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# UNIT 10 INDONESIA

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## Structure

- 10.1 Introduction
- 10.2 Objectives
- 10.3 Tyranny of Geography
  - 10.3.1 Perception and Misperception in Australia-Indonesia Relations
  - 10.3.2 Centrality of Indonesia in Australia's Foreign Policy
  - 10.3.3 Role of Differing Political Systems and Values
- 10.4 Rocky History of Australia-Indonesia Relations
  - 10.4.1 Australia-Indonesia Relations under Sukarno
  - 10.4.2 Improvement of Relations under Suharto Regime
  - 10.4.3 Broadening Base of Australia-Indonesia Relations: Role of Trade and Investment
- 10.5 The Indonesian Economic Crisis (1997-98) and the Australian Response
- 10.6 East Timor in Australia-Indonesia Relations
  - 10.6.1 Changing Policies of Australia on East Timor: from Support of Indonesia's Occupation to Support for the Independence
  - 10.6.2 Indonesia's Hostility toward Australia
  - 10.6.3 Role of United States in the Birth of East Timor as an Independent State
- 10.7 Australia-Indonesia Relations post-East Timor
  - 10.7.1 Australia's Assurance of Indonesia's Territorial Integrity and Cooperation in Fighting Trans-national Crimes
  - 10.7.2 Australia's Support to Indonesia in Tsunami Relief
  - 10.7.3 Going Beyond the Tsunami
  - 10.7.4 Indonesia, Australia and ASEAN
- 10.8 Australia-Indonesia Economic Relations
  - 10.8.1 Trade and Investment Relations
  - 10.8.2 Australia-Indonesia Development Area (AIDA) Initiative
- 10.9 Summary
- 10.10 Exercises
- 10.11 Suggested Readings

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## 10.1 INTRODUCTION

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It is a fact of geography that Indonesia is Australia's nearest neighbour. The tyranny of Australia's geographical position is such that it has looked north, not south, for possible threats to its security. Despite geographical proximity, vast differences in culture, religion, levels of economic development, and population size separate the two countries. In 1985, John Holloway, then Assistant Secretary, South East Asia Branch in the Department of Foreign Affairs observed, 'the disparity between our political and institutional frameworks actually appeared to be widening against a backdrop of diminishing common ground in terms of our respective values and culture'. He quoted these a year later in an address to a symposium on Australian-Indonesian relations. They are as valid today as they were then and the disparity is likely to increase not decrease in the future.

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## 10.2 OBJECTIVES

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After studying this unit, you should be able to understand:

- the dynamics of Australia-Indonesia relations – particularly focusing on the perceptions and misperceptions about each other;
- evolution of Australia-Indonesia political and diplomatic relations during the Indonesian regimes of Sukarno, Suharto, Habibie and Megawati – highlighting ups and downs of their relations;
- the growing Australia-Indonesia Economic relations – (Trade and Investment), since 1980's;
- Australia's role during Indonesia's economic crisis in 1997-98 by providing direct emergency economic assistance;
- changes in Australia's policy on the East-Timor issue, from supporting Indonesian case to favouring independence of East Timor; and
- assessment of the relations between Indonesia and Australia since the independence of East Timor.

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## 10.3 TYRANNY OF GEOGRAPHY

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### 10.3.1 Perception and Misperception in Australia-Indonesia Relations

In order to put contemporary Australian-Indonesian relations into perspective, it is necessary to trace some of the history of that relationship, which formed and shaped current Australian perceptions, mainly official attitudes and perceptions. There are of course a number of other groups in Australian society, which hold differing views: the press, academia, political parties, the Returned Servicemen's League, and the business community. In discussions heard in Australia about the nature of relations, a number of phrases and expressions keep reoccurring. The first is the rhetorical question; 'do good fences make good neighbours'? That is, in order to maintain good relations with Indonesia, Australia should try and contain its paternal concern for the welfare of Indonesia by erecting 'fences', which restrain the intrusion of overly inquisitive Aussies. Another view is that because Australia and Indonesia are 'close neighbours' it is only natural that they should be interested in and show concern for the welfare and well being of each other.

