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## Indonesia's election points to a multipolar, nationalistic world

Prabowo Subianto's apparent victory in Indonesia's presidential election, after several failed attempts in the past, is much more than a domestic issue. It is an important indicator of a global shift toward more nationalistic leaders. If his victory is confirmed, Prabowo will preside over a decisive few years for Indonesia, not only because it will need to maintain high economic growth to create a middle-income class, but also because of its evolving role in the world.

In the arena of strategic competition between the US and China, most countries are being pushed to take sides. Only very few are large and relevant enough to create their own space of influence. India is one, with Prime Minister Narendra Modi heading toward a third mandate and starting to compete with China for leadership of the Global South. The question is whether Indonesia, the fourth most populous country in the world, can become a relevant middle power, contributing to multipolarity, instead of cold-war-type bipolarity.

That potentially positive contribution of Indonesia to the world needs strong leadership, which Prabowo has tried to show during his campaign. The strength seems to be there, at least when measured in terms of Prabowo's much more nationalistic discourse compared with outgoing President Joko Widodo. As for other factors, only time will tell.

Beyond strength and leadership, Prabowo will need to deliver on two fronts: economic growth and foreign policy.

For the former, the US\$1.4 trillion economy will need to become much bigger by maintaining the 5% average growth rate achieved under Widodo, if not more (which Prabowo has already set at a desired 7%). Maintaining high growth rates is essential for Indonesia to avoid the middle-income trap, which neighboring powers like Thailand seem to have fallen into. To that end, Indonesia will need to stay open to foreign direct investment, which surged to a record high of \$47 billion last year.

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Indonesia's new "El Dorado," nickel, with 42% of global reserves, should provide tailwinds, but its diversification strategy – namely becoming an industrial power to refine and produce electric vehicles (EVs) – will be harder to achieve. This is all the more the case since nickel prices are down and overcapacity in EVs is already looming in China.

A third important issue is Widodo's legacy in terms of economic dependence on China. For the sake of economic growth, he reached a Faustian deal with China from infrastructure to commodities, and with a huge concentration of imported Chinese goods.

As for foreign policy, Widodo's legacy is more mixed. Indonesia has not managed to lead the Association of Southeast Asian Nations (ASEAN), which would be rather natural given that it outsizes the bloc's nine other members, and notwithstanding its presidency in 2023. Indonesia's presidency of the Group of Twenty in 2022 was a tour-de-force given that it was immediately tainted by the war in Ukraine and the radically opposed views on the G20 role between the West and Russia, supported by China.

From this standpoint, Prabowo has been crystal-clear during his campaign on bringing Indonesia to the world stage as a key Asian power. The irony, though, is that this might run counter China's interests, which remains an important supporter of Indonesia's growth. In other words, Prabowo will soon realize that his economic and foreign-policy objectives may not be aligned with Beijing's.

The positive news is that Widodo seems to have cautiously opened the door to a less pro-China policy, to support Indonesia's middle-power ambitions. First, Widodo did not join the BRICS' expansion, as other key emerging economies did (especially Saudi Arabia) while formally applying for membership to the Organization for Economic Cooperation and Development (OECD).

All in all, one should expect Prabowo to follow Widodo on economic policies while becoming more outspoken on Indonesia's global role, which also means that a twist will be needed on China's role in the Indonesian economy. The buzzword may be diversification (probably not de-risking yet) on the grounds of a more nationalistic agenda. Striking the right balance between the economy and foreign-policy ambitions will be the key for Prabowo's success as the incoming Indonesian president.

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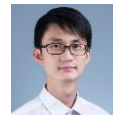
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