



# Delhi Policy Group

Advancing India's Rise as a Leading Power

## EAST ASIA EXPLORER NOVEMBER 2025

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**Delhi Policy Group**

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*The views expressed in this publication are those of the authors and should not be attributed to the Delhi Policy Group as an Institution.*

## Cover Images:

Indonesian President Prabowo Subianto and Minister of Defence of Indonesia, Sjafrie Sjamsoeddin attended the 80th Anniversary Commemoration Ceremony of the Indonesian National Armed Forces (TNI) held at the National Monument (Monas) Silang Field, Jakarta, October 5, 2025. Source: [President of the Republic of Indonesia](#)

Japanese Prime Minister Sanae Takaichi giving a policy speech to the 219th Session of the Diet, on October 24, 2025. Source: [Prime Minister's Office of Japan](#)

President of the Republic of Indonesia, Prabowo Subianto outlined his strategic achievements during the celebration of his first year in office, on October 20, 2025. Source: [President of the Republic of Indonesia](#)

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## Contents

### **Defence Spending In The World's Largest Archipelago: Puzzles and Perspectives**

*Satish Chandra Mishra* ..... 1

### **Japan Refuses to Take the Bait in Sino-Japanese Diplomatic Row over Taiwan**

*Pradeep Taneja*..... 10

### **Prabowo's First Year: Indonesia at a Crossroads**

*Jayantika Rao T.V.*..... 14

## **Defence Spending In The World's Largest Archipelago: Puzzles and Perspectives**

by

Satish Chandra Mishra

### **The Paradox of Indonesian defence spending**

One of the noticeable paradoxes of Indonesian development and security policy is the remarkably low share of its national defence expenditure as a share of its real GDP, over a 75-year period, following independence from Dutch Colonial rule in 1949.

The puzzle turns into a riddle, once one recalls that independence, or Merdeka, was the result of a military struggle against the Dutch from the declaration of Independence (Proklamasi), on August 17, 1945 to December 27, 1949; considerably longer than the war on the Korean Peninsula.

The creation of PETA, (the Defenders of the Homeland), a volunteer military organisation, with Japanese advice and training, ensured that after independence, the military was seen as a critical contributor to Indonesia's freedom struggle and a valuable resource to its post-independence development. The Dwi Fungsi, (dual-role) doctrine was to give a central role in the administration of the country until the advent of democracy in 1999.

By the 1960s, ABRI, as the Indonesian military was called, had already begun to exert its presence from Central government to remote villages and neighbourhoods under its territorial arm. Public displays of uniforms, from security guards to District Bhupatis and Provincial Governors, appointed by the President, wore spotless white uniforms with gold badges and Merah-Putih (red and white) national signia; a practice that remains popular in Indonesia's even today.

The mid-60s also brought the cold war to Indonesia with unimaginable ferocity. A reported 500,000 plus people were killed in a cull of left-wing supporters, not only communists in the Indonesian country side as well its cities. For all practical purposes, the starting years of General Suharto's New Order government in the mid 1960s, witnessed a physical liquidation of the any social democratic political force and remade the political map of the future Indonesia for decades, right up to now.

The inescapable conclusion is that the Indonesian military has been an overwhelming political force for much of the post-independence period. The Reformasi movement that swept Jakarta and parts of the country following the outbreak of the Asian Financial Crisis, ended Suharto's New Order. Notwithstanding the anti-military rhetoric of civil society and student activists in the Reformasi movement, the advent of democracy did not result in the rise of openly anti-military political parties. Public memory and nationalist folklore still perceived the Indonesian military, from the days of Soekarno, as the saviour of the nation. For many, the Indonesia's Big Bang decentralisation and the early chaos of its establishment only served to decentralise corruption with the emergence of the new Raja Kecil (petty king). In fact, with the election of General Susilo Bambang Yudhoyono for two five-year terms (2004-2009, and 2009-2014), and now General Prabowo Subianto, elected in October 2024 for an initial five-year period, 15 out of the 30 years of Indonesian democracy, (from 1999-2029), would have been governed by former military generals.

The story does not end there. Both Susilo Bambang Yudhoyono and Prabowo Subianto also played a role in the 'civilian oversight of the military'; the former as the Coordinating-Minister for Political, Social and Security Affairs between 2000-2001 under President Abdurrahman Wahid (Gus Dur), and as the Coordinating-Minister for Political and Security Affairs from 2001-2004 before being elected President. In a similar vein, Prabowo Subianto, served as Indonesia's 8<sup>th</sup> Minister of Defence between 2019-2024 under President Joko Widodo (Jokowi).