There is also the notion that Australia and Indonesia share a 'special relationship' because of Australian support for the Indonesian revolution in the 1940s. Today there is a certain sense of betrayal that the good will earned in this period has not been reciprocated by Indonesian leaders. 'Australia needs Indonesia more than Indonesia needs Australia' is an often-heard expression, which summarises in brief form the nature of the power relationship between the two. Australia, because of its geographic position, needs access to the air and sea-lanes crossing Indonesia. Alternate routes would impose prohibitive costs. This expression also implies that because Indonesia, through its membership in ASEAN, is a part of the South East Asian region, and Australia is an outsider, Australia must carry political favour in Jakarta to keep Indonesia 'on side'. Another view is based on the image of Indonesia as an underdeveloped, over-populous, culturally dissimilar, unstable nation whose domestic politics could spill over and affect Australia's security. There are two variants to this. The first posits the rise of a dictator in the Sukarno mould who mounts challenges to Australia's sovereignty. The other suggests that Indonesia might 'Balkanize' into competing power centres with a spill over effect onto Australian territory, such as the unauthorised entry of West Irians. There is also the geo-strategic view that Indonesia is the 'land bridge' from mainland South East Asia, the historic springboard for attack on Australia, which was chosen by Japan during the Second World War. There are Australian misperceptions about the nature of Indonesian culture and its political system based on racism, and symbolised by the White Immigration policy in times past. Some Indonesian intellectuals still feel that racism is a factor in the relationship despite changes in Australian immigration

policy and law. These images and perceptions of Indonesia arise from over four decades of contact between these countries.

### **10.3.2 Centrality of Indonesia in Australia's Foreign Policy**

As a consequence of the above, in the past and for the future, Indonesia will remain central to Australian foreign policy for three enduring reasons. Apart from Papua New Guinea, it is the country closest to Australia, and like France and Germany, or China and Japan, Australia has to take particular care of that relationship, neighborhood matters in international relations. There is a significant asymmetry in power between Indonesia and Australia. Population size and military strength also matter in international relations. This means that, generally speaking, Indonesia carries more weight among Asian countries, including China and Japan, and with the U.S. and Europe, than Australia does. The usual outcome is that in disputes between Australia and Indonesia—as was the case over West New Guinea, former President Sukarno's confrontation with Malaysia, and the annexation of East Timor in 1975—great powers like the U.S. generally take Indonesia's side or stay on the sidelines. Some Australians are confused by this because of the importance they attach to their alliance with the U.S., always expecting the U.S. to support Australia, regardless of its own interests. Another effect of the asymmetry is that in any dispute with Indonesia, Australia stands to bear disproportionate costs to the bilateral relationship. This does not mean that Australia always avoids conflicts with Indonesia—the populist accusation in Australia that governments appease Indonesia is simply wrong—but it does mean that the Australian government must make careful calculations of costs and benefits to minimise the former and maximise the latter.

### **10.3.3 Role of Differing Political Systems and Values**

Finally, Australia's relations with Indonesia have a particular significance because of differing political systems and political values. Under Sukarno, Suharto, and Habibie, Indonesia pursued policies that presented substantial security and political difficulties for Australian governments and the Australian people. Sukarno's policy toward West New Guinea, confrontation with Malaysia, East Timor in 1975 and again in 1999 were all issues driven by politics in Jakarta, and in none of these did Australia play a decisive role in the outcomes. In the West New Guinea issue (1946-1961), where Indonesia claimed the territory from the Dutch as a successor state, the U.S. intervention was decisive in the outcome. On Confrontation (1963-1966), where Indonesia sought to prevent the formation of the new state of Malaysia, the policy ended as a result of the fall of Sukarno. The US's silent approval of the takeover of East Timor in 1975 underpinned Indonesia's actions. Habibie's decision to allow a vote on independence in East Timor was, it seems, principally an outcome of Jakarta politics and Habibie's seeking international legitimacy for his rule. While Australia was instrumental in putting together the multinational peacekeeping force, it was U.S. pressure that forced Habibie to agree to its entering East Timor. These facts are unpalatable to most Australians, and particularly to activist groups ranging from churches and students to more widely based political groups. This means that in Australian democracy, every government—whether it is the Australian Labor Party dealing with the Indonesian independence struggle or John Howard vis-à-vis East Timor is under greater or lesser domestic, generally non-partisan, political pressure to “do more” with respect to Indonesian issues. The messages the Indonesians get from this are mixed and often unpopular. The Australian media are unfettered and often fail to make proper distinctions between the Indonesian government and the people or to take Indonesian nationalism seriously. The Australian government sometimes appears to Indonesians to be speaking with a forked tongue.

