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Indonesia

Overview

With 258 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 16th-largest economy and the 8th-largest when ranked by purchasing power parity. Indonesia is an active member in regional diplomatic institutions and a leader of the Association of Southeast Asian Nations (ASEAN). 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. Indonesian leaders speak about the nation's central place in the "Indo-Pacific" region—an important strategic concept for the Trump Administration.

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, among other actions, organized mass demonstrations against non-Muslim politicians. Indonesia has also had a recent history of violent extremism: several bombings in Jakarta and tourist center Bali targeted Westerners in the 2000s, and the persistence of smaller-scale attacks raises concerns about the influence of the Islamic State and dangers posed by Indonesians returning from the Middle East. 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.

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. Some Indonesian trade and economic regulations are of concern to the United States. Corruption is widespread, and Indonesia is among the world's largest greenhouse gas emitters, due in part to extensive deforestation, both legal and illegal.

Political Background

Indonesia has undergone a significant transformation since the 1998 fall of its longtime authoritarian leader, President Suharto. The country has since become a robust democracy, holding three direct presidential elections, each considered by international observers to have been largely free and fair. The most recent, in July 2014, elevated Joko Widodo as president. Widodo, a former businessman and mayor, is Indonesia's first president not to have emerged from either the military or an elite business family.

Widodo has struggled with a shifting political coalition, as rivalries between parties, and even within Widodo's PDI-P party, have complicated governance. His government has

introduced several economic reform packages, largely aimed at streamlining bureaucratic processes to boost foreign and domestic investment. Widodo is expected to run again in 2019, and other prominent figures—notably Prabowo Subianto, former head of Indonesia's special forces unit, Kopassus, who finished second in the 2014 polls—are positioning themselves for presidential bids.

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 climate change and maritime security. In October 2015, the United States and Indonesia upgraded their bilateral "Comprehensive Partnership" to a "Strategic Partnership," with an annual 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. In January 2018, on a visit to Jakarta, Defense Secretary James Mattis said: "We probably engage with the Indonesian military more than any other nation anywhere in terms of mil-to-mil engagements."



U.S. assistance to Indonesia totaled \$123 million in FY2017 compared with \$128 million in FY2016. Most U.S. assistance supports health, environmental, and educational initiatives. Indonesia is part of the Southeast Asia Maritime

Security Initiative announced in 2015, which aims to strengthen Naval and Coast Guard capabilities in several nations, under which it received \$10 million in FY2017.

Security Cooperation

U.S.-Indonesia security cooperation has deepened over the past decade, with the two militaries conducting dozens of regular 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 with Indonesia, bringing professionalization and human-rights training to much of the Indonesian military. In 2010, the U.S. also resumed limited IMET programs with Kopassus.

Widodo's government has announced plans to increase military spending to 1.5% of GDP from levels below 1%, focusing particularly on maritime capabilities. Indonesia has been increasingly involved in rising South China Sea tensions. Jakarta does not consider itself to have a formal territorial dispute with Beijing, but 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 officials regularly voice concern about maritime behavior they see as overly aggressive, and 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.

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. Indonesian officials have outlawed public expressions of support for IS. Indonesia is also considering amendments that would strengthen its 2003 Anti-Terrorism Law.

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. JI was responsible for the Bali bombings in 2002, which killed 202 people including 7 Americans. Indonesian authorities have found and killed many of the country's most prominent militants, but the persistence of incidents like the May 2018 attacks in Surabaya points to the continued dangers posed by militant groups and leaders.

Economic Issues

In recent years, Indonesia's economy has frequently posted growth of more than 5%-6% annually, buoyed in part by its favorable demographics (66% of its population is of

working age). It is a large producer of natural gas and oil, and is a member of the Organization of the Petroleum Exporting Countries. 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 26th largest U.S. trading partner, ranking below neighbors such as Singapore, Malaysia, and Thailand. Over recent years, Indonesia has imposed some policies criticized by foreign investors, including foreign ownership restrictions and local content requirements in some industries, as well as renegotiation of contracts for some energy and mining projects. President Widodo has sought to lift bureaucratic obstacles facing FDI, and has actively courted more foreign investment, particularly in the infrastructure sector.

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 2017 Trafficking in Persons report, which calls it a "major source country and, to a much lesser extent, destination country for women, children and men subjected to sex trafficking and forced labor." Corruption is widespread: Transparency International ranked Indonesia 96th out of 180 nations in its 2017 Corruption Perceptions Index, below other Asian nations such as China and India. However, many observers believe that Indonesia's democratic development 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

Indonesia is among the world's most bio-diverse regions, but its 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. The United States conducts numerous environmental and clean energy programs in Indonesia. A \$600 million Millennium Challenge Corporation (MCC) compact took effect in 2013, with about \$332 million devoted to a "Green Prosperity" program aimed at renewable energy and land management.

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