

## Indonesia

### Overview

With over 270 million citizens, Indonesia is the most populous country in Southeast Asia, the world's most populous Muslim-majority nation, and the world's third-largest democracy (after India and the United States). It has the world's 16<sup>th</sup> largest economy and the 10<sup>th</sup> largest when ranked by purchasing power parity. It straddles important sea lanes and borders the Strait of Malacca, one of the world's busiest trade routes, as well as the Indian Ocean and the South China Sea.

Over the past two decades, Indonesia has become a robust democracy, holding four direct presidential elections, each considered by international observers to have been largely free and fair. In the most recent, held in April 2019, President Joko Widodo was reelected to a second five-year term. The U.S.-Indonesia relationship has broadened in recent years, with closer military and counterterrorism cooperation and a range of new educational, environmental, and energy initiatives initiated in the Obama Administration. Indonesia's foreign policy is guided by its historical role as a leader of the Non-Aligned Movement, and successive Indonesian governments have bristled at the notion of aligning too closely with the United States or with others, including China. Indonesia is an active member in regional diplomatic institutions and a leader of the Association of Southeast Asian Nations (ASEAN), which has a Secretariat based in Jakarta. It chairs the Group of 20 (G-20) in 2022. In June, President Widodo traveled to Kyiv and Moscow, meeting with both Ukrainian President Volodymyr Zelensky and Russian President Vladimir Putin.

Some 87% of Indonesians are Muslim, with the vast majority subscribing to moderate, syncretic forms of the religion. Religious diversity is enshrined in the constitution. Some observers, however, express concern about growing political influence of conservative religious groups who have organized mass demonstrations against non-Muslim politicians. Indonesia also has a recent history of violent extremism: several bombings in Jakarta and tourist center Bali targeted Westerners in the 2000s, and smaller-scale attacks have occurred periodically.

Indonesia is increasingly involved in rising South China Sea tensions. Although the two nations do not dispute sovereignty over any land features, China's extensive nine-dash line claims overlap with Indonesia's Exclusive Economic Zone (EEZ), the coastal area over which a state has the right to regulate economic activity. Indonesian authorities have periodically confronted or warned off Chinese fishing and law-enforcement vessels seen as encroaching on Indonesian waters. In 2017, Indonesia elicited a formal diplomatic protest from Beijing by renaming waters off the Natuna Islands, north of Borneo, the North Natuna Sea, and Chinese vessels have regularly

shadowed or harassed Indonesian fishing and energy exploration vessels in contested waters.

### Political Background

President Widodo, universally known by his nickname "Jokowi," was reelected in April 2019 elections, winning 55% of the popular vote. He campaigned on promises to improve Indonesia's infrastructure and raise living standards, particularly in underdeveloped areas. He has delivered on some of those promises, enacting several economic reform packages aimed at streamlining bureaucratic processes to boost foreign and domestic investment. However, poverty and uneven economic development remain major issues. Indonesia has been hit hard by the Coronavirus Disease 2019 (COVID-19) pandemic, with over 6 million cases reported as of July 22, 2022, the largest number in Southeast Asia. Indonesia also has Southeast Asia's second highest COVID-19 mortality rate, after the Philippines. About 62% of the population was fully vaccinated as of late July 2022.



**Size:** Slightly less than three times the size of Texas, spread over an archipelago of around 17,000 islands, including 6,500 populated islands

**Population:** 270 million

**Religions:** Muslim 87.2%, Christian 7.0%, Roman Catholic 2.9%, Hindu 1.7%, other 0.9% (includes Buddhist and Confucian), unspec. 0.4% (2010 est.)

**GDP (Official Exchange Rate):** \$1.042 trillion (2018 est.)

**GDP Per Capita (PPP):** \$3,894

**Infant Mortality:** 21.93/1,000 live births

**Source:** Graphic created by CRS. Fact information from CIA World Factbook and World Bank, 2020.

Some observers have bristled at Widodo's willingness to bring authoritarian and conservative Islamist voices into his coalition. Defense Minister Prabowo Subianto, a former Army Special Forces Commander, was implicated in a range of human rights violations in the 1990s. Vice President Ma'ruf Amin, a conservative Islamic leader, was chosen at least in part to quell criticism from some Islamic groups that Widodo's government is not sufficiently conservative. Such criticism has been a thorn in Widodo's side throughout his presidency.

## U.S. Engagement with Indonesia

The United States engages Indonesia across a wide range of issues, encouraging Indonesians to deepen their democratic institutions, promote religious tolerance and the rule of law, develop a more liberal trade and investment climate, combat terrorism, and engage on international issues such as maritime security and climate change. In October 2015, the United States and Indonesia upgraded their bilateral “Comprehensive Partnership” to a “Strategic Partnership,” with a minister-level dialogue intended to address maritime cooperation, defense cooperation, economic growth and development, energy cooperation, cooperation on global and regional issues, and people-to-people ties. Most U.S. assistance supports health, environmental, and educational initiatives. Indonesia is part of the Indo-Pacific Maritime Security Initiative, which aims to strengthen Naval and Coast Guard capabilities in the region. In December 2021, the United States and Indonesia signed MOUs on maritime cooperation, education, and the reestablishment of a Peace Corps program in Indonesia.