Apart from political and economic interests of the two countries (commonly related to human rights, transparency and democracy issues) that might have influenced leaders' decisions and actions, these events have clearly indicated that people from different cultural and historical backgrounds really do behave differently. To Australia, the future of Indonesia's democracy means greater attention will need to be paid to cultural aspects, along with consideration of political and economic issues arising out of Indonesia's past authoritarian regime. The first and foremost challenge for Australia is to recognise the differences in value orientations and practices between Australia and Indonesia, and to be able to appreciate the differences. There is always a danger for some Australians who think they have knowledge about the cultures of Indonesia simply because they speak a little Bahasa Indonesia.

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## **10.4 ROCKY HISTORY OF AUSTRALIA-INDONESIA RELATIONS**

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### **10.4.1 Australia-Indonesia Relations Under Sukarno**

From an Indonesian perspective, the history of the relationship between Indonesia and Australia has been characterised for the most part by peaks and troughs; seldom has there been the stable, friendly, and cooperative long-term relationship that some would expect of close neighbours. Relations between Australia and Indonesia have had a rocky history, with periods of good relations broken by sometimes-open animosity. An initial period of warmth prevailed immediately after independence because of the Australian Government's support for Indonesia's independence struggle. The relationship soured following the change of government in Australia in 1949 and reached a low point in the early 1960s over the issue of Indonesia's claim on the Dutch-held western half of the island of New Guinea (now Irian Jaya) and over Indonesia's campaign of 'confrontation' against Malaysia.

Until the late 1980s, relations were dominated by political and security issues in Southeast Asia played out against the background of the Cold War. The tension, which characterised relations during the rule of Indonesia's first President, Sukarno, disappeared with Soeharto's rise to power, but the relationship was marked by a series of problems. The most prominent of these were associated with the invasion of East Timor in 1975 (especially the killing of five Australia-based journalists) and the negative Indonesian response to a Sydney Morning Herald article in 1986 detailing the business affairs of President Soeharto. Popular perceptions reflected the mutual ignorance of two neighbouring but very different societies, with most Indonesians hardly aware of Australia's existence and many Australians regarding Indonesia with fear and suspicion.

From the Australian perspective, the lessons of the past in Australia-Indonesia relations are mixed. In Indonesia's independence struggle, Australia made a difference by lobbying the UN to intervene against the Dutch. The spectacle of Australia turning against its wartime allies grew out of a reluctant Labour government being pushed along by anti-colonialist public opinion. By contrast, on West New Guinea, Australia was more Catholic than the Pope in rejecting Indonesia's claims to the territory while supporting, for over 12 long years, continued Dutch rule. While this Australian policy was strongly supported domestically, the United States ultimately undid it. Meanwhile, Australian diplomats, much excoriated by their fellow citizens and press, nonetheless managed to retain a workable bilateral relationship with their Indonesian counterparts. On Confrontation, Garfield Barwick, as Foreign Minister, ran a double line, supporting the Malays and British militarily while keeping up bilateral relations with Indonesia. The inherent conflicts in this policy were avoided by Sukarno's fall from power.

