucrats and security officers allegedly undertook [sporadic steps](#) to mobilise support for the Prabowo–Gibran team and undermine their rivals' campaigns. Proving such allegations in a [“structured, systematic, and widespread”](#) manner is a huge undertaking, and past precedents showed that such efforts only prolong social tensions and did not alter electoral results.

Prospect of Political Polarisation: Moderate

President Jokowi and the chairperson of the Indonesian Democratic Party of Struggle (PDIP), Megawati Soekarnoputri, are in a mutual hostage relationship. Ties between them soured after Gibran's shock nomination as Prabowo's running mate, which pitted Jokowi against the ruling party's own presidential nominee, Ganjar Pranowo. On one hand, the incumbent president still relies on PDIP's support to maintain his administration's political stability. On the other hand, PDIP must now come to terms with Jokowi's high approval rating and the coat-tail effect it carries.

While PDIP today has an electoral lead over the other parties in parliament, Prabowo's Gerindra party is narrowing the lead and currently ranks second in [recent opinion surveys](#). PDIP's executives have so far refrained from punishing members of the first family – namely, Gibran and his brother-in-law – for deserting the party. Direct confrontation would alienate pro-Jokowi voters and jeopardise not only Ganjar's electability, but also PDIP's ability to clinch vital seats in the next parliament. Given the issues at stake, Megawati will seek to preserve her party's advantage over Prabowo's party beyond 2024.

A PDIP leader explicitly [pledged](#) recently that the party would not back down from its support for Jokowi for the rest of his presidency. However, the political balance may turn sharply once the parliamentary elections conclude on 14 February. The prospect of the party turning overtly critical of the incumbent government will increase if the election results are not conclusive and there is a presidential run-off in June. The current political rift between Jokowi and PDIP is likely to become overt and intensify, with nastier narratives being put out based on personal relations rather than policy manifestos.

Beyond the political brouhaha, there is little evidence to suggest that voters would be sharply polarised the way they were in the past two elections. [Public polls](#) suggest that only half of the voters are aware of the MK's controversial decision, and they are tolerant of Jokowi's emerging political dynasty. [Data](#) also shows that the majority have faith in the political neutrality of the incumbent president and state apparatuses in the upcoming elections.



President Joko "Jokowi" Widodo remains at the centre of political speculations. Amid volatile external environment, his recent political manoeuvres could turn 2024 into a stressful year for the Indonesian people. *Image from Wikimedia commons.*

Concerns over ideological narratives that could incite anarchic sentiments and mobilise huge crowds are relatively low today. As the presidential candidates are supported by different parties that are part of the ruling coalition and could reconcile at the end of election season, no one will benefit from widespread violence. Yet, in the unpredictable world of Indonesian politics, anything could happen between now and election day.

Impact of Global Disruptions: Medium–High

Foreign policy, with the exception of the Israel-Palestine dispute, is usually an elite-driven issue in Indonesia. The ongoing war in Gaza proves that the Israel-Palestine issue can rally not only Muslim voters but also other constituencies. If the conflict drags on, it could spark Islamist militancy, potentially increasing terrorist threats at home.

The current confrontation between Israel and Hamas could also evolve into a multi-front proxy war and a wider regional conflict. Disruption to oil production and shipping from the Middle East would have a significant impact on global oil prices, in turn prolonging cost of living pressures in oil-importing emerging economies, including Indonesia.

Peace remains elusive for Ukrainians in 2024. If neither side can win a decisive victory, the war is likely to be dominated by factors beyond the battlefield. With Russia

permanently exiting the grain deal brokered earlier this year by Turkey, tensions in the Black Sea may create volatility in international wheat markets.

Moreover, rising temperatures and extreme weather events could fuel global food insecurity. A prolonged El Niño effect will pose a higher risk to crop yields and result in soaring prices across the world for some staple foods. The outlook is particularly concerning for rice-consuming countries like Indonesia. Although the agriculture minister has plans to raise the country's [rice import quota](#), global rice prices will remain high owing to India's recent ban on rice exports. The largest rice-producing country is unlikely to lift the ban before its own general elections, which are due in May. With Indonesia's 2024 general elections approaching, voters are more sensitive to issues such as food shortages and rocketing prices.

The US-China relationship will face more tests in the foreseeable future. Some of these may derive from the results of the upcoming Taiwanese elections. If a pro-independence candidate gains the upper hand on 13 January, China is highly likely to respond with coercive measures.

Cross-strait military tensions would have global consequences as Taiwan's semiconductor industry is severed from the world's supply chain. The European Union and the United States could impose more trade and investment restrictions against Beijing. Non-aligned regional countries – like Indonesia – may be “forced” to choose between China and the West although they have significant economic ties with both sides.

More concerningly, China's use of force could provoke a military intervention by the United States and allied powers. In the unlikely event of a regional war, hundreds of thousands of Indonesian workers in Taiwan are at high risk owing to the practical problems associated with evacuation. The Indonesian government's perceived negligence or failure to ensure their safety would be unacceptable for voters at home.

As they say, life comes at you fast. The policy community will have to ponder what it takes to prevent “black swans” from flying high next year.

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