## Security Cooperation

U.S.-Indonesia security cooperation has deepened over the past decade, with the two militaries regularly conducting around 170 annual engagements, including efforts to deepen maritime security cooperation and to combat terrorism. This represents a sharp change from the early 2000s, when U.S. policies enacted in response to earlier human rights abuses by Indonesian forces severely limited bilateral engagements. In 1999, Congress suspended all International Military Education and Training (IMET) programs with Indonesia after Indonesia’s military and its militia proxies killed over 1,000 in Timor-Leste following Timor’s vote to pursue independence from Indonesia. Programs were restarted on a limited basis in 2002 and, from 2005 to 2010, the United States largely normalized military relations. In 2010, the United States resumed limited IMET programs with the *Kopassus* special forces.

## Militancy and Terrorism

Indonesia has had a long-running issue of domestic militancy, and the Islamic State (IS) has raised concerns among many in Indonesia by conducting recruiting in Bahasa Indonesia, Indonesia’s national language. In May 2018, a set of suicide attacks in Surabaya killed 12 civilians, with at least one attack conducted by a family that had recently been deported from Syria. Indonesia amended its 2003 Anti-Terrorism Law following the Surabaya attacks, lengthening periods for which suspects can be detained without charge and broadening police rights to prosecute those who join or recruit for militant groups. U.S.-Indonesia counterterrorism cooperation is close; the United States and Australia helped to create Indonesia’s elite counterterrorism unit, Densus-88, which has weakened militant groups such as Jemaah Islamiyah (JI), an Al Qaeda affiliate responsible for several bombings in the 2000s.

## Economic Issues

In recent years, Indonesia’s economy has frequently posted growth of more than 5%-6% annually, buoyed in part by favorable demographics (66% of its population is of working age). It is a large producer of natural gas and oil, and a major supplier to the large economies of Northeast

Asia, including Japan, South Korea, and China. It is also the world’s leading exporter of palm oil. Still, about half of Indonesian households are near the national poverty line of \$24.40 per month. Despite its large population, Indonesia is the 26<sup>th</sup> largest U.S. trading partner, ranking below neighbors such as Singapore, Malaysia, and Thailand. Bilateral trade totaled nearly \$37 billion in 2021.

Indonesia has imposed some policies criticized by foreign investors, including foreign ownership restrictions and local content requirements in some industries, and has renegotiated contracts for some energy and mining projects. President Widodo has actively courted FDI, particularly in the infrastructure sector, and in 2021, U.S. investment in Indonesia increased 75% year-on-year, to \$2.5 billion.

## Human Rights Issues

Most observers believe Indonesian human rights protections have improved over the past 15 years. However, abuses still occur, including some by members of the military. Alleged abuses are particularly frequent in areas with simmering secessionist movements such as Papua. Some argue that religious intolerance is rising. Islamist organizations have harassed and attacked minority religious groups, including Christians and other Islamic sects, such as the Shia and Ahmadiyya, and, in 2016, large demonstrations by Islamist groups opposed to Jakarta’s Christian governor raised concerns about creeping intolerance.

Indonesia is labeled a Tier 2 nation in the State Department’s 2021 Trafficking in Persons report, which reported that it “does not fully meet the minimum standards for the elimination of trafficking but is making significant efforts to do so.” Corruption is relatively widespread: Transparency International ranked Indonesia 96<sup>th</sup> out of 180 nations in its 2021 Corruption Perceptions Index, below other Asian nations such as China and India. However, many observers believe that Indonesia’s democratic system and the growth of its independent press and civil society have created a more accountable system in which people can choose their leaders and participate in policymaking through community or nongovernmental organizations.

## Environmental Issues

The United States conducts numerous environmental and clean energy programs in Indonesia, which is among the world’s most biodiverse countries. Indonesia’s record of environmental protection is constrained by weak rule of law and poor land management. Because of deforestation, Indonesia is a major emitter of greenhouse gases—the world’s third or fourth largest when emissions from deforestation are taken into account. Illegal logging remains rampant. In the 1960s, forests covered 82% of Indonesia; today, they cover 49%. Extensive wildfires cause severe air pollution each year. Climate change has led to recurrent poor harvests. In 2022, Indonesia has twice instituted palm oil export bans, increasing the global costs of cooking oil.

*Rangel Fellow Matthew Eng contributed to this report.*

**Ben Dolven**, Specialist in Asian Affairs

IF10247

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.