### **10.4.2 Improvement of Relations under Suharto Regime**

The long and relatively peaceful rule of Suharto provided an opportunity to recast Australia-Indonesia relations in a more constructive mode by both coalition and Labour governments. East Timor's forcible annexation was, in the end, caused by the resolution of army divisions in Jakarta, and was winked at by the United States. Portugal also bears a good deal of responsibility for its failure to decolonise, as do the parties in East Timor, who were unwilling to negotiate a political settlement. Australia could not have prevented this outcome by diplomacy, and was—rightly—unwilling to go to war. Australia should have openly and strongly warned against forced annexation before the invasion began. As it was, it was forced to condemn it afterwards by the weight of domestic opinion. That Australia has limited influence on Indonesia is an unpopular view among many Australians who mistakenly believe Australia should have done more.

### **10.4.3 Broadening Base of Australia-Indonesia Relations: Role of Trade and Investment**

Since the late 1980s, however, the efforts of the Australian Government, accompanied by Australia's generally increasing economic involvement in the region have facilitated the broadening and deepening of the Indonesia-Australia relationship. These efforts coincided well with the Indonesian Government's desire to move its foreign relations beyond a predominant focus on ASEAN. The predominance of politico-strategic issues was

replaced by a broader range of trade and investment relations and greater people-to-people links in the form of two-way tourism, like Indonesian students in Australia (in 1997 Indonesia was the second-largest source of overseas students) and the slow development of non-official as well as government-sponsored cultural exchange. Australia and Indonesia became also part of a network of regional relationships through their common membership of organisations such as APEC and the ASEAN Regional Forum.

Until the mid-1980s trade between Australia and Indonesia was insignificant. Since 1985, however, bilateral trade has grown at an average rate of 19 per cent per year and Australia is now Indonesia's sixth largest trading partner and Indonesia is Australia's tenth most important partner. Bilateral trade reached almost \$5 billion in 1996. Accumulated Australian investment in Indonesia has been calculated to be in the vicinity of \$US6 billion in 1997. The strengthening of the official bilateral relationship was affirmed by the signing of the Timor Gap Treaty in 1995 and the Maritime Boundary Treaty in 1997, a relationship underpinned by regular meetings at ministerial and official level between the two governments. The signing of the Indonesia-Australia Agreement on Security at the end of 1995 formalised the already well-developed defence and security ties between the two countries, although the mixed public reaction to the Agreement symbolised continued popular uneasiness in Australia about Indonesia.

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## **10.5 THE INDONESIAN ECONOMIC CRISIS (1997-98) AND THE AUSTRALIAN RESPONSE**

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As one of Australia's closest neighbours, the political and economic fate of Indonesia is of direct relevance for Australia. This underlying reality had become even more obvious, given the rapid expansion in the links between Australia and Indonesia over the last decade. Indonesia's economic problems had meant a sudden drying up of opportunities for the growing number of Australian businesses operating in Indonesia and the growth in trade slumped and registered an absolute decrease over the next year or few years. Inbound tourism had already been affected and the number of Indonesians studying in Australia decreased.

There is no doubt, however, that the Australian Government needed to be concerned about potential dangers in a deepening political crisis in Indonesia. As the largest country in ASEAN, Indonesia is a key strategic player in the region and had been important in developing positions to manage issues amongst the ASEAN countries and in developing a common ASEAN position on relations with China, including reducing tensions over regional territorial disputes involving China. Resolving such issues had been a crucial element in the evolution of security arrangements in the Asia-Pacific since the end of the Cold War.

Australia had an interest in minimising such tensions and conflicts because of its general interest in stability in the Asia-Pacific region and because of its direct bilateral relationship with Indonesia. In bilateral terms, of particular concern in press and public perception was the possibility that economic problems in Indonesia might lead to the arrival of Indonesian refugees or illegal migrants on Australia's shores. Any problem of this type was more likely to manifest itself as wealthy ethnic Chinese Indonesians arriving at Perth or Sydney airport than the stereotype of impoverished 'boat people' in Darwin harbour, but given sensitivity on this issue within Australia, the Australian Government needed to monitor the situation closely.