Given the above, it is surprising that defence spending in Indonesia is not only significantly lower than many of its South East Asian and South Asian neighbours today. It is even more puzzling that it should have remained remarkably low throughout the entire period following independence in 1949.

Given Indonesia's dominant place in ASEAN, its emergence as a significant middle-income power on the globe, its new membership of the BRICS and a recent host of the G20, the on-going disputes with China regarding the Natuna Islands in the South China Sea, and the dominant role played by the military in Indonesia's political, economic and social life, an understanding of the noticeably small share of its defence budget to GDP is a necessary background to any strategic engagement with it in the near future. Some of the key issues surrounding the size, adequacy and trajectory Indonesia's defence budget are discussed below.

## **Vagaries of Indonesia's Defence spending: Military business and Self-funding**

While almost everyone acknowledges that Indonesian defence spending is lower than most of its neighbours and insufficient to meet the needs of protecting its vast coastal areas, measuring precisely how much is spent on defence is not as easy as it might appear. Deciphering government budgets of any kind is a difficult exercise. It is easy to get caught up in methods of classification, current and capital budgets, revisions and adjustments following inter-agency negotiations. Budget approvals can vary significantly from actual end of the year expenditures. Sudden threats or emergencies can trigger supplementary budget provisions that override usual clearance approval processes, as happened following the Aceh Tsunami in 2004. Where defence infrastructure is financed by multiple government and international or private sector sources, working out how much a country spends on defence in a given year is always an approximation. Sometimes, revisions and reviews of past budgetary expenditures can themselves take years.

An important added complication in working out the share of Indonesia's defence spending actually covered by the government budget. Given the common practice of meeting only some 25-30 percent of the defence budget from the formal government budget (APBN); by permitting the establishment of formal military owned businesses through tax exempt Yayasan (foundations) or Kooperasi (co-operatives); turning a blind eye to income received from business partnerships with large mining and trading concerns; and the reverse flow of funds, from cash cows such as the state petroleum company (Pertamina) or Argricultural/food logistics agency (Bulog), to government leaders, has been a common *modus operandi* during the first 60 years of post-independence governments.

### **Democracy and Military Business Reform: Good ideas and intentions**

Article 25 of Law number 3/2002 and Article 66 of law no 34/2004, saw a change in direction prompted by the principle of Civilian control over the military in Indonesia's new democracy. These laws specified two inter-linked rules. First, The TNI (Tentara Negara Indonesia: Indonesian military) was to be exclusively funded by the public budget. Second, the TNI was prohibited from participating in business. Article 76 of law no 34/2004 also stated that "withing five years, the government must take over all business activity that are owned and operated by the military, both directly and indirectly".



The intention of these laws was unequivocal. They would spell an end to the 25/75 percent funding rule for Indonesian defence. Ideally, post 2004 defence budgets, would be a reasonable accurate reflection of defence spending than the period before it. If that were true one should expect a one-time upward correction of the total expenditure on defence and its share of public expenditure, and other things being equal as a share of GDP.

World Bank's public expenditure data for Indonesia show no such upward adjust in military expenditure to aggregate public spending. In fact, the opposite was true. The share of military spending declined after 2004, from around 4.5% in 2004 to just over 3% in 2010 and back to around 5% in 2015 and declining slightly afterwards. The estimated share of military expenditure to total was 3.92 % in 2023, and represented a mere 0.68% of the country's GDP in that year. This is much lower than the 1.85% of GDP for several other comparable countries in South Asia. The estimated total military budget in 2024 was around USD 11.04 billion against a total public expenditure of USD 214 billion.

### *Drowned in quagmire of data and self-interest*

The answer is simple. Articles 25 and 66 were lost in implementation. First, the progress of business divestment was painfully slow, bogged down in inter-agency team operations designed to enforce it. In fact, by 2007, three years after the initial laws were passed, the military did not have a straightforward reform plan for military businesses. By the end of 2007, the TNI ran 23 foundations, more than 1000 cooperatives and over 55 companies.

Progress was so slow as to compel President Yudhoyono to sign Presidential Decree No 43 of 2009, on the takeover of TNI businesses, just *five* days before the five-year deadline specified by article 76 above. But 'takeover' in this context did not require the military to give up its business. Partial restructuring of the instruments through with investments were held would suffice.

In the end, the argument that without significant increase in the military budget sufficient to cover not only purchase of military hardware, operations and maintenance costs but also the social welfare expenses related to personnel. The justification for military businesses was to provide an avenue for self-help for soldiers' pensions, housing, medical treatment and family welfare. This was only a very partial truth. Collaboration between military and private business spanned over both legal and illegal areas: including security guards and protection payments, leasing of public land for profit, illegal logging, and corruption through inflating the cost of military purchases. Given the close

alliance between the New Order regime, large private businesses and the military, entangling ownership, management responsibility, profit sharing and multiyear investment commitments would have taken several years let alone use this intelligence to ensure transfer of such entities to non-military buyers.

Such problems of identifying who owns who and what were hardly unique to Indonesia. The difficulties faced by the Justice Das Gupta Commission in India in 1964, the Hazari Committee (1967) and others illustrated in some detail data complexity, overlapping directorships, absentee ownership and falsification of company accounts that impeded the enactment of an effective anti-trust law in India. The Indonesian problem was rendered more severe through the involvement of a third political and business party: the TNI. The history of partial self-finance from the earliest years after independence, the doctrine of Dui Fungsi that ensured military personnel access to national financial and investment projections and programmes, all hindered the rapid implementation the reforms of 2002 and 2004.

The result was half-heartedness, confusion, collusion with inter-linked private businesses. The 1997/98 Asian Financial Crisis was to reveal the cost of such self-interested arrangements. It triggered a dramatic crisis of private debt centred on Indonesia's pocket banks owned by its large conglomerates, subsidised by its central bank and planning authorities. The cost was around 70 billion USD public provision for bank restructuring and an output fall in 1998 of close to 21% of GDP in a single year. It unleashed a political storm that spelt the end of Suharto's New Order.

### **Nation building and economic development remained public expenditure priority**

Discussions of Indonesian defence spending do not only revolve around the degree of self-funding and the volume as well as fluctuations in such expenditure over time. Even ignoring much of the 1950s as a period of budgetary uncertainty and policy experimentation, especially with respect to non-alignment, self-determination and solidarity with other countries emerging from long periods of colonial rule as in much of Asia and Africa, the rapid expansion of defence capabilities did not occupy the public imagination. Development not defence was the order of the day. The military was used to foraging for resources even prior to Merdeka. With an exhausted post Second World War world, recovery from old wars rather than preparation for the new seem be a more realistic security stance. Border security would not trump food,



health and job security, the repair and building of government infrastructure, village irrigation systems and turning a sea of diverse islands into a modern nation.

The low proportion of defence spending to aggregate public expenditure was therefore constrained by the relative priorities given to different elements of the overall budget. The 1950s Indonesia was a country of islands and villages, with very few towns and cities and a single digit proportion of the urban to total population, even adopting a rather liberal classification of even overgrown villages in Java as towns.

Besides agriculture, trade remained the major economic occupation of the day. The ravages of the Second World War and the disruption of sea transport networks weakened pre-war supply lines. The eradication of poverty, the elimination of illiteracy and the resumption of trade and finance was the order of the day. Defence was relegated into the background. The full force of the Cold War, and the proxy wars that it spawned were still a few years away. Defence spending was low because it could the military could self-fund a large share of perceived needs without burdening the public purse. Defence spending was not only low in aggregate terms but also relative to expenditure on other sectors. Nation building, basic needs and economic development remained at the heart of public policy of the time. Armed confrontation did break out between Indonesia and Malaysia towards the end of the Soekarno's rule in 1963-1966, resulting from Indonesian opposition to the carving out Malaysia from the Federation of Malaya, but it remained a lukewarm affair. The fall of Soekarno was through such "konfrontasi" to a quiet end.

The advent of democracy in 1999, brought many other claimants to the fiscal table. "Big Bang Decentralisation" in 2000 turned Indonesian public administration up side down. At one stroke, a centralised government system built on authoritarian military leader and an appointed Provincial Governors, usually also from the military, was dismantled in favour of district or regency government in 390 such entities. The Bupati and the Wali Kota (district and municipality heads as against provincial governors became the focus of local public finance and political power. The construction of district and municipality offices and transfers triggered by decentralisation sucked out the fiscal oxygen from the public budget. Defence, in absence of any immediate security threats remained relegated to the background.

Public finance faced not just demand but also endemic supply side barriers. According to some estimates 90 percent of Indonesia's economy, even by the beginning of political democracy, was classified as 'unorganised' or 'informal'; in other words, outside the registered licensing or tax system. Business informality and institutional corruption led to poor levels of revenue to GDP ratios for much of the last five decades. It remained less than 10% of GDP in the 1960s and 1970s, rising to around 12% of GDP between 2001-2019, and currently between 12-13 percent.

The relatively low priority placed on defence illustrated by the Constitutional requirement established in 2004, to allocate 20% of the public budget to education, the establishment of universal health insurance and the joint-financing of large-scale infrastructure projects in the last decade, all kept defence budgets lower than other sectors notwithstanding the steady growth of Indonesia's real GDP at between 5-6 percent per annum. Defence spending in Indonesia has thus suffered from three sets of inter-connected road blocks: the tradition of non-transparency, self-funding through military business; competing development priorities and the structurally low revenue to GDP ratios.

The above structural barriers were compounded by a nature of major financial, environmental and health shocks that required emergency diversion of scarce public finance. Bank restructuring in the course of the 1997/98 Asian financial and economic crisis (Indonesia's Krismon), the 2004 Tsunami, the 2007/2008 International financial collapse and capital flight, following the demise of Lehman Brothers, international pandemics such as SARS and COVID all served to generate an acute fiscal squeeze on the Indonesian economy.

Economic philosophy and macroeconomic orthodoxy also played its part. The unusual access and influence of the World Bank and other IFIs in Indonesia on economic policy making, and their exposure to the cautious macroeconomic education of prominent schools in the US, led to a preference for budgetary 'prudence' and near-balanced budgets. The near absence of social democratic or Neo Keynesian schools of thought in Indonesia's political system, the decline of trade unions, and the irrational fear of inflationary pressures in absence of any evidence towards Indonesia's proneness to inflationary expectations led it to prefer monetary policy and fiscal restraint at a time when budget deficit of between 3-5% of GDP would have made more development and growth sense. Defence, technological research and environmental protection would have

provided more dynamic use of public funds than irrational fear of accelerated inflation.

### **Defence needs and defence funding: demand side issues**

Adequacy of defence funding is not a matter of resources alone. It has to be judged against anticipated security threats, the cost of defence equipment, the transport and cyber technologies needed in modern warfare and the supporting domestic industrial and logistical capabilities that new methods of war might demand. A case can also be made for the development of a domestic armaments and transport industry, given disruption of old strategic alliances as well as the reliability in the availability of defence imports. This and the emerging tensions in the South China Sea, the continuous retreat of globalism and the creation of a new Multipolar world in addition to the remarkable speed of AI technology, all demand a fresh look at Indonesian defence capabilities, vulnerabilities, threat assessments and needs.

While the demand side aspects of defence funding require a separate paper, it is worth noting that with over 17,000 islands, securing Indonesia's maritime borders is an urgent priority. It is also true that much of Indonesia's military inventory is outdated and many parts of its equipment are too old or need urgent repair. Clearly, urgent modernisation and interoperability with external partners is the need of the day.

With these factors in mind the current Indonesian government under President Prabowo Subianto has increased military budget allocation from IDR 135 trillion in 2024 to 156-165 trillion in 2025, with an expected further expansion to Rp 187 trillion in 2026. The idea is to move from the current 0.89 percent of GDP now to 1.5 percent by 2028.

By all accounts, the Prabowo Presidency has launched the largest organisational and economic upgrade and expansion since the New Order with new regional army commands, special forces groups, naval bases, air force commands and territorial battalions. Given the politics of Reformasi and the fear of military resurgence in national politics, such proposed modernisation of the TNI is often viewed with suspicion. Yet, given both the uncertainties and the complexities of the rapidly evolving world order, and the role Indonesia has begun to play as a fast-rising middle power, the time for a closer attention to modernising the TNI and ensuring budgetary provision for this to happen might well have come. It is also an opportunity to strengthen defence alliances, joint programmes and

strategic partnerships with like-minded neighbouring countries, such as India. A closer understanding of mutual capabilities and constraints is a good starting point.

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## Japan Refuses to Take the Bait in Sino-Japanese Diplomatic Row over Taiwan

by  
Pradeep Taneja

Japan has carefully avoided escalating tensions with China over Prime Minister Takaichi's comments on Taiwan, seeking to maintain the delicate balance in East Asian geopolitics. Delivered on November 7 during a budget committee session in Japan's House of Representatives, Takaichi's remarks have not only reignited bilateral frictions but also drawn the United States and the United Nations into the controversy. Despite a flurry of commentary in Chinese newspapers and statements by Chinese diplomats, some of it using highly intemperate language, Japan has sought to douse the fire by calling for diplomatic discussions without recanting the PM's remarks.

### What Triggered China's Reaction?

The trigger was Takaichi's explicit linkage of a Taiwan contingency to Japan's legal threshold for military action. In response to a question from an opposition lawmaker on "survival-threatening situations", she outlined a hypothetical situation: "If warships are used, accompanied by the exercise of military force [to bring Taiwan under Beijing's control], then however you look at it, it could be a situation posing an existential threat to the country." She extended this to scenarios involving U.S. warships breaking a Chinese blockade, implying Japan Self-Defence Forces' involvement in defending alliance assets.

According to a provision under Japan's 2015 security legislation, a "survival-threatening situation" is "a situation in which an armed attack against a foreign country that shares a close relationship with Japan occurs, (underlined in the original) thereby threatening Japan's survival and presenting a clear danger by which the rights of its people to life, liberty, and the pursuit of happiness will be fundamentally overturned."<sup>1</sup> Such a situation would enable Japan's participation in collective self-defence.

While past Japanese prime ministers have maintained strategic ambiguity on the exact circumstances under which the above provision may be applied, Takaichi linked her remarks to a Taiwan Strait crisis, thus attracting China's

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<sup>1</sup> Mifune, Emi. November 2025. "China's Public Opinion Warfare and Psychological Warfare Surrounding the "Survival-Threatening Situation" Statement and Implications for Japan-China Relations." The Global Forum of Japan (GFJ). <http://www.gfj.jp/e/commentary/251125.html>

wrath. Although it must be said that Takaichi was careful not to refer to Taiwan as another country – instead referring to it as “another region” – one can only imagine how China would have reacted had she referred to it as another country.

Beijing interpreted the Japanese prime minister’s comments as a direct challenge to its claims of sovereignty over Taiwan. China's fierce response was not an isolated outburst, but a calculated reaction rooted in what it regards as “the core of its core interests” and historical sensitivities. The timing of Takaichi's comments could not have been more inopportune, coming just days after her October 31 meeting with President Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) forum in Gyeongju, South Korea, where both leaders pledged to foster “stable and constructive” ties. China was already wary of her views on the Taiwan issue and her links to the island giving her April 2025 visit to Taipei – where she met Taiwanese President William Lai – and her posting of photos on social media with Taiwanese representatives at the APEC meeting on November 1, which Beijing had immediately protested as a violation of its “One China” principle.

For China, Taiwan remains an “inalienable” territory, with reunification framed as a historical imperative tied to the post-World War II order, including the Cairo and Potsdam Declarations. Takaichi’s rhetoric evoked accusations of the “revival” of Japanese militarism in Beijing, resonating with collective memories of imperial aggression, such as the 1937 Nanjing Massacre. This was amplified by domestic nationalism in China, where state media like the *People's Daily* decried the remarks as “sinister” and the “first threat of force” against Beijing in 80 years.

China deployed all the tools of statecraft to intensify pressure on Takaichi to retract her comments. Its pressure tactics included mobilising public opinion. China’s President Xi Jinping directly raised the issue with the United States President Donald Trump in a phone call. But China has so far shied away from orchestrating protests outside the Japanese embassy in Beijing as it has done in the past.

China also issued travel advisories urging Chinese people to avoid Japan (citing “safety risks”), suspended beef import talks, and halted cultural exchanges, including film releases and student programs. China’s Ambassador to the United Nations, Fu Cong, sent two letters to the UN Secretary-General António



Guterres on December 1, decrying Takaichi's words as the "greatest challenge" to bilateral ties and a "violation of international law".

Earlier, on November 8, China's Consul General in Osaka, Xue Jian, posted on X (formerly Twitter) that "the dirty head that sticks itself in must be cut off," evoking wartime decapitation imagery while referring to Takaichi's remarks. Japan [condemned](#) his post as "extremely inappropriate" and summoned the Chinese ambassador to foreign ministry. The US ambassador to Japan, George Glass, also weighed in on social media, saying that the Chinese diplomat had threatened the Japanese prime minister and urged China "to behave like the "good neighbor" it talks repeatedly about."

Chinese Foreign Ministry spokespersons Lin Jian and Mao Ning lodged "solemn protests". On November 14, Vice Foreign Minister Sun Weidong summoned Ambassador Kenji Kanasugi, insisting Takaichi "immediately correct and retract" her "egregious" statements, warning Japan would "bear all consequences" otherwise. This was the first such action in over two years. China also warned Japan of a "crushing defeat" for any Japanese intervention. In a post on X, the former editor of China's Global Times, Hu Xijin, called the Japanese prime minister an "evil witch" – a new low even for Hu Xijin.

While Takaichi later said her remarks were "hypothetical" and pledged parliamentary restraint, she has also said that her government would assess any threat to Japan's existence based on available information and specific circumstances at the time. Curiously, despite calls from many in Japan for Xue Jian to be declared *persona non grata* and expelled from Japan, the Japanese government has refrained from adopting that course of action for fear of further deterioration of relations with its belligerent neighbour and largest trade partner. It has instead sought dialogue with China. Japan dispatched a senior diplomat to Beijing. Masaaki Kanai, the Japanese foreign ministry official in charge of Asia and Oceania affairs, arrived in the Chinese capital on November 17 to meet his counterpart, Liu Jinsong. But these talks did not result in any significant progress.

The spat has plunged Sino-Japanese ties to their nadir since the 2012 Senkaku/Diaoyu Islands crisis. Diplomatic channels are only partially open. There was no meeting between Takaichi and the Chinese Premier Li Qiang at the G20 summit in South Africa in November. China has also reportedly cancelled the planned trilateral culture ministers' talks with South Korea and Japan. Meanwhile, Donald Trump, the President of the United States, Japan's

principal ally, has reportedly advised the Japanese prime minister to “lower the volume” on Taiwan, [according](#) to The Wall Street Journal.

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## Prabowo's First Year: Indonesia at a Crossroads

by  
Jayantika Rao T.V.

A year into President Prabowo Subianto's presidency, Indonesia stands at a pivotal juncture. Since his inauguration on October 20, 2024, the nation has endured a stuttering economy, its most violent riots since 1998, mass food poisoning among school children tied to Prabowo's flagship free meals initiative, catastrophic floods and growing unease over the rapid centralisation of power in the presidency. Prabowo's policies—most notably a legal change enabling deeper military involvement in governance—have revived fears of a slide back toward the authoritarianism of Suharto's New Order, the regime under which Prabowo himself built his military career. When Prabowo conferred the title of National Hero on former President Suharto—a figure long associated with grave human rights abuses and war crimes, and also Prabowo's father-in-law. Taken together, these cascading crises have left Indonesia not only struggling with immediate turmoil but also confronting profound questions about its future political direction and social stability.

One of the most important worries of many during Prabowo's campaign were his autocratic tendencies which have not completely disappeared in a year. Prabowo's consolidation of power has been the most decisive feature of his first year in office. He has been able to secure personal influence over the political system in a rather short time as compared to his predecessor, former President Joko "Jokowi" Widodo.<sup>2</sup> Prabowo has achieved this by expanding his already bloated cabinet, redrawing the political map by building a broad ruling coalition that includes all Indonesian political parties except for one, while simultaneously strengthening the military's role in civilian government. As of right now, the Cabinet has 123 members after the two cabinet reshuffles in September 2025. Over the past year, new ministries and positions have been created and doled out to pull as many political actors as possible into Prabowo's coalition, at the same excluding Jokowi loyalists, who have been slowly weeded out. Even Vice President Gibran Rakabuming Raka initially considered as a way for his father - Jokowi to continue to maintain his influence in the government has been relegated to a symbolic role.

His cabinet includes supporters who were active in his election campaign and volunteers, as well as financial backers, religious groups, figures from the military and the police, most of whom supported his presidential bid. As a result,

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<sup>2</sup> Rachman, Joseph. "A Problematic First Year for Indonesia's President" The Diplomat, October 20, 2025. <https://thediplomat.com/2025/10/a-problematic-first-year-for-indonesias-president/>

Indonesia's parliament has become quiescent. The only party to stand outside, the PDI-P, has pointedly declined to take the role of an actual opposition. Prabowo has been able to achieve 80 percent control in the House of Representatives, leaving no formidable opposition allowing him to make policies without any criticism from within the government.<sup>3</sup> His power grab has been very direct and swift.

Prabowo's consolidation of authority has extended beyond the central government into institutions traditionally designed to remain independent of executive influence. On November 25, he granted clemency to three former executives of PT ASDP Indonesia Ferry, convicted in a corruption case linked to the acquisition of PT Jembatan Nusantara (JN) by the state-owned ferry operator.<sup>4</sup> According to State Secretary Prasetyo, the pardons followed a "comprehensive evaluation" after the government received "substantial input regarding the case," including recommendations from the House urging the President to exercise his prerogative.<sup>5</sup> This decision placed a spotlight on the Corruption Eradication Commission (KPK), highlighting both its limitations and the extent of Prabowo's political reach. By overriding judicial outcomes and undermining the KPK's mandate, Prabowo blurred the boundaries between executive authority and institutional independence. While KPK's reputation has been questioned for years, its marginalization has deepened under Prabowo. The clemency underscores how anti-corruption efforts are increasingly subordinated to political calculations.

Prabowo's centralised and "command-and-control-style approach" to economic management has rattled investors and strained the country's finances.<sup>6</sup> Investor anxiety has shown up in both currency and bond markets. The rupiah has weakened significantly since last October and even reached an all-time low against the US dollar in April. Another dip last month prompted the central bank to intervene. Meanwhile, investors dumped \$1.9 billion in government bonds, the largest such sell-off in three years. To make matters worse, Prabowo last month fired his finance minister, Sri Mulyani Indrawati, a former top World Bank executive who had been kept on from the previous administration to reassure international investors.

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<sup>3</sup> Lai, Yericia. In first year, Prabowo tightens grip, redraws political map. Jakarta Post, October 20, 2025. <https://www.thejakartapost.com/indonesia/2025/10/20/in-first-year-prabowo-tightens-grip-redraws-political-map.html>

<sup>4</sup> "Presidential pardons put KPK's credibility in question". Jakarta Post, November 27, 2025. <https://www.thejakartapost.com/indonesia/2025/11/27/presidential-pardons-put-kpks-credibility-in-question.html>

<sup>5</sup> Ibid.

<sup>6</sup> Hall, Aidan. "Indonesia's Soldier Economics". The Diplomat, October 27, 2025. <https://thediplomat.com/2025/10/indonesias-soldier-economics/>

In pursuit of ambitious goals, Prabowo has pushed a series of mega-programs often executed with military-style decisiveness with minimal consultation across ministries. The most prominent example is *Makan Bergizi Gratis* (MBG), Indonesia's flagship free nutritious meals initiative launched in 2025 to fulfil a key campaign promise. Rather than strengthening social welfare, MBG has become a source of controversy after mass food poisoning incidents affecting more than 9,000 school children exposed serious flaws in planning and oversight.<sup>7</sup> As the initiative was a major aspect of Prabowo's campaign, the programme was rolled out swiftly, however, this also resulting in top-down decisions to cut time Investigations revealed that none of the 85 MBG kitchens in West Java, Central Java, and Banten had obtained food safety certification, a basic requirement under Ministry of Health regulations.

Despite the colossal budget of the programme which is set to be doubled up to US\$ 18 billion (300 trillion Indonesian Rupiah) for 2026, only 3 trillion Indonesian Rupiah was spent, reaching fewer than four million beneficiaries against a target of more than 17 million. This mismatch underscored a program pushed faster than the system could absorb, reflecting the risks of top-down governance that prioritises speed over institutional capacity. The oversight is further complicated by the newly created National Nutrition Agency, which lacks a presidential regulation defining its powers or accountability, raising transparency concerns.<sup>8</sup> Moreover, MBG is being funded through the national education budget, with significant allocations diverted from teacher training, school infrastructure, and curriculum development. This reallocation was carried out without parliamentary debate, undermining the integrity of Indonesia's education policy and sidelining democratic oversight.

To re-centralise government finances and fund signature programmes like MBG, Prabowo opted for sweeping cuts to the regional funding and certain ministries. With provincial and local governments responsible for services from education, healthcare, and local infrastructure this was felt by many Indonesians. Scrambling for cash, the regional governments had to make cuts and looked for revenue wherever they could find it. However, at the same time, legislators approved new allowances that included lavish housing subsidies and stipends for overseas "study trips." Some members of parliament could claim housing allowances of 500,000 rupiah per day (about 32 US dollars), which is worth nearly

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<sup>7</sup> Wangge, Grace and Ika Idris "Indonesia's Free Meals Program Under Fire for Safety Failures and Governance Breakdown". The Diplomat, October 20, 2025. <https://thediplomat.com/2025/10/indonesias-free-meals-program-under-fire-for-safety-failures-and-governance-breakdown/>

<sup>8</sup> Ibid

ten times Jakarta's minimum daily wage.<sup>9</sup> The protests started small with locals in the small town of Pati protesting over the sudden hike in property taxes and the consolidation of local schools that saw staff laid off but within weeks, it became the country's worst violence in decades. The people demanded that instead of cutting regional funding, lawmakers' benefits, like excessive pay and housing allowances for parliamentarians should be cut first. The protests erupted into violence in several areas of the country on August 28 when an armoured police vehicle struck and killed a motorcycle taxi driver in Jakarta, before fleeing the scene.<sup>10</sup> Prabowo Subianto, initially denounced demonstrators as "traitors" and "terrorists", vowing decisive action against them, but then backtracked by pledging on August 31 to heed public demands and even cut lawmakers' allowances. For many the riots of August brought back memories from the riots of May 1998, which were dealt in the same way.

The riot ultimately provided Prabowo with an opportunity to further consolidate his authority by dismissing Finance Minister Sri Mulyani Indrawati, who had served for eight years under Jokowi, and replacing her with a loyalist. Sri Mulyani was cast as a scapegoat for unpopular tax and austerity measures,<sup>11</sup> making her removal a symbolic gesture to appease public anger. In contrast, Prabowo chose to retain Police Chief Listyo Sigit, despite widespread outrage over his heavy-handed response to protesters.<sup>12</sup> Prabowo's choice reflected a calculated political strategy. Sacrifice a respected technocrat to signal responsiveness to economic grievances, while preserving the loyalty of the security apparatus essential for suppressing dissent. By doing so, Prabowo projected the image of a government addressing economic frustrations without weakening its coercive capacity.

Turning to Indonesia's foreign policy under Prabowo, it is evident that the president has delivered on his campaign promise of pursuing a 'more active foreign policy'. He has preserved Indonesia's long-standing "free and active" stance, carefully balancing relations with rival great powers while simultaneously raising the country's international profile. A notable example was Indonesia's participation as the only Southeast Asian nation at the Gaza Peace Summit in Egypt on October

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<sup>9</sup> "Misplaced Protest: How States and Societies Create Scapegoats". Medium, September 1, 2025. <https://medium.com/@jo.xiaojie623/misplaced-protest-how-states-and-societies-create-scapegoats-e6aac2ddb2ee>

<sup>10</sup> Marching, Soe Tjen. "Indonesia violence: state response to protests echoes darker times in country's history". The Conversation, September 3, 2025. <https://theconversation.com/indonesia-violence-state-response-to-protests-echoes-darker-times-in-countrys-history-264374>

<sup>11</sup> Nugroho, Yanuar. "Prabowo's Cabinet Reshuffle: Consolidating Politics, Recalibrating Policy?". Fulcrum, September 11, 2025. <https://fulcrum.sg/prabowos-cabinet-reshuffle-consolidating-politics-recalibrating-policy/>

<sup>12</sup> Ibid.



10, which enhanced Jakarta's credibility on the global stage.<sup>13</sup> Prabowo signalled early that he would elevate Indonesia's image abroad through extensive travel and diplomacy, spending 68 of his first 365 days abroad meeting leaders and attending multilateral forums. Yet his approach has not been without missteps. During his initial visit to China, a joint statement on South China Sea suggested cooperation in resource development, prompting the assumption that Indonesia was extending recognition to China's claims where the two countries have overlapping claims in the North Natuna Sea while also recognising China's nine-dash line.<sup>14</sup> The Indonesian Foreign Ministry had to issue a clarification denying any change in Indonesia's policy on this issue. Additionally, Indonesia's formal entry into BRICS underscored Prabowo's intent to align also with the Global South, sending a positive signal to many developing nations.

In conclusion, within a year of assuming office, Prabowo has achieved what his predecessors struggled to secure – consolidate his power. His transformation of Indonesia's governance has left limited space for the opposition, consolidating power at home while projecting influence abroad. Looking ahead, Indonesia's trajectory is concerning. While the protests rapidly subsided, the discontent that fuelled the August unrest remain unaddressed and will likely bubble up to the surface again. Domestic consolidation paired with ambitious foreign engagement – defines Prabowo's first year, but also foreshadows the tensions Indonesia may face as unaddressed discontent collides with his drive for global stature.

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<sup>13</sup> Indonesia President Prabowo takes up 'sudden invitation' to attend Gaza peace summit in Egypt". CNA, October 13, 2025. <https://www.channelnewsasia.com/asia/gaza-peace-summit-palestine-israel-indonesia-5398581>

<sup>14</sup> Myers, Lucas. "Indonesia's Foreign Policy Under Prabowo: Still Free But More Active?" The Diplomat, March 19, 2025. <https://thediplomat.com/2025/03/indonesias-foreign-policy-under-prabowo-still-free-but-more-active/>



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