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The Return of Authoritarian Neo-Liberalism in Indonesia?

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ABSTRACT

There is considerable academic consensus that Indonesia experienced democratic decline under the presidency of Joko “Jokowi” Widodo from 2014 to 2024. However, the link between an increasingly authoritarian political tendency and Jokowi’s neo-liberal agenda remains under-explored. This article scrutinises the resurgence of authoritarian neo-liberal tendencies over Jokowi’s decade in power. Through in-depth interviews with members of parliament, civil society organisations, and labour activists, it is argued that Jokowi’s authoritarian neo-liberalism occurred through two processes that shifted key elements of democracy and decentralisation: first, the recentralisation of regulatory and decision-making authority from local governments to the central government and second, a strengthening of the regulatory authority of the executive branch at the expense of legislative bodies. The article argues that these processes were not the result of the administration’s ambition to accumulate political power, but rather form a strategy to further its pursuit of a neo-liberal agenda. Hence, the neo-liberal agenda is at the heart of Jokowi’s authoritarian turn. This is illustrated by assessing Jokowi’s efforts to ratify the Omnibus Law on Job Creation in 2020.

KEY WORDS

authoritarian neo-liberalism; democratic backsliding; Indonesian political economy; Joko Widodo; neo-liberal restructuring; Omnibus Law

With Joko “Jokowi” Widodo’s presidency having concluded in October 2024 after a decade of leadership, this article revisits the dynamics of his leadership that have left behind a mixed legacy, especially regarding Indonesia’s democratic system and its developmental model. Jokowi’s election in 2014 was initially celebrated as marking a high point in Indonesia’s democratic reform. Known as *reformasi*, democratisation and decentralisation have been at the core of the country’s political shift following the downfall of the dictator Suharto in 1998. Jokowi’s political rise was deeply intertwined with both democratisation and decentralisation. A former furniture manufacturer from a mid-size Javanese town, he came from the margins of power and built up his political career from the local level. Thus it is not surprising that, while his opponent, Prabowo Subianto, was the poster child of Indonesia’s political

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establishment, Jokowi was praised as the first president who was not from Indonesia's post-independence power network (Mietzner 2015, 1).

However, after a decade of Jokowi's presidency, the widely hailed democratic resurgence of the *reformasi* era has been marked by a troubling erosion of democratic norms (see Warburton and Aspinall 2019; Aspinall et al. 2020). Indonesia's democratic backsliding can be contextualised within a wave of authoritarian tendencies observed across Asia, highlighting a disturbing drift from democratisation to auto-cratism that challenges political stability and democratic governance in Indonesia and across the region (Mietzner 2025, 154).

Scholarly analysis of this democratic decline in Indonesia is divided into two main perspectives. The liberal pluralist perspective attributes democratic decline to the rise of illiberalism within its political landscape, highlighting the mainstreaming of conservative Islamic morality and reactionary hyper-nationalism among political elites and the populace (see, for example, Mietzner 2018; Aspinall and Mietzner 2019). This view also points to authoritarian tendencies within Jokowi's administration, such as the employment of coercive strategies and the manipulation of law enforcement and security institutions to undermine and repress democratic opposition (see Power 2018). Conversely, a political economy perspective provides a broader context and understanding, suggesting that these manifestations of illiberalism are not merely incidental but are deeply embedded within intra-oligarchic competition that has long characterised Indonesian politics. This approach argues that the political dynamics surrounding events like the highly polarised 2017 Jakarta gubernatorial elections illustrate how democratic processes and social contestation have been subverted by oligarchic interests, leading to a deepening of illiberalism rather than an outright decline of democracy (see Diprose, McRae, and Hadiz 2019). This perspective also suggests that the economic and foreign policies, as well as the handling of civil-military relations and historical human rights abuses, has been shaped by these oligarchic interests.

Despite these claims about the authoritarian inclination of the Jokowi administration and a growing literature focusing on Indonesia's democratic rollback, few works have adequately linked this shift with Jokowi's neo-liberal policy agenda. This agenda is at the heart of Jokowi's economic policies. From 2015 to 2016, his administration issued 16 economic packages that ranged from the relaxation of foreign ownership to the opening of more sectors to foreign investors, and the establishment of special economic zones. Jokowi himself has explained that he wanted "big bang" deregulation in a bid to spur growth. In addition, Jokowi's trademark "Nawa Cita" (Nine Priorities) vision was developed primarily to improve Indonesia's productivity and competitiveness in the international market. In other words, these policies were underpinned by neo-liberal principles (Setkab 2018).¹

This article expands the discussion of Indonesia's authoritarian turn by examining how Jokowi's policies reflect and advance broader neo-liberal restructuring imperatives, which shaped a distinct evolution of authoritarian neo-liberalism in Indonesia. This analysis is located within the literature on authoritarian statism and Poulantzas' (2001) work *State, Power, Socialism*, and employs Bruff's (2014) notion of "authoritarian neo-liberalism" to better capture what has happened in Indonesia.

Poulantzas' approach to authoritarian statism offers a nuanced analytical framework suitable for examining the shifts in Indonesian state policy under neo-liberal governance. This approach is particularly resonant when contrasted with Marx's concept of Bonapartism, which, while foundational, primarily contextualises the state's mediation of class conflict within specific historical conditions of nineteenth-century Europe. Poulantzas extends this by detailing how contemporary states under neo-liberalism intensify political and administrative control over the public sphere while simultaneously curtailing democratic structures; an approach which is more aligned with the political dynamics observed in Indonesia. A key strength of Poulantzas' approach is his understanding of state power that encompasses the strategic manoeuvres neo-liberal states employ to facilitate capitalist accumulation. This framework, when considered in concert with the Murdoch School's approach to political economy, enriches the analysis of Indonesia's authoritarian turn by linking local policy shifts to broader global patterns of authoritarian neo-liberalism.² By bringing Poulantzas in, this article not only engages with global theoretical debates on state power and neo-liberalism but also offers a robust justification for the preferential use of Poulantzas' insights over Marx's analysis of Bonapartism, capturing the specificity of the state's role in neo-liberal reconfigurations more effectively.

In making its case regarding Jokowi's neo-liberal policies, this article draws on qualitative data derived from interviews with 12 key informants. These informants were senior officials from the Co-ordinating Ministry of Economy, significant members of the National Parliament (Dewan Perwakilan Rakyat or DPR) from key commissions, representatives from major political parties such as Golkar, Partai Keadilan Sejahtera (PKS), and Partai Demokrasi Indonesia-Perjuangan (PDIP), and members of the Indonesian Chamber of Commerce and Industry (KADIN). Their contributions present an opportunity for establishing a more complete picture of the transitions in political and economic policies during Jokowi's time in office.

It will be argued that Jokowi's approach to neo-liberal state restructuring is manifested through two significant processes: first, a re-scaling of decision-making and regulatory authority that moves decision-making from local to central government; and second, a re-centralisation of authority over legislation from elected legislative bodies to the executive branch. These re-orientations were not mere exercises in political power consolidation; they aimed at consolidating and enforcing the administration's neo-liberal agenda by providing the executive with increased control over legislative processes and outcome, thus subjugating the autonomy and oversight functions of the legislative branch. Meanwhile, the rescaling of governance represents a strategic re-centralisation over decision-making power so that neo-liberal policies can be implemented uniformly throughout the nation, free from local impediments.

As well as contributing an Indonesian case study to the literature on authoritarian neo-liberalism, this article also integrates the notion of authoritarian neo-liberalism into the literature on Indonesia's political economy and its restructuring in the post-Suharto or *Reformasi* period. As suggested by much of the literature on Indonesia's neo-liberal reform, democratisation and decentralisation can be seen as a result of a neo-liberal restructuring agenda that was meant to enable more efficient markets (Aspinall 2013, 37; Hadiz and Robison 2013, 45). However, two decades later, that

same neo-liberal push has seen a shift away from democratisation and decentralisation to authoritarian neo-liberalism under Jokowi.

Jokowi's presidency built on the neo-liberal agenda that developed in the post-Suharto era. While previous administrations focused on market-oriented reforms, Jokowi has reoriented these efforts by centralising power, undermining democratic accountability, and incorporating authoritarian mechanisms to expedite neo-liberal restructuring. This approach marked a significant intensification of Indonesia's neo-liberal trajectory.