The Australian Government's response to the Indonesian crisis had been to provide direct emergency assistance to Indonesia and to contribute both financially and at a policy level, to the IMF programme of assistance. Since October 1997, the Government had provided \$8.8 million to a number of programmes designed to help relieve problems created by the drought, increasing food prices and unemployment, particularly in the worst affected areas of eastern Indonesia. Australian officials and advisers had also worked with Indonesian agencies to develop strategies to create employment in affected areas. In order to provide a 'second line' of financial support for the Indonesian currency should the IMF finance be insufficient to stabilise the Rupiah, the Australian Government made available a loan of \$US1 billion, as part of contributions from a number of regional countries totalling \$US17 billion. The Government, however, made it clear that the loan was conditional on fulfilment of the terms of the IMF reform package.

While supporting the conditions of the IMF package, the Australian Government had taken the view that the implementation of reforms should be spread over a number of years, thus enabling the second postponed

tranche of the loan to be delivered with less onerous conditions attached. In March 1998, the Minister for Foreign Affairs, Downer, visited the US and Japan to hold talks with US and Japanese Government representatives and officials of the IMF and World Bank with the objective of helping to facilitate an agreement between the IMF and Indonesia. The US Government took a similar position to Australia (notwithstanding some controversy within Congress) and, despite some opposition reportedly expressed by some countries of the European Union, the IMF Managing Director, Michel Camdessus, had moved towards support for such a position. Australia had also been a party to World Bank talks regarding the delivery of humanitarian assistance to Indonesia to help deal with the problem of shortages of food and other essentials.

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## **10.6 EAST TIMOR IN AUSTRALIA-INDONESIA RELATIONS**

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### **10.6.1 Changing Policies of Australia on East Timor: From Support of Indonesia's Occupation to Support for the Independence**

From 1975 to the present, East Timor remained more than a "pebble in the shoe," to use former Indonesian Foreign Minister Ali Alatas's words, in both Indonesia and Australia. While it remained low in Indonesian priorities, East Timor did not become reconciled to being Indonesian because of the brutality of military rule there over 24 years. Timorese were split into those who benefited from economic development and those who were the targets of military oppression. These divisions complicated still earlier political differences among the Timorese. Successive Australian governments attempted to submerge East Timor into the broader bilateral relationship, but periodic outbreaks of violence, such as the Santa Cruz massacre in 1991, kept Timor in the focus of Australian groups and the media.

Since the Indonesian forced-takeover of East Timor from Portuguese colonial rule in late 1975, Australian governments (though not the majority of Australians) and the Indonesian government had taken the same view: East Timor was irreversibly an integral part of Indonesia, despite UN refusal to recognise the takeover. In the new political climate after the fall of Suharto, some Indonesians began to discuss the option of a degree of autonomy for East Timor within Indonesia, and John Howard, Prime Minister of Australia, in a letter to President Habibie in December 1998, endorsed a long period of movement toward autonomy and an eventual vote on the province's political future. President Habibie – to much surprise both inside and outside of Indonesia – announced in March 1999, that East Timorese would be given a direct choice between autonomy and independence the following August. This vote was preceded by much political coercion in favour of continued integration by TNI-backed local militias (TNI is the latest acronym, replacing ABRI, for Indonesia's armed forces). When, despite this, 78 per cent of Timorese voted for independence, the militias, supported and joined in some cases by the TNI, launched an extreme bout of killing, destruction, and forced displacement of the population. The severity of this violence, communicated to the world by the UN presence and international media in Timor, led directly to the UN Security Council vote in September to send INTERFET, an Australian dominated and led regional armed force, to stop the violence. A regular UN peacekeeping force replaced INTERFET in early 2000, and an interim UN administration is now in place in East Timor, following the MPR vote in October 1999 to accept its secession from Indonesia.

It is clear that events moved very quickly and at times unpredictably over the months March to October 1999. It is less clear why Australia and Indonesia should have found themselves at serious odds over this East Timor process, particularly since the Howard government and Australians generally accepted Habibie's March decision to allow the East Timorese to vote on their future status. It is also interesting that Australian and Indonesian wider opinion should have been so split over these outcomes.

