

# Indonesia's Elections: Anticipating a Photo-Finish

On 9 July Southeast Asia's largest economy, and the world's fourth most-populous nation, will go to the polls for the first time in ten years. As such, Indonesia's third Presidential election has rightly been the focus of global attention. With the race to the finish days away, the polling looks much tighter than originally anticipated, leaving both candidates scrambling for supporters.

In the first of a two-part series on Indonesia's elections we look at each of the candidates, their presidential vision and the expected impact this could have for business in the country.

## Changing of the Guard

The elections come at a pivotal point in the nation's development and for their part, the Indonesian people are looking to elect a new leader who can usher in an era of stability and growth, tackle corruption and narrow the gap between rich and poor. Meanwhile, foreign investors are increasingly concerned by the protectionist rhetoric peppering the speeches and pledges of both candidates.

With one a man of the people and the other a former military general, the two candidates have taken very similar approaches to winning over the populace. Despite contrasting backgrounds, each has adopted a nationalistic stance and likewise taken an economic approach that promotes protectionist policies to safeguard Indonesia's interests, all while criticising incumbent President Susilo Bambang Yudhoyono (SBY) for having sold the country out to foreign business interests.

## Jokowi — Indonesia's Obama?

Jakarta's Governor for the past two years, Joko Widodo, representative of the Indonesian Democratic Party of Struggle (PDI-P) and known to the nation as Jokowi, was a former small-town mayor who has quickly risen through the ranks to become part of the nation's political elite. Frequently likened to President Obama, his man-of-the-people style of governance has proven popular in Jakarta while also delivering results.

Though his vision of reforming Indonesia's torturous bureaucratic system speaks to the people, Jokowi's lack of experience in the national political arena is a concern for many. His selection of the Golkar party's Jusuf Kalla, as Vice Presidential candidate, is a clear attempt to address this and convince voters that he has what it takes.

Kalla is also a smart choice for business. A successful businessman and former VP under President SBY, he brings strong and much-needed business and government connections to the Presidential ticket. With economic independence a priority, the Jokowi-Kalla combination is expected to roll-out some robust, effective economic policies if they reach office.

The Jokowi-Kalla ticket has pledged to protect small and medium businesses, introduce special health and education programs for Indonesia's masses and channel investment to regions outside of Java and Sumatra. It has also said while it remains open to foreign investment it will increase barriers to protect Indonesia's assets.

## Prabowo — A Firm, Patriotic Hand

In contrast to Jokowi's people-centric approach, Great Indonesia Movement Party (Gerindra) candidate Prabowo Subianto, the former commander of Indonesia's Special Forces during the last years of Indonesia's military dictatorship, believes a firm top-down leadership approach is essential to prevent Indonesia from becoming a failed state.

Having reinvented himself as a statesman, Prabowo is a fierce campaigner for the poor, often likened to Singapore's Lee Kuan Yew. He has promised to fight corruption and boost the country's economic growth. However, a legacy human rights-related accusation hangs over his campaign and the allegations, which he defends against vigorously, mean he is banned from travelling to the U.S.

Aware of the challenges this creates for his public image, Prabowo has tapped his support from media moguls Aburizal Bakrie and Hary Tanoesoedibjo and plugged into his nation's deep love of football, reportedly piling his advertising budget into hefty World Cup slots. In an attempt to present a softer image and connect with the masses, he also recently presented prizes at the final of Indonesian Idol.

Running alongside another member of Indonesia's old political guard, former chief economic minister Hatta Rajasa, Prabowo has promised decisive, firm leadership coupled with targeted human development, welfare programmes and protectionist economic policies. Accordingly many commentators believe he is the only candidate tough enough to become a successful President.

### Economic Implications

While the result will undoubtedly have a tremendous impact on companies currently in the country and those interested in expanding into this market, for now the specific business implications of each leader assuming office remains for the most part ambiguous.

Take for example Prabowo's economic policies, which rest on attractive targets for growth, underpinned by clear macro-economic drivers. Although they stand up well next to Jokowi's economic principles, which have been criticised for being too vague, when examined closely they are unrealistically optimistic and likely to be ineffective. As such, it remains to be seen what will actually be implemented when the victor assumes office come October.

### Looking to the Future

While capital markets and the business environment are expected to react favourably if Jokowi is elected, a more unpredictable response is expected should he lose. A recent Deutsche Bank survey found that a Prabowo victory could spark a sell-off for Indonesian assets despite his rejection of claims earlier this year that he is against foreign investment and would be unwilling to work closely with foreign investors.

Whatever the result on 9 July and whomever assumes office later this year, one thing remains certain — there is an aura of hope surrounding this election that the incoming President, regardless of his style of leadership, will bring some much-needed stability and growth momentum to the nation's economy and help ensure it reaches the potential that has for so long been discussed but not yet realised.

*The second part in this series will take a more in-depth look at the candidate elected on 9 July and the potential impact he may have upon the business and investment climate within the country once inaugurated in October.*



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