This article begins by examining how Jokowi's economic policies since 2014 have aligned with neo-liberal principles. The following section analyses how the pursuit of this agenda has contributed to the recentralisation of state authority and the consolidation of executive power. The discussion then turns to the 2020 Omnibus Law and explores how this law confirms the shift towards authoritarian neo-liberalism. The article concludes by summarising the implication of the analysis for the broader debate on Indonesia's political economy and apparent democratic decline.

Indonesia's Neo-Liberal Agenda under Joko Widodo

Since he was first elected as president in 2014, Jokowi has displayed a strong inclination for neo-liberal prescriptions wrapped in development and populist agendas. This approach was evident in his economic growth strategies that made liberalisation, deregulation, and foreign investment its key drivers (Warburton 2016, 308–309). Jokowi's neo-liberal orientation may be partly attributed to his background and career trajectory. From a modest background, Jokowi made significant strides in the business world as a medium-scale furniture manufacturer. His entrepreneurial spirit was evident as he expanded his business from local to national and eventually international markets. This success not only provided him with substantial personal wealth but also a platform to engage more actively in social and political activities (Endah 2012, 55). His business acumen and experience likely shaped his perspectives on economic development, viewing investment and market-friendly policies as essential tools for national progress.

Jokowi's early associational ventures, such as founding the Solo Chapter of Asosiasi Pengusaha Mebel Indonesia (Asmindo), a national furniture entrepreneurs' association, provided opportunities for him to bond with the nation-level businessman (Endah 2012, 75). This included his dealings with Luhut Binsar Pandjaitan, a prominent figure in politics and business. They met in 2008 when Luhut sought partners to process timber from his Kalimantan forest concessions (Connelly 2015, 10). This partnership not only solidified Jokowi's business network but also positioned him favourably within the oligarchic circles that dominate Indonesian politics and economics. This connection is important in understanding how Jokowi's approach to economic development and investment – both populist in rhetoric but neo-liberal in policy – came to align with the interests of business.

From the early days of his presidential tenure, Jokowi's administration embraced a series of neo-liberal policies aimed at enhancing economic growth, reducing government intervention in the economy, attracting foreign investment, and boosting

international competitiveness. These included the reduction of fuel subsidies, implementation of tax incentives for foreign and domestic investments, and liberalisation of investment regulations. This included modifications to the Negative Investment List, a regulatory framework that specifies sectors closed or only conditionally open to foreign investment. These reforms were accompanied by regulatory changes that implemented market-driven mechanisms that often weakened labour protections (see Kemenko Ekonomi 2016).

In 2015, Jokowi decided to substantially reduce long-standing fuel subsidies from the State Budget. In the draft of the 2015 State Budget, the fuel subsidy remained and was initially allocated IDR 276 trillion (US\$19 billion). However, the government also decided to raise fuel prices so that it could reduce the subsidies by as much as IDR 200 trillion. Later, in April 2022, due to surges in global oil prices, Jokowi's government increased the price of RON 92 gasoline (locally called *Pertamax*) by more than 30% (*CNN Indonesia*, April 1, 2022). In making these changes, Jokowi's administration used populist rhetoric, stating that the fuel subsidy reduction was made in order to allocate more funding to assist the truly needy (Kemenko Ekonomi 2015). Yet the reduction was also in-line with a broader pattern of neo-liberalist reform that emphasises the free market; by reducing subsidies fuel prices went from state control to market mechanisms.

Under Jokowi, the government was explicit about wanting to increase foreign investment and enhance Indonesia's international competitiveness. In 2018, his government's 16th Economic Policy Package specifically sought to attract foreign investment. In general terms, four broadly neo-liberal policies were implemented to modify state regulations in ways that enabled the state to intervene to facilitate the incorporation of global capital into domestic markets (see Kemenko Ekonomi 2018).

First, to foster economic growth, the government extended the Corporate Income Tax Reduction Facility (often known as the "tax holiday") to promote foreign direct investment in "pioneering industries" and their associated supply chains. Under this scheme, the government offered a corporate income tax (PPh) reduction for new investments, with two tiers: a 100% exemption (tax holiday) and a 50% reduction (mini-tax holiday). These benefits are available to companies operating in either strategic sectors identified as "pioneer" industries or key activities within Special Economic Zones. For investments exceeding IDR 500 billion, the duration of the tax holiday ranges from five to 20 years, depending on the scale of investment. At the end of the tax holiday, investors could also receive an additional mini-tax holiday incentive for a further two years (*Katadata*, November 16, 2018). Second, to ensure that foreign exchange earnings benefit the domestic economy, the administration introduced a tax incentive for natural resource exporters who retain their foreign currency earnings in Indonesian banks for a specified minimum holding period rather than depositing them abroad. Third, to stimulate economic activity in key industries, the government implemented a more lenient Negative Investment List. Through the 16th Economic Policy Package, the government removed 54 business sectors from the 2018 Negative Investment List, thus enabling 100% foreign investment in these sectors (*The Jakarta Post*, November 16, 2018). The sectors that were open to foreign investment included forestry, natural resources and energy, trade, tourism,

communications and informatics, employment, and health. Fourth, Indonesian state-owned enterprises (SOEs) have partnered with foreign capital, notably from China, as a key element of Indonesia's strategy for structural transformation. This approach is well illustrated by the Jakarta–Bandung high-speed rail project, a landmark joint venture between Chinese and Indonesian SOEs that signifies a deepening of bilateral relations and Indonesia's increasing reliance on Chinese capital for infrastructure development (Wijaya 2024, 407).

While Jokowi's economic agenda prioritised foreign investment, it did not foreground labour welfare. In fact, policies advancing investment were often pursued at the expense of worker protection. This marked a departure from the approach of his predecessor, President Susilo Bambang Yudhoyono (2004–2014), who was perceived by trade unions as more sympathetic to labour interests. That administration signalled an intent to move away from Indonesia's low-wage development strategy (Interview, Trade Union, Jakarta, September 10, 2021). In addition, it was responsive to union demands, introducing three key reforms: increasing minimum wages, limiting prolonged outsourcing practices, and expanding social security measures (*The Jakarta Post*, December 1, 2012). To facilitate a minimum wage increase, Yudhoyono brought together all governors in Jakarta to discuss, co-ordinate, and raise provincial minimum wages (Manning and Miranti 2015, 310). On outsourcing, the Ministry of Manpower issued Regulation No. 19/2012, which restricted outsourcing to just five categories of work (Panimbang and Mufakhir 2018, 28). The implementation of the National Social Security System, enabled by Yudhoyono's Presidential Decree No. 111/2013, expanded workers' access to health care and pensions (Jung 2016, 477). Combined, these measures reflected an approach that balanced economic growth through investment with improved regulatory protections for labour.

In contrast, the Jokowi administration slowed wage increases. Whereas under the previous administration, minimum wages had been set based on a survey of the income needed for a decent living, Jokowi's administration introduced Government Regulation No. 78/2015 on Wages, limiting minimum wage increases to align with inflation and economic growth. As a result, in real terms, both wages and domestic household consumption fell during Jokowi's administration. For instance, according to BPS, real wages for construction workers declined by 0.44% in 2019, 0.45% in 2020, 0.56% in 2021, and 0.62% in 2022 (BPS 2020; 2021; 2022; 2023). The Regulation also reduced the sanctions for employers who violated employment provisions. While the 2003 Manpower Law provides for criminal sanctions, the Regulation only permitted administrative sanctions. As observed by a leader of Konfederasi Serikat Pekerja Seluruh Indonesia (KSPI), one of Indonesia's largest trade union:

Jokowi's government is very pro-business. This government changed the economic growth [policy] based on domestic consumption to one based on investment. No wonder the wages are made cheaper! Wage increases are important because they provide a stimulus for economic growth. [Under Jokowi], most workers cannot save money for future, [with their entire income spent on basic monthly needs]. According to our union's survey, 63% of the wages of workers are spent for their needs each month. What does it mean? When wages are high, it will certainly be used to consume goods and services. In the Jokowi era, this was changed (Interview, Jakarta, September 10, 2020).

Thus, Jokowi's economic policies, including expansive corporate tax incentives, deregulation, investment liberalisation, and strategic partnerships between SOEs and foreign capital, particularly from China, demonstrated the government's prioritisation of capital over labour. This neo-liberalisation of policy led to the erosion of worker protections. While Widodo's agenda was initially seen by some scholars as a pragmatic effort to boost economic growth and focus on domestic development, its implementation increasingly relied on a more assertive and centralised state apparatus to overcome resistance and ensure swift execution. As the next section explores, this neo-liberal agenda not only reshaped economic policy but also laid the groundwork for an authoritarian mode of governance designed to insulate market-oriented reforms from democratic contestation.

Understanding Authoritarian Neo-Liberalism in Indonesia

To understand the authoritarian turn under President Jokowi, this article engages with the notion of authoritarian neo-liberalism. The idea of authoritarian neo-liberalism captures a recent revival of interest in the links between neo-liberalism and authoritarianism. Bruff (2014) draws on earlier work by Nicos Poulantzas and Stuart Hall on authoritarian statism/populism in conceptualising the rise authoritarian neo-liberalism, which he considers "is rooted in the reconfiguring of the state into a less democratic entity through constitutional and legal changes that seek to insulate it from social and political conflict" (Bruff 2014, 113). This approach builds from Poulantzas's (2001, 193) notion of authoritarian statism, which he describes as the "intensified state control over every sphere of socio-economic life combined with the radical decline of institutions of political democracy and draconian and multiform curtailment of so-called formal liberties."

Bruff identifies three key features of authoritarian neo-liberalism that distinguish it from earlier forms of authoritarian statism. First, authoritarian neo-liberalism uses material constraints such as market pressures or fiscal limits as justification for the state's inability to reverse rising inequality or other kinds of socio-economic dislocation. Second, it limits what is considered appropriate or feasible for state intervention; this also limits democratic expectations. Third, it makes the state increasingly non-democratic or even undemocratic by resorting to legal and constitutional rules framed as imperative for achieving economic prosperity (Bruff 2014, 115–116).

To further unpack the logic of authoritarian neo-liberalism, it is important to understand neo-liberalisation as its constitutive counterpart of the authoritarian neo-liberalism couplet. Neo-liberalisation involves the utilisation of institutional authority in several ways, with the most noticeable being the promotion of privatisation, deregulation, and marketisation. As a result, state organisations are activated to assist in implementing neo-liberal restructuring. This refers to the increasing trend of instrumentalising collective bargaining agreements to control and punish labour, rather than viewing workers as equal collaborators (Kalleberg, Hewison, and Shin 2022, 58).

These measures are part of a broader project to reshape the state itself. The underlying driver of this state restructuring is to promote international competitiveness and

pursue market principles by restructuring regulatory processes within the state (see Birch and Siemiatycki 2016). This restructuring does not necessarily reduce the state's regulatory role but redirects it, enabling the state to intervene in facilitating the incorporation of global capital into domestic markets.³ Therefore, neo-liberal state restructuring generally refers to certain regulatory processes such as privatisation, deregulation, trade liberalisation, financialisation, structural adjustment, welfare reform, and monetarist shock therapy (see Brenner, Peck, and Theodore 2010). Neo-liberal state restructuring is usually an articulated hybrid model that co-exists with other reforms, shaped by the specific political economy in which these interventions take place. Harvey (2007, 36–27) has observed that neo-liberalisation has sometimes been associated with “freedom,” in the sense that so-called free markets are seen as necessary to establish certain basic freedoms, which enable economic and social power to be dispersed and accommodate various interests. Building on this notion, scholars like Bunce (2001, 44–45) and Sandbrook (1996, 2) posit that the most effective approach to fostering market reform is to establish a democratic system that aligns with “Western capital.” The rationale is that this alignment would eliminate rent-seeking practices in developing market economies. The objective in this situation is to establish a “neo-liberal democracy.” However, the experience of neo-liberalism has demonstrated that it also leads to *decreases* in democratic control and accountability, as the economic policy and policy-making is insulated from widespread scrutiny through various legal and constitutional devices (Swyngedouw 2022, 57–58). This points to a crucial insight: the entrenchment of neo-liberal governance does not necessarily depend on visible coercion but often advances through the quiet erosion of democratic processes.

In this context, the usual understanding of authoritarianism needs refinement. It is not solely characterised by brutal coercive measures such as the use of force in controlling demonstrations. Instead, it should be regarded as a deliberate tactic employed by the government and its authoritative bodies to protect specific policies and practices from opposition and criticism in society and politics. Put simply, the state's possession of dominant authority has guaranteed that neo-liberal policies remain shielded from societal scrutiny (Bruff and Tansel 2019, 239). The authoritarian element of the authoritarian neo-liberalism couplet means acknowledging the trend in neo-liberalism where the state becomes increasingly non-democratic through the use of legal rules with the pretext of securing economic objectives (Bruff 2014, 114–115).

One factor that prompts authoritarian measures arises as neo-liberal policies, while reducing direct state involvement in the economy, often lead to increased social inequalities (Lim and Jang 2006, 455). To manage such contradictions and maintain social order, authoritarian measures suppress dissent – democratic pushback – becoming a part of neo-liberalising reform measures that maintain and expand market-friendly policies. In other words, eliminating or avoiding democratic pushback means democratic rollback that involves not just curbing civil liberties but also manipulating legal and institutional frameworks to protect capitalist interests, ensuring that property rights are upheld, while containing and repressing labour movements and social movements (Harvey, 2006, 150). Thus, authoritarian neo-liberalism emerges as a governance model where the state, while ostensibly retreating from

economic intervention, intensifies its grip on the levers of powers that facilitate and secure the neo-liberal agenda, reshaping the state's purpose and its interaction with society to prioritise market rationality over democratic processes.

Recent literature identifies three characteristics of authoritarian neo-liberalism in the policy-making process. First, the state and its institutions are restructured in ways that no longer prioritise public welfare or inclusive development but are increasingly repurposed to serve the needs of capital and market actors. This restructuring narrows the focus of policy-making towards securing business confidence and investment stability, based on the premise that efficient, market-driven growth will eventually yield broader societal benefits and address other policy areas by extension (see LeBaron 2010; Görmüş and Akçalı 2020). Second, authoritarian neo-liberalism is marked by the strengthening of executive power, sidelining legislatures and other deliberative bodies in favour of a more centralised, top-down approach. This concentration of authority allows for the rapid formulation and implementation of market-oriented policies, often without substantial consultation or opposition (see Butler 2018). Third, there is a rescaling of state power from local to central levels, which reflects a desire to streamline decision-making and reduce policy fragmentation. Centralisation in this context enhances policy efficiency by removing layers of local resistance, enabling the state to more easily enact reforms aligned with market rationality (see Tansel 2019). Together, these dynamics demonstrate how authoritarian neo-liberalism facilitates a policy-making environment focused on efficiency, speed, and most significantly, insulation from contestation. Each was a feature of Jokowi's administration.

Building upon these features of authoritarian neo-liberalism, this article shows how neo-liberal restructuring has *decreased* democratic control and accountability in Indonesia. It emphasises two processes: (i) the re-centralisation of authority to the national government in Jakarta; and (ii) the strengthening of executive power. The following discussion examines how these two dynamics have unfolded in Indonesia's post-authoritarian era, with particular attention to the Jokowi administration, and how they reflect a broader trend of authoritarian neo-liberalism in the country.

Recentralisation of State Authority

The 1998 collapse of Suharto's authoritarian regime marked a significant break from authoritarian centralism, ushering in a wave of democratic reforms anchored in decentralisation. In this context, decentralisation was not merely an administrative shift but a foundational pillar of the post-authoritarian democratic project. It aimed to prevent the re-emergence of authoritarianism by distributing power to local levels and enabling broader democratic participation that will lead to a better accountability and transparency. Under the decentralisation paradigm, much of the central government's role in regulating the economy was transferred to local levels. For instance, the authority to regulate employer-labour relations was passed to the local governments, allowing them to have a greater role in social and economic policy-making (Swyngedouw 2000, 69). As such, any attempt to reverse this decentralisation can be interpreted as an attack on Indonesia's democratic agenda.

However, this is not the only plausible interpretation. While decentralisation has democratic value, it has also produced unintended consequences that provide valid grounds for critique without necessarily challenging democracy itself. First, the devolution of regulatory authority has often led to political and administrative conflict between central and local governments. As Park (2008) observed in the South Korean context, decentralisation frequently results in turf wars over jurisdictional control. Furthermore, while decentralisation can enable development across a wider range of regions rather than being concentrated in the capital or one region only, it can also lead to local governments acting as if they “own” their territories, asserting extensive control over land and investment decisions (see Firman 2009).

Second, in the Indonesian context, the collapse of Suharto’s authoritarian rule and the emergence of decentralisation was broadly conceived as an important part of democratising the authoritarian state. In fact, though, decentralisation did not pose a significant challenge for oligarchic power; rather, it resulted in its reorganisation. As Hadiz and Robison (2013, 44) argue, it allowed old patronage networks to reconstitute themselves within newly decentralised structures. Local officials and business elites used this fragmentation of authority to establish localised extractive regimes, effectively reproducing many of the same forms of elite domination that decentralisation was supposed to dismantle.

These governance challenges gave rise to a debate on the need for re-centralisation that gained traction not only under Jokowi, but was already present in earlier post-authoritarian governments, particularly under President Yudhoyono. While both the Yudhoyono and Jokowi administrations undertook efforts to reassert central authority, the motivations behind these moves differed in important ways.

In the case of Yudhoyono, the push for centralisation stemmed largely from concerns about the governance fragmentation resulting from decentralisation. Responses included initiatives such as a Government Regulation No. 38/2007 which allowed ministries to establish norms and standards for sub-national performance, a moratorium on the creation of new administrative regions, and the reassignment of certain regulatory powers such as natural resource planning from local to provincial authorities (Malesky and Hutchinson 2016, 135). Most notably, Law No. 23/2014 on Regional Government, passed at the end of Yudhoyono’s presidency, revised Indonesia’s decentralisation framework. The law was an attempt to limit regional authority. However, at the heart of the law was the central government’s desire to gain significant control over natural resource planning and management from the local levels. This allows the central government to take control and advantage over natural resource concessions (Ostwald, Tajima, and Samphantharak 2016, 149–150). Law No. 23/2014 was introduced alongside Law No. 22/2014 on the election of regional leaders, which removed the direct election of regional heads (*pilkada*) and proposed that they be selected by local legislatures (DPRD). Both laws were widely criticised as attempts to roll back democratic reforms and recentralise authority.

Due to massive public demonstrations opposing the law, President Yudhoyono ultimately repealed Law No. 22/2014 and Law No. 23/2014 in their entirety just days before leaving office (*Kompas.com*, October 2, 2014). Despite this late change, earlier centralisation efforts under Yudhoyono are generally considered to have been shaped

by administrative and governance concerns, particularly the desire to improve policy coherence and reduce money politics at the local levels (Cabinet Secretariat 2014).

By contrast, recentralisation under Jokowi had a markedly different impetus: to advance an ambitious neo-liberal economic agenda. From the outset, he consistently emphasised the need to create a conducive investment climate, frequently pointing to regional regulations as key obstacles to investment. In 2016, he ordered the Ministry of Home Affairs to revoke thousands of local laws deemed to hinder investment. In his speech at the 2016 Indonesia Investment Week, Jokowi stated: “We want to simplify, eliminate, and remove obstacles to licensing and investment, both at the central and regional level, because we must realise that we are a unitary state, and my responsibility covers both the central and regional governments” (Kemenko Marves 2018). Echoing this view, then Minister of Home Affairs Tjahjo Kumolo declared that the regulations being repealed were those “considered to obstruct investment, licensing, and levies,” and stressed that such legal streamlining was essential due to the convoluted and overlapping nature of regional rules (Setkab 2016).

In the first two years of Jokowi’s administration, the Ministry of Home Affairs proceeded to cancel and abolish 3,143 regional regulations (Setkab 2016). Although the Constitutional Court later revoked the central government’s unilateral authority to cancel regional regulations in 2017, this legal setback did not diminish Jokowi’s resolve (Nasution 2017). Instead, it arguably reinforced his belief in the need for a more centralised and assertive mechanism to push through market-friendly reforms. This logic saw the government frame decentralisation as a barrier to investment and economic efficiency, a narrative that became central to Jokowi’s justification for more sweeping legal reforms. As the next section will demonstrate, this culminated in the enactment of the Omnibus Law on Job Creation, which institutionalised many of these recentralising tendencies under the guise of deregulation and economic stimulus.

Strengthening Executive Power

The second key feature of authoritarian neo-liberalism is the concentration of power in the executive branch. While the reconfiguration of state authority through recentralisation diminishes the role of sub-national actors, the consolidation of executive dominance weakens the horizontal checks and balances of democratic governance. In this context, the executive becomes the central architect and driver of policy and particularly economic policy. Meanwhile, the role of parliament, political parties, and other representative institutions is reduced.

Such processes reflect what Poulantzas (2001, 221–222) terms “authoritarian statism,” in which the executive monopolises the organising and directing of the state apparatus. In this model, elected legislatures no longer function as sites of meaningful deliberation or contestation. Instead, they serve largely symbolic functions, legitimising decisions already formulated by hegemonic actors within the executive. Parliament becomes a rubber stamp for the executive and lawmaking reflects the priorities of market actors rather than democratic constituencies.

This consolidation of executive power has emerged in many countries as they implemented neo-liberal reforms. In Turkey, the Justice and Development Party or

AKP's governance under President Recep Tayyip Erdoğan has significantly expanded presidential authority through the 2017 constitutional referendum, enabling him to issue executive decrees and restructure public institutions without parliamentary involvement, effectively marginalising legislative checks (see Tansel 2019). Similarly, in Jordan and Morocco, executive power was reinforced through the co-optation of civil society actors into state-led development schemes. These initiatives, managed through royal patronage and tightly regulated funding channels, allowed the monarchy to assert control over reform narratives while bypassing political parties and elected institutions (see Kreitmeyr 2019). These cases highlight how executive authority has been consolidated through reforms that are often justified in neo-liberal terms such as improving efficiency, attracting investment, or promoting development, while in practice eroding legislative oversight and democratic accountability. In fact, this illustrates a global pattern of neo-liberal policies being implemented in ways that enhance central authority at the expense of local governance and democratic processes.

In Indonesia, the power of the executive has changed over time and regimes. Under Suharto's authoritarian regime (1967–1998), the executive branch had significantly more power than the legislative branch. The president, as a dictator, was not subject to term limits and most decision-making took place within the presidential palace. Major government policies and agendas were approved without any debate in the DPR, and parliament never used the special oversight rights it had (Liddle, 1985, 72). Following Suharto's fall, democratisation brought more power for the legislature, a separation of power, and judicial and parliamentary checks and balances. At least to some extent, these changes meant that parliament could keep the government in check. Democratisation also resulted in a proliferation of political parties and what Slater (2018) identifies as “party cartelisation,” in which parliamentary opposition does not emerge as expected, giving the president the ability to share power more widely through negotiating broad coalitions. This “promiscuous powersharing ... represents an especially flexible coalition-building practice, in which parties express or reveal a willingness to share executive power with any and all other significant parties after an election takes place, even across a country's most important political cleavages” (Slater and Simmons 2013, 1370). Such power-sharing emerged with the first post-Suharto parliamentary election in 2004.

However, under Jokowi's presidency, the balance of power began to tilt back towards the executive. This time, it was not through overt authoritarianism but through strategic coercion embedded within the formal institutions of democracy. This marks the first key mechanism through which executive power has been strengthened in the post-authoritarian era. Rather than relying solely on coalition-building or electoral mandates, Jokowi increasingly employed legal and bureaucratic instruments to discipline political elites and neutralise opposition. As Mietzner (2016) notes, Jokowi's administration strategically used legal and bureaucratic instruments to pressure opposition parties into supporting his government. This included manipulating the Ministry of Law and Human Rights' authority to recognise party leaderships, effectively rewarding pro-government factions and sidelining those loyal to the opposition. In 2015, for instance, during Jokowi's first term, internal conflicts within

Golkar and Partai Persatuan Pembangunan (PPP) were resolved in favour of factions that shifted their support from Prabowo Subianto to Jokowi. These interventions were not the result of political negotiation or compromise, but rather reflected the executive's use of state authority to compel political alignment by legal engineering that sidelined opposition forces. By the end of his second term, just two out of nine parties in parliament sat in opposition: the Partai Demokrat (Democratic Party) and the Partai Keadilan Sejahtera (Prosperous Justice Party).

Such tactics, which rely on state apparatuses and particularly legal and bureaucratic mechanisms to manage political opposition and secure party compliance, were more regularly used in Jokowi's second term (2019–2024). Beyond internal party interventions, Jokowi's administration also used legal measures to coerce and hobble opposition politicians, threatening them with legal charges, typically relating to corruption, if they did not stifle criticism of the regime (Power 2018, 330). Under such conditions the public had little or no room to criticise government policies, further eroding the country's democracy.

The second mechanism by which executive power has been strengthened under President Widodo is the systematic weakening of parliament, not through direct repression, but through the increasing entrenchment of oligarchic interests within legislative institutions themselves. In this context, the decline of parliament as a check on executive authority is closely tied to the rise of politico-business alliances that have come to dominate Indonesia's post-authoritarian political landscape. The merging of private power and public office is not just a feature of Indonesia's political landscape but a fundamental legislative mechanism through which neo-liberal policies are enacted. Rather than functioning as a deliberative forum for public interest, the legislature has increasingly become a site of elite brokerage where business actors, often with direct ties to political parties, negotiate and secure regulatory outcomes in their favour (Warburton 2024, 193). In other words, politicians depend on corporate financing to maintain electoral viability, while business elites use their access to secure legislative outcomes that may favour de-regulation, flexible labour laws, and investment liberalisation. This arrangement ensures that neo-liberal reforms, especially those that dismantle regulatory protections, are not only introduced by the executive but also legislated through a parliament structurally predisposed to favour the market over social interests.

In contrast to the New Order era, when business elites operated in the shadow of a dominant state apparatus, today's business elites have become embedded in the very structures of parliament. They not only fund political campaigns but also occupy formal political positions, thereby blurring the boundary between state and capital. This alignment ensures that policies promoted by the executive, particularly deregulatory and investment-friendly reforms, face little resistance within the parliament.

This erosion of parliamentary autonomy was further reinforced by the absorption of once-opposing political forces into the executive's coalition. A striking example is the post-2019 political realignment between Jokowi and Prabowo. Despite being rivals in two fiercely contested presidential elections, Prabowo's acceptance of a ministerial position in Jokowi's cabinet marked the symbolic collapse of formal opposition within the national legislature. The speed with which Prabowo and his party, Gerakan

Indonesia Raya (Gerindra), integrated into the ruling coalition demonstrated the elasticity of party alliances and the lack of substantive programmatic distinction between supposed adversaries. Other parties followed suit, resulting in an overwhelming majority that essentially turned the DPR into a rubber-stamp body. Thus, Jokowi's consolidation of executive authority has proceeded not only by disciplining elites through coercive legal tactics, as discussed earlier, but also by neutralising institutional opposition through the entrenchment of oligarchic interests and the co-optation of political rivals (see *Kompas*, October 24, 2019).

Reproducing Authoritarian Neo-Liberalism through the Omnibus Law

This section argues that Indonesia's *Undang-Undang Cipta Kerja* (Job Creation Law), widely known as the Omnibus Law, is a clear instance of how Jokowi's administration operationalised authoritarian neo-liberalism through institutional restructuring. Building on the broader trends of recentralisation and the consolidation of executive authority discussed in the previous sections, the Omnibus Law exemplifies how neo-liberal reforms have been pursued through top-down regulatory reforms designed to favour capital rather than through democratic deliberation. The law's stated aim to improve the investment climate and economic efficiency served as a pretext to weaken labour protections, override local authority, and bypass legislative scrutiny by consolidating state power in the executive and sidelining key democratic checks. This section examines the law's ideological framing, policy content, and legal mechanisms, showing how the Law embodies both the centralising and executive-strengthening dynamics of authoritarian neo-liberalism.

In this context, the Omnibus Law must be understood as a legal instrument designed to deepen the neo-liberal agenda by removing perceived "barriers" to investment, particularly those arising from labour laws, environmental protections, and decentralised governance. The law was announced during Jokowi's second inaugural address on October 20, 2019, where he outlined his reasons for this wide-ranging law:

All forms of regulatory constraints must be simplified; we must cut, we must cut. The government will invite the House of Representatives to issue two major laws. The first is the *Cipta Kerja* [Omnibus] Law, and the second is the Micro, Small, and Medium Enterprise (MSME) Empowerment Law. Each of these laws will become an omnibus law, which is a law that also revises several existing laws. Dozens of Laws that hampered job creation will be immediately revised at once. Dozens of laws that hamper the development of MSMEs will also be directly revised (Widodo 2019).

Within four months of Jokowi's inauguration, the official draft of the Omnibus Law was submitted to parliament by the Co-ordinating Minister for the Economy, Airlangga Hartarto. The government put forward three main justifications: (i) the urgency to respond to the global economic slowdown; (ii) the need to restructure the economy to boost productivity, wages, investment, and consumption; and (iii) the goal of eliminating overlapping and conflicting regulations that were seen to undermine investor confidence.

At the time, there were 8,451 national-level regulations and 15,965 sub-national regulations (including those issued at provincial and regency level). The government

argued that such overlapping regulation contributed to legal uncertainty and bureaucratic inefficiencies that hindered foreign investment. The Omnibus Law targeted some 79 laws considered as the key legal foundations underpinning labour protections, business licensing, regional governance, and state oversight.

The next section unpacks how the Omnibus Law operates as an instrument of neo-liberal state restructuring, designed to prioritise deregulation and liberalisation under the banner of improving market efficiency and attracting investor confidence. This restructuring is not about reducing the role of the state but rather redirecting it towards facilitating accumulation and capital mobility. The article then shifts the focus to the authoritarian dimensions of the law's formulation and implementation.

Omnibus Law: Neo-liberal Restructuring

One of the central pillars of the Omnibus Law's neo-liberal agenda is deregulation. However, deregulation in this law is more about reconfiguring regulation to better facilitate market activity than in the sense of eliminating state intervention. The law's approach is centred on a risk-based governance model. This model replaces a license-based system, under which businesses had to obtain permits from central or regional authorities before operating, with a framework in which regulatory oversight varies according to the level of risk associated with a given business activity. High-risk activities are subjected to greater control by the central government, while low-risk sectors are allowed more flexibility. Risk, in this context, is understood as a function of both the probability of adverse events and their potential social or economic impact. For instance, industries like mining or chemical manufacturing can be considered high-risk due to their environmental and safety implications that require multiple layers of approval, whereas businesses in retail and services may only need to register online with minimal oversight.

This shift reflects a broader trend in international political economy, in which risk management has become a key mechanism for advancing neo-liberal governance. In particular, the rise of the post-Washington Consensus and New Institutional Economics reframed development policy around managing investment risk and improving the "business climate" rather than expanding state-led welfare or redistribution (see Wijaya 2024, 409). Within this logic, risk becomes a technical problem to be dealt with rather than a question of public accountability. The Omnibus Law thus exemplifies how deregulation under neo-liberalism operates through new regulatory frameworks that ostensibly reduce bureaucratic barriers, while in practice reshaping the state's role in ways that favour capital.

Another major axis of neo-liberal restructuring embedded in the Omnibus Law is the overhaul of labour protections. While the risk-based framework concerns market entry, the labour provisions of the law restructure employment relations in ways that prioritise flexibility for employers over protections for workers. This restructuring is in the name of competitiveness and investment attractiveness. Among the most consequential changes that favoured business were: (i) the elimination of regency/city minimum wage provisions; (ii) reduced severance pay; (iii) relaxed outsourcing policy, previously only limited outside "core business"; (iv) the elimination of criminal

sanctions for companies that violate the labour law, replacing them with administrative sanctions; (v) the expansion of flexible working hours arrangements, where employers could require longer working hours without clear guarantees of overtime pay; (iv) increased precarity for contract workers, making it more difficult to become a permanent employee; and (vii) the simplification of dismissal procedures.

In other words, the Omnibus Law created more opportunities for employers to act unilaterally and increased flexibility, for instance, by hiring contract workers to avoid the requirement for severance pay and pension benefits. The changes also weakened collective bargaining as the government signalled that it does not regard unions or workers as equal stakeholders in the employment relationship. An interviewee from civil society stated:

The policies made by the Government, including the Omnibus Law, only look at one aspect, namely the economic aspect. Its preparation did not consider other elements, including law, environment, human rights, etcetera. In our opinion, the primary purpose of this law is to attract foreign investment [mainly driven by perceived competition with countries like Vietnam]. Yet this overlooks the more pressing structural problem: Indonesia's inability to ensure consistent and credible legal enforcement [of existing laws such as anti-corruption measures]. Rather than addressing these institutional weaknesses, the government chose to erode labour protections in the name of competitiveness (Interview, Jakarta, September 12, 2021).

This pro-business trajectory is further reinforced by changes in how regulatory violations are sanctioned. The Omnibus Law transforms the enforcement regime from criminal liability to administrative sanctions in ways that reduce legal risk and compliance costs for capital. While the law relaxed labour protections and streamlined business licensing through a risk-based framework, this shift in enforcement demonstrates how the law lowers regulatory burdens for investors and employers. By converting certain violations from labour to environmental and corporate infractions into administrative rather than criminal matters, the state effectively decriminalises forms of corporate misconduct.

A notable example of this deregulatory turn is the removal of criminal liability for employers who fail to meet pension obligations. Law No. 13/2003 on Manpower required companies to register employees in a pension scheme and stipulated penalties of one–five years' imprisonment or fines ranging from IDR 100 to 500 million for non-compliance. The Omnibus Law overturned this provision by transforming the infraction into an administrative matter subject only to fines or permit suspensions. This shift not only weakens enforcement but also reduces deterrence, making it easier for employers to avoid obligations without significant consequence.

More broadly, this legal transformation aligns with the neo-liberal logic of governance: replacing punitive regulatory frameworks with flexible, cost-minimising mechanisms that prioritise business continuity and profitability over accountability. While framed as a move towards administrative efficiency, the change further insulates employers from democratic scrutiny and reinforces the broader reconfiguration of the state in favour of capital.

Beyond deregulation, the Omnibus Law also reflects a broader agenda of economic liberalisation where investors demand the removal of protective measures and the opening of domestic markets to foreign capital. Liberalisation, as a hallmark of neo-

liberal restructuring, often involves reducing state obligations to uphold domestic standards and relaxing restrictions on foreign ownership and trade, under the premise that market openness enhances economic efficiency and competitiveness (Kalleberg, Hewison, and Shin 2022, 55–56).

This is seen in changes in the food sector, where the Omnibus Law eliminates the government's obligation to prioritise domestic food production in meeting national food needs. Instead, it reframes food security in terms of "availability," a shift that legitimises a greater reliance on food imports. While this may reduce costs in the short term and increase supply flexibility, it undermines long-term investment in domestic agriculture and weakens protections for local farmers (*CNBC Indonesia*, October 16, 2024). The emphasis this has on food imports risks exposing Indonesia to global price volatility and reducing the government's capacity to ensure national food self-sufficiency, especially in times of international crisis or supply chain disruptions.

A similar neo-liberalisation is seen in the forestry sector, where the Omnibus Law removes critical restrictions on foreign investment and removes the state's obligation to prioritise the national interest when transferring plantation ownership. Previously, foreign companies faced regulatory hurdles aimed at safeguarding national control over strategic land assets. However, the Omnibus Law dismantles these protections, enabling greater access for transnational capital to plantation industries, particularly palm oil, a sector closely linked to land conflicts and environmental degradation in Indonesia. In so doing, the law prioritises investment flows over sustainability or community rights, reinforcing the logic of liberalisation where land becomes a commodity in service of global capital.

While the Omnibus Law clearly demonstrates a commitment to liberalising markets and loosening regulatory frameworks, it would be a mistake to equate Indonesia's neo-liberal turn solely with unrestrained market openness. For example, there have been selective state interventions such as export bans on nickel ore or temporary controls on palm oil exports enacted by the Jokowi administration in 2020; some see this as evidence of Jokowi's failure to fully embody the neo-liberalism agenda (see Patunru 2023). However, such moves are more accurately interpreted as tactical deployments of resource nationalism to integrate Indonesia more competitively into global value chains than a departure from liberalisation agenda.

The restriction on raw mineral exports, for instance, rather than being a simple protectionist measure, has strategically positioned Indonesia within the global value chain, particularly in relation to nickel production (see Wijaya and Sinclair 2024). For instance, on the basis of this intervention, the Indonesia Morowali Industrial Park is now a major hub of Chinese-backed nickel processing, reflecting a deeper integration of Indonesian resource policy into transnational capital circuits (Karim 2025, 10). This move not only benefited the economy by initially increasing export volumes and values between 2020 and 2022 but, more importantly, catalysed a surge in foreign investment aimed at developing domestic downstream industries, particularly in the construction of nickel smelters and refining facilities.

This situation illustrates a sophisticated form of neo-liberal strategy that leverages national resources and regulatory frameworks to engage with and benefit from global

capitalist dynamics. Thus, rather than contradicting the broader neoliberal trajectory, these forms of selective state intervention reaffirm its core logic: reconfiguring the state to serve capital, often through new forms of market facilitation and elite coordination rather than laissez-faire withdrawal.

The Omnibus Law and the Retreat of Local Governance

To achieve the neo-liberal agenda discussed above, the Omnibus Law was designed to move power from local authorities to the central government. This rescaling is seen in several aspects of the Law. First, the government can overturn regulations issued by local governments. Previously, Law No. 23/2014 regarding Local Government only authorised the Central Government, through the Minister of Home Affairs, to cancel provincial regulations while regency/city regulations could only be overturned by the provincial governor. Constitutional Court Decisions Nos. 137/PUU XIII/2015 and 56/PUU-XIV/2016 nullified these powers, designating the Supreme Court as the entity responsible for revoking regional rules (see Hartomo 2018). Under this court decision, if a local regulation is considered harmful to residents, a complaint is to be filed with the Supreme Court in a process of judicial review.

However, the Omnibus Law allocated the central government the power to revoke regional rules. The law designates the president as the “governing body” with the power to revoke regional rules. This shift is closely tied to the legal interpretation that the president, as the entity that grants authority to the regional government, retains the right to revoke that authority, including overriding provincial and local regulations (see Tohadi 2020). This interpretation has sparked legal debate. Critics have argued that it contradicts the Constitutional Court’s landmark rulings which affirmed that the power to annul district and municipal regulations rests with the Supreme Court, on the grounds that these regulations are part of the legislative hierarchy and thus require judicial review (Arfana 2017). The Jokowi government’s justification for the shift seen in the Omnibus Law was grounded in several concerns. One was an argument that judicial review mechanisms were ineffective (*Detiknews*, February 13, 2020). It viewed many regional regulations as problematic because they were discriminatory or obstructive to investment, and annulling them via the Supreme Court was time-consuming, expensive, and politically sensitive. The administration thus stated that its aim was to streamline the removal of “problematic” regulations in order to accelerate investment. Critics saw it as a rolling back of decentralisation and judicial oversight in favour of executive dominance (Ewendia, Firmansyah, and Riandanda 2022, 20–25).

The Omnibus Law also significantly changed the roles and functions of local governments, especially in terms of authority over spatial planning. Spatial planning has become a key arena for contestation, especially with regard to investment and development. Under Jokowi’s administration, spatial planning became an important instrument to clear away “barriers” to investment and business, prompting a centralised special planning authority. This is seen in provisions of the Omnibus Law. Article 15 states that if a regional government has not prepared and provided the Detailed Spatial Plan, businesses can apply for space utilisation approval for their activities to the central government through an electronic business licensing system.

Centralisation can also be seen in the stipulation of multi-layered spatial plans for the provinces and regencies/cities. This means the central government can take over a provincial and/or regency/city spatial plan if the relevant government has not determined the plan within the stipulated time limit after obtaining central government approval (*Tempo*, October 7, 2020).

Moreover, the Omnibus Law inserts a new article (Article 34A) into Law no. 26/2007 concerning Spatial Planning. Unsurprisingly, this addition also supports the centralisation of spatial planning. The article states: “The implementation of space utilisation activities ... can be carried out after obtaining a recommendation for the suitability of space utilisation activities *from the Central Government*” (emphasis added). That is, should the central government have a strategic national policy that has not been regulated in a spatial plan, that policy can be implemented after receiving a recommendation – essentially approval – from the central government. Therefore, if there is a change in national policy of a strategic nature which then has implications for the use of space at the sub-national level, the Regional Spatial Plan or Detailed Spatial Plan made by local governments are required to be reviewed and changed. The result is that the notion that locals plan local land use is overridden by the “strategic” interests of the central government. Essentially, when the central government wants to facilitate investment-oriented development such as industrial estates or extractive resource operations, the regional governments cannot refuse, despite having developed and approved their own regional spatial plans.

Strengthening Executive Authority under the Omnibus Law

Building upon the recentralisation of power from local to central government discussed above, the Omnibus Law also entrenched authoritarian neo-liberalism by consolidating authority in the executive branch and weakening institutional checks by the legislature. As already noted, this trend reflects a broader pattern in Jokowi’s administration, where formal democratic institutions were increasingly subordinated to executive priorities in the name of efficiency and investment facilitation. As explained by one opposition member of parliament, the legislative process under Jokowi has become increasingly perfunctory, with parliamentary discussions of government bills such as the Omnibus Law being largely a formality, adding:

With a large coalition of parties supporting the government, the process of checks and balances did not occur in parliament. In fact, the DPR will always support and even secure government policies from the legislative side. As a result, in discussing various kinds of bills made by the government, the process of discussing bills is essentially only a formality. There are still criticisms of the bill being discussed, but the government’s wishes are achieved in the end (Interview, Jakarta, September 11, 2020).

During his initial presidential term, Jokowi’s government had the support of four political parties. In his second term, eight parties joined the government, leaving just two parties in opposition (see [Table 1](#)). Opposition members of parliament complained that, by the second term, the House of Representatives no longer functioned as an overseer of government bills and policies. When parliamentarians criticised or questioned government legislation, usually the committee chairperson, from the

Table 1. Shifts in party support for the government (2014–2024).

	First Term 2014–2019	Second Term 2019–2024
Government coalition	337 seats (60%) PDIP = 150 Golkar = 107 PKB = 57 PPP = 43 Hanura = 37 Nasdem = 27	471 seats (82%) PDIP = 128 Golkar = 85 Gerindra = 78 Nasdem = 59 PKB = 58 PPP = 19 PAN = 44
Opposition	223 seats (40%) Gerindra = 73 Demokrat = 61 PAN = 49 PKS = 40	104 seats (18%) Demokrat = 54 PKS = 50

Source: Data provided by the Election Commission.

government-aligned parties, would defend the government's position (Interview, member of parliament, November 22, 2022). The result was a legislative institution dominated by government parties that actually insulated the administration and its policies and practices from scrutiny. This was precisely the pattern during the development, discussion, and ratification of the Omnibus Law, where parliament acted as a cheerleader for the legislation rather than providing scrutiny and amendment (Interview, legal aid organisation activist, January 16, 2021).

With little oversight from parliament, Jokowi and his supporters created an administration in which the executive branch faced virtually no meaningful checks or balances. The Omnibus Law institutionalised this executive-heavy governance by further curtailing parliamentary scrutiny and shifting lawmaking authority to the executive. For instance, Article 175 (2) of the law permitted increased presidential discretion, providing space for officials to take action without being fully bound by the law, as long as the purpose was considered to be in the public interest. The Omnibus Law also granted the executive sweeping powers to produce derivative regulations without further parliamentary approval. Since its enactment, dozens of implementing regulations have been issued, effectively bypassing legislative deliberation further entrenching the centrality of the executive.

One area where this expansion of executive authority is particularly evident is forestry governance. Under the Omnibus Law, Article 36 (3) no longer requires parliamentary approval in determining changes to the allocation and function of forest areas. This marks a significant departure from the previous Forestry Law which treated forests as nationally strategic assets due to their ecological functions and role in supporting indigenous and rural livelihoods. Likewise, Article 36 (14) centralised the issuance of borrow-to-use forest permits, giving the executive full control over the conversion of forest land for infrastructure, mining, or agribusiness projects. Consequently, the parliament's authority to authorise modifications to the distribution and purpose of forest lands, as well as their utilisation for non-forestry purposes like road construction, reservoirs, dams, mining, and similar activities, has been diminished.

Repression and Technocratic Legitimacy

As discussed above, the primary aims of the Omnibus Law were to shift state power back to the central government and strengthen executive authority. This agenda runs counter to the post-Suharto *reformasi* spirit of democratisation and decentralisation. The law achieved this in four significant ways. First, the law provided the executive branch the power to make, cancel, and change the law through the issuance of presidential regulations (*Peraturan Presiden*) and government regulations (*Peraturan Pemerintah*), both of which are executive instruments under presidential control. Second, the law re-centralised authority to the central government, often at the expense of local government. Third, as the law gave lawmaking authority to the executive, parliament's function as the legislative body has been significantly diminished. Fourth, the law undermines the principle of checks and balances, both vertically between national and sub-national government and horizontally between executive and legislature, especially in the area where investment is an issue. This again shows how administrative restructuring under the Omnibus Law reflects authoritarian tendencies by concentrating power in the hands of the president and bypassing parliamentary and public oversight, moving Indonesia closer to a model of governance that prioritises executive authority over accountability.

This tendency was most clearly demonstrated in the way the law was pushed through parliament: with minimal public consultation and with public discontent met with repression as mass protests by civil society groups, labour unions, and students were met with police crackdowns. In early October 2020, just days before the bill's passage, the National Police Headquarters instructed officers to conduct surveillance, prevention, and even punitive actions against those opposing the law. This led to arbitrary arrests under the pretext of "security," despite this term having no basis in the Criminal Procedure Code (Walhi, 2020). In total, at least 5,918 people were arrested during the protests (*Kompas.com*, October 10, 2020). Police also threatened that students involved in demonstrations would be denied police clearance letters (SKCK), essential for future employment. The combination of legal centralisation and political suppression underscores how the law not only entrenched executive dominance but also narrowed democratic space in both procedural and substantive terms. This is an essential feature of authoritarianism.

To be sure, Jokowi's Omnibus Law agenda was not driven by presidential will alone, but was supported and legitimised by powerful actors, notably technocrats. These actors played a crucial role in shaping, justifying, and promoting the law. Their influence highlights how the consolidation of executive power and the shift towards authoritarian governance under Jokowi must be understood not as a top-down imposition, but as a political project enabled by technocratic common vision of market-oriented development and regulatory streamlining. In the case of the Omnibus Law, senior officials with longstanding bureaucratic careers in planning, finance, and economic governance, particularly those positioned in the Ministry of Finance, the Coordinating Ministry for Economic Affairs, and the National Development Planning Agency or Bappenas played significant roles in advancing authoritarian neo-liberalism.

Prominent figures such as Finance Ministers Bambang Brodjonegoro and Sri Mulyani Indrawati, both US-educated economists with institutional experience in international financial governance and a clear track record of supporting market liberalisation policies exemplify this group. Though they serve in ministerial roles and are close to the president, their authority and legitimacy derive not from party affiliation or electoral power, but from their reputations as competent, market-friendly economic managers committed to so-called global best practices. These technocrats were not merely implementing presidential directives; they were influential policy entrepreneurs who provided the necessary rationale, procedural framing, and policy instruments to drive the Omnibus Law.

The Omnibus Law was also driven by technocrat ministers with explicit business affiliations. These included Airlangga Hartarto, the Co-ordinating Minister for Economic Affairs, with links to KADIN, who is also the chairman of Golkar, which itself has strong business linkages. This makes him a central figure in the forging of political and economic interests. It was these technocrats who lent intellectual legitimacy to the law by framing it as essential for attracting investment. For instance, Bappenas was tasked with preparing an academic paper (*naskah akademik*) to support the draft law, intended as a demonstration of the technocratic rigour in the legislation. Yet the study was completed hastily and showed signs of being tailored to validate pre-determined conclusions (Interview, vice chairman, KADIN, November 2, 2022). The framing of the law as necessary for improving Indonesia's investment climate and ease of doing business allowed the government to present the law as a technocratic imperative rather than a politically contested project. This lent credibility to the law.

Thus, the Omnibus Law reflects not only an alliance between the presidency and technocrats but also an entrenched institutional logic in which policy-making is increasingly centralised and shielded from democratic oversight. Technocrats, by their control over planning agencies, fiscal policy, and regulatory frameworks, play a pivotal role in shaping national policy while remaining largely unaccountable to the broader public. By keeping decision-making insulated within bureaucratic and technocratic structures, and bypassing mechanisms of deliberation, the Omnibus Law exemplifies a form of authoritarian neo-liberalism where market-oriented reforms are pursued through executive dominance and technocratic governance, rather than democratic consensus.

Authoritarianism Reconfigured: Comparing Suharto and Jokowi

As already mentioned, the Omnibus Law did not pass unchallenged, with its passage triggering massive public protests involving civil society organisations, students, and labour unions that were heavily repressed. Yet, opposition extended beyond the streets to legal institutions. In November 2020, the Confederation of Indonesian Workers' Unions (KSPI) officially applied for a judicial review of the Omnibus Law from the Constitutional Court (Case no. 101/PUU-XVIII/2020).

In its case, KSPI argued that the legislative process violated legal norms, particularly due to the exclusion of labour unions from deliberations and also because of

procedural irregularities. For example, the lawsuit alleged that the government and parliament had made substantial changes to the law's content – including page counts and article revisions – after it had been approved in principle. These changes raised suspicions of irregularities, especially as government and parliamentary responses to queries during the hearings were often convoluted and inconsistent (*Kompas.com*, November 4, 2020).

In November 2021, the Constitutional Court ruled that the Omnibus Law was “conditionally unconstitutional.” It found that the legislative process had violated Law No. 12/2011 on the Establishment of Legislation, which governs how laws are systematically and transparently formed. More importantly, the court noted that the “omnibus method” had no clear precedent in Indonesian lawmaking, and that substantive amendments had occurred post-ratification. The court gave the government two years to revise the law in line with procedural norms and public participation requirements; otherwise, it would be declared void (Constitutional Court of Republic of Indonesia 2021).

In response, the administration worked quickly to revise Law No. 12/2011 to retroactively legitimise its omnibus method. The revision was ratified on May 24, 2022. Notably, the revision was framed explicitly as a workaround to the Constitutional Court's ruling. Parliamentary leadership and Co-ordinating Minister for the Economy Airlangga Hartarto acknowledged that the amendment aimed to facilitate re-introduction of the Omnibus Law, which was again claimed as essential for boosting investment and employment (*Kompas.com*, April 7, 2022).

The rise of authoritarian neo-liberalism in Indonesia, especially during Jokowi's two terms, might suggest a comparison with the authoritarianism of Suharto, particularly in their methods of consolidating power. Yet they are different in several important ways. First, while both regimes exhibit authoritarian traits, they are underpinned by distinct political logics and economic strategies. Suharto's New Order, emerging from a military-backed authoritarian consolidation in the late 1960s, was characterised by a nationalist and state-led approach to development and especially to industrialisation. Especially during the 1970s oil boom, the regime expanded SOEs and pursued a range of nationalist industrial policies, fostering a close alliance between the military, state bureaucracy, and emerging domestic capital-owning classes. As suggested by Robison (1988, 55), a “pact of domination” emerged between politico-bureaucratic elites and domestic conglomerates, allowing the latter to thrive through state monopolies, licences, and protectionist regulations. This model of authoritarian capitalism prioritised economic nationalism and regime survival over market competition or liberalisation.

As shown in this article, Jokowi's administration had a different trajectory, marked by consolidation of executive authority in the service of market liberalisation. Jokowi's brand of authoritarianism is not rooted in military support or regime preservation but in an instrumental push to accelerate deregulation and attract foreign investment. This was exemplified by the 2020 Omnibus Law, which aimed at neo-liberal reform. Jokowi's neo-liberal agenda relies heavily on legal-administrative instruments to sideline dissent and fast-track reform, often at the expense of democratic deliberation.

A second distinction is seen in executive consolidation. Suharto's centralisation of power, while promoting economic development, was principally aimed at suppressing political opposition and sustaining authoritarian rule through patronage and repression. Jokowi's centralisation, while also authoritarian in form, has been justified through a developmental narrative that seeks efficiency and economic modernisation rather than emphasising regime security. The effect, however, has been similar, with diminished institutional checks and a limited, even restricted, role for parliament. This imbalance is seen in the over 8,000 presidential, ministerial, and government regulations issued by Jokowi's administration between 2014 and 2019, compared with just 107 laws passed by parliament during the same period (Interview, member of parliament, Jakarta, January 15, 2021). Clearly, the executive dominated while its authoritarian neo-liberalism functioned to insulate policy-making from public scrutiny and political contestation.

Conclusion

This article has examined how authoritarian neo-liberalism has taken shape in Indonesia under the presidency of Joko Widodo, revealing a mode of governance that departs in important ways from past authoritarian experiences. Rather than Suharto's coercive authoritarianism, Jokowi's neo-liberal authoritarianism has sought a recalibration of executive authority that is legitimised through a technocratic, developmentalist discourse. Central to its logic has been the effort to insulate economic policy-making from democratic deliberation, bypassing dissent. In this context, authoritarianism is not a strategy for regime survival, but is a functional tool for advancing market liberalisation in the face of resistance. The entrenchment of central government, the marginalisation of parliament, and the suppression of civil contestation all point to a distinctive synthesis of neo-liberalism and authoritarian governance, driven less by fear of collapse, and more by the imperatives of economic liberalisation and integration in global investment and production chains.

This article's account of Indonesia's trajectory under Jokowi suggests broader implications for authoritarian neo-liberalism and democratic decline. Rather than viewing the authoritarian drift solely as a function of political illiberalism or elite manipulation, the Indonesian case demonstrates how neo-liberal economic reform agendas can themselves drive institutional erosion. By showing how executive consolidation was legitimised through appeals to developmental necessity, the article challenges accounts that isolate authoritarianism from structural economic drivers. It also suggests that the weakening of democratic institutions may not result merely from deliberate anti-democratic ideology, but from an instrumental logic of governance that privileges foreign investor confidence over democratic accountability. This logic is often justified through the prosperity appeal of development that allows the Jokowi government to legitimise its authoritarian tendency. Understanding democratic backsliding, therefore, requires greater attention to the political economy of reform, particularly in contexts where the imperative to attract capital intersects with the institutional changes that limit public participation and weaken legislative oversight.

Looking ahead, Jokowi's promotion of neo-liberal authoritarianism raises pressing questions about the future of Indonesia's political economy and its democracy, particularly as former general Prabowo Subianto has risen to the presidency. Early in his term, his administration has indicated that it will continue and deepen the pattern of neo-liberal centralisation and authoritarianism. For instance, Prabowo has entertained the idea of reinstating indirect regional elections, where local leaders would be selected by provincial legislative councils rather than through direct elections (*Kompas*, December 7, 2024). Rationalised as a cost-saving measure and a response to perceived governance inefficiencies, this shift would reflect a broader centralisation agenda that also aligns with Prabowo's well-established connections to New Order-era elites, including elements of the military.

Such indirect local elections would further consolidate power within entrenched oligarchic networks, including those associated with political parties. By giving the sub-national legislative councils (DPRD) the power to elect the mayor and governor, political parties and their elite leaderships gained control over who governs at the sub-national level. Indirect local elections would also reduce the role of the electorate and increase the bargaining power of party elites in local governance. This dynamic potentially deepens authoritarianism with an even greater emphasis on centralisation as a pathway to advancing neo-liberal restructuring.

Perhaps more disturbingly, Prabowo's approach to centralisation reflects his deep familiarity with the mechanisms of the New Order, where centralised governance and elite control were viewed as the most efficient means of advancing state priorities. The centralisation pathway being pursued under Prabowo represents a continuation – and possibly an amplification – of the authoritarian neo-liberal model. It underscores the persistent tension between the imperatives of neo-liberal governance and the principles of democratic accountability, raising urgent questions about the long-term implications for Indonesia's democratic institutions and social equity.

Notes

1. As expressed by Kalleberg, Hewison, and Shin (2022, 55), “[n]eoliberalism is a collection of economic, social, and related political policies that, in practice, have been associated with markets, fiscal discipline, trade, investment and financial liberalization, deregulation and reregulation, decentralization, privatization, and a reduced but more focused role for the state.” The adoption of these policies has been reinforced by the expansion of transnational corporations and global production networks.
2. The Murdoch School's main analytical lens examines how specific institutional configurations reflect existing distributions of power among constellations of social forces. In essence, it is a Marxist approach that focuses on domestic and international business classes and their interactions with state bureaucrats in shaping the economic agenda (see Hutchinson 2021, 281).
3. As Poulantzas (2001, 106–107) observed, neo-liberal state restructuring can be driven by the state's role favouring foreign or transnational capital, which magnifies the uneven development of capitalism within the country in which capital is reproduced.

Acknowledgment of AI Usage

In the preparation of this manuscript, the authors as non-native speakers of English utilised ChatGPT (OpenAI, version 4o) and Grammarly to check for grammatical errors and enhance

clarity. Additionally, TurboScribe was employed to transcribe interview materials. The manuscript has been screened using Turnitin, with results indicating that it is free from significant AI-detected content.

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Ethics Approval

This study was granted an ethical approval waiver by the Research Ethics Committee of Universitas Islam Internasional Indonesia (Ref. No: 06/REA/UII/0/06/2025).

Disclosure Statement

Muhammad Kholid wishes to note that the views expressed in this article are entirely personal and do not reflect his current position as a member of Dewan Perwakilan Rakyat Republik Indonesia (Indonesian House of Representatives).

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