In Indonesia, although Habibie did obtain the support of his cabinet for the East Timor vote, the policy found little support in the army (particularly among those officers with long-standing economic interests in the province). Nationalists feared the further disintegration of their state due to independence claims in Aceh, Ambon, and Irian Jaya. For most Indonesians the problems of East Timor were low priorities. It was, in short, an unpopular decision among elites and more widely, although some democrats supported it publicly. In Australia, on the other hand, Howard's decision to back the vote was widely supported, although many warned that the haste of the exercise could result in disaster, as proved to be the case. The opposition spokesman for Foreign Affairs, Laurie Brereton, was an early supporter of an international peacekeeping

force for East Timor, well aware that Indonesia would reject this. As it turned out, it was Australia's lobbying of Indonesia and internationally for such a peacekeeping force before the vote that led to the initial estrangement in Indonesia-Australia relations. Indonesia saw Australia as being hypocritical since it had supported Indonesia on integration for 25 years, and as meddling in Indonesia's internal affairs. It also accused Australia of blackening its international reputation by charging that the TNI was responsible for the violence against the Timorese. Australia's strong role in the UN Security Council vote for INTERFET and in then staffing the force only confirmed Indonesian suspicions that Australia had its own agenda and was no friend of Indonesia.

### **10.6.2 Indonesia's Hostility toward Australia**

The Indonesian public and political elite had become hostile toward Australia as a result of her perceived role in the birth of an independent East Timor. Indonesians are also increasingly suspicious of Australian intentions toward their own country, with many believing that Canberra would like to repeat its East Timor success in Papua, thereby leading to the disintegration of Indonesia itself. John Howard's pro-Western policies are also viewed as a return to Australian projection of itself as a "Western outpost" on the fringes of Asia. Howard's September statement (retracted soon after) that Australia could act as "deputy sheriff" to the U.S. in regional peacekeeping, has only cemented the view in Indonesia and elsewhere in Asia that Australia still sees itself as white and western, telling its neighbours how to behave. This impression was only heightened by the recent Australian vote to retain the British crown rather than become a republic. The Indonesians, for their part, continued to use Australia as a convenient scapegoat for their troubles over East Timor, organising demonstrations and generally castigating Australia for its behaviour. Australia's involvement in East Timor was one major turning point in Indonesia - Australia relations. The remarkably excellent bilateral ties up to that point nose-dived to the extent that Indonesia, on September of 1999, decided to abrogate the security pact signed by Indonesia and Australia on 18 December 1995. Indonesia's Coordinating Minister for Political and Security Affairs Feisal Tanjung specifically asserted at the time it was terminated that Australia's actions in East Timor were inconsistent with both the letter and spirit of the agreement. Indonesia also postponed, delayed or abandoned altogether almost all official contacts, including the Indonesia - Australia Ministerial Forum. Rather than every two years as was originally proposed by the two countries, the forum's meetings became highly irregular.

The argument that Australia, given its close ties to the Indonesian military could have done more to gain assurances from them to prevent violence before the vote is also dubious. Most probably, the actions of the TNI in East Timor were only partly being driven by commands from Jakarta. Much more important were the army politics in the TNI's Eastern Indonesia command. Habibie was revealed as having no power to command General Wiranto, the Chief of Staff, and Wiranto himself had little purchase on the TNI in East Timor, who obviously controlled, paid, and armed the militias.

### **10.6.3 Role of United States in the Birth of East Timor as an Independent State**

After the vote and with the worsening violence, the U.S. virtually forced Indonesia to agree to peace enforcers by threatening to sever bilateral ties and multilateral financial support from the IMF and World Bank. The latter were already in danger because of bank corruption scandals. Howard and Downer played a crucial and creditable role in getting the vote out in the Security Council and in forming the coalition force INTERFET. Howard was fortunate in having Clinton at the 1999 APEC meeting in New Zealand, since this allowed him to have Clinton push the Pentagon further than it wanted to go, although this was still not far enough for many Australians. Howard was also fortunate in having the Chinese Premier Jiang Zemin in Australia at the time. While Jiang publicly took the expected line of no interference in domestic affairs, China nonetheless voted for peacekeepers in Timor in the Security Council. Presumably the killing of Chinese during the government-fomented May election riots in Jakarta also prompted this.

The upshot is that while events in East Timor have principally been driven by political divisions in Jakarta, the United States played the decisive role in forcing Habibie to accept peacekeepers, and Australia was decisive in putting the multinational force together. Had Australia not been willing, there would have been no force. Howard and Downer have not done as well when it comes to managing relations with the Indonesian government and wider opinion there. It is of course inevitable that Australia's pushing Indonesia on the East Timor vote and on peacekeepers, and its taking the lead in the multinational force would provoke nationalist

sensitivities among Jakarta elite and more widely, damage the bilateral relationship. This was not helped by statements attributed to Howard (later disavowed) in the Bulletin of September 20, 1999, that Australia would accept a role as “deputy to the U.S.” in peacekeeping in this region. But Jakarta politics is divided: the *Jakarta Post* said on September 17, 1999, that Indonesians should not blame Australia but acknowledge the shame that the army had brought on Indonesia by its violence in East Timor. At least army factions orchestrated some of the attacks on the Australian Embassy.

However, it would have been worth while if the Howard government had been more explicit in publicly stressing the enduring importance of the relationship despite the differences over East Timor, and had reiterated Australia’s long term interests in Indonesia’s recovery from the economic crisis. This might have prevented the abrogation of the 1995 Australia-Indonesia Security Treaty, which Indonesia announced in September 1999.

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## **10.7 AUSTRALIA-INDONESIA RELATIONS POST-EAST TIMOR**

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### **10.7.1 Australia’s Assurance of Indonesia’s Territorial Integrity and Cooperation in Fighting Trans-national Crimes**

The governments of both countries have tried their best to relieve tension emanating from Australia’s involvement in East Timor and to work towards a sound, sustainable and mature relationship. In this context, a significant step was taken in the Sixth Indonesia - Australia Ministerial Forum in Jakarta in March 2003 in which the Australian Ministers reiterated the strong statements of support for Indonesia’s territorial integrity. PM John Howard himself reiterated on various occasions his own commitment for respect of Indonesia’s territorial integrity, including the one he made during his meeting with President Megawati in February 2003. The relations continued to prosper when Indonesia and Australia were confronted with common threats of trans-national crimes, notably people smuggling, money laundering and terrorism.

The Tampa incident, in which some Indonesians were involved in people smuggling to Australia, led to close cooperation among countries of origin, transit, and final destination to stamp out people smuggling that, in turn, reduced or practically stopped the flow of illegal migrants to Australia. This incident provided the opportunity for the two countries to significantly enhance their relationship, for example, the two countries co-hosted regional conferences, in Bali, on people smuggling, trafficking in persons and other trans-national crime respectively in 2002 and 2003. The Bali Bombing in October 2002 that claimed 202 innocent lives – 88 of them were Australians – have further paved the way for Indonesia and Australia to enhance their relations. The police of the two countries have been closely working together in hunting down the perpetrators in Indonesia, leading to their arrests and prosecutions. Prior to this incident no one in Indonesia could have imagined AFP personnel working openly on Indonesia’s soil, taking into account its history that had been bitterly tainted by colonisation.

Indeed, this tragic incident has presented Indonesia and Australia with an opportunity to beef up regional cooperation to combat terrorism by organising a series of regional conferences and meetings, including one directed specifically at combating money laundering and terrorist financing immediately after the Bali Bombing in December 2002. The Bali Regional Ministerial Meeting on Counter Terrorism in February 2004 that led, inter alia, to the establishment of the Jakarta Centre for Law Enforcement Cooperation (JCLEC), a centre designed to improve the skills of the region’s law enforcement officers to combat terrorism.

There are other less obvious, yet just as relevant activities in this context, where positive communication between the two nations has begun to occur. The Inter-faith dialogue, including one in Yogyakarta that was proposed by Foreign Minister Hassan Wirajuda and Foreign Minister Alexander Downer, is one good example. This event was designed among others to empower the moderates and underpin the key role of religious and community leaders in bridging differences and building harmony in the Asia-Pacific region to meet challenges such as extremism.



## **10.7.2 Australia's Support to Indonesia in Tsunami Relief**

The Boxing Day Tsunami that has claimed around 250,000 Indonesian lives and inflicted horrendous damage on properties in Aceh and North Sumatra, has presented yet another opportunity for Indonesia and Australia to get closer, one to another. While other countries were still trying to comprehend the massive scale of the tragedy, Australia was the first to come and help the victims to weather this indeed tragic calamity by immediately sending several transport planes loaded with emergency supplies and followed closely by around 1,000 defence personnel. President Yudhoyono spoke from his heart when he met Prime Minister John Howard in Jakarta recently during which he was quoted as saying: 'You were first on the phone. You were the first to have aircraft on the ground. That is a gesture I will never forget.' The Australian Defence personnel have since worked relentlessly with their counterparts in those affected areas and later on were joined by thousands of volunteers from around the world. Again, both Indonesia and Australia have to appreciate the fact that no one resented the massive presence of ADF on Indonesia's soil, indicating that the ill-feelings emanating from the East Timorese debacle have vanished. PM John Howard has recently stated that: 'the close relationship between Australia's military and Indonesian troops in Jakarta's hour of need proved both countries had turned the corner from the strains of East Timor in 1999'. 'Out of this dreadful tragedy the people and governments of Australia and Indonesia have worked together harmoniously, purposefully and in a compassionate way to bring relief. And, we look to the future', he further stated. The Indonesian Coordinating Minister for People's Welfare, Dr Alwi Shihab, who is in charge of the emergency relief operations, expressed a similar view. He was quoted as stating: 'This is a historic moment for us here to build better relations with Australia and forget the past.'

At the government-to-government level, Indonesia and Australia now have a post-tsunami mechanism for cooperation namely the Australia - Indonesia Partnership for Reconstruction and Development (AIPRD) directly chaired by the president and the prime minister and equipped with a joint commission of their foreign and economic ministers. This body will oversee the utilisation over the next five years of Australia's A\$ 1 billion assistance package to help rebuild the devastated areas in Aceh and North Sumatra. This is over and above the A\$ 800 million, over five years, already committed by the Australian Government under the Official Development Assistance programmes across the entire country. The generosity of the Australian people is also amazing. Over \$260 million has been raised nationally, to help the Tsunami's survivors in those affected countries.

## **10.7.3 Going Beyond the Tsunami**

It is interesting to note that the recent improvements of Indonesia - Australia bilateral ties were achieved not by design but basically by default or dictated by divine intervention through tragedies, such as terrorist attacks and natural disasters. It is therefore high time for the two neighbouring countries to put in place well-drafted policies geared to smoothen and strengthen the relations, although Indonesia and Australia should always expect differences to come up from time to time. It is against this backdrop that Indonesia and Australia need to consult and discuss matters of common concern in order to avoid any misunderstandings and misapprehensions and to prevent distrust from reigning again. The two nations should be able to address tactfully, again, through dialogues and consultations, all the sensitive issues, especially those directly affecting Indonesia's national interests such as issues relating to travel warnings, pre-emptive strikes, missile defence systems, and the recently introduced Australian Maritime Identification Zone. It needs to be emphasised once again in this context the importance of the two nations having a well-designed policy based on dialogues and consultations. Failing to do so would run the risk of annihilating the huge political and economic investments painstakingly invested by the two. Indonesia and Australia cannot therefore afford to fail.

In this context, the recent agreement in security cooperation between the two countries is significant. Australian forces will resume training exercises with Indonesia's Kopassus elite commando force and the manoeuvres will be the first since Canberra suspended joint training with the commando force known as Kopassus following widespread allegations that the troops were involved in human-rights abuses in East Timor ahead of the former Indonesian province's 1999 independence vote. "In this era of heightened terrorist threats, it is in Australia's interests to engage with regional Special Forces, such as Kopassus, to safeguard the lives of Australians and Australian interests abroad," the Australian Defence Minister Hill said in a statement. The

decision is the latest step in the international rehabilitation of Indonesia's armed forces. The US lifted a ban on arms sales to Jakarta that was imposed after the East Timor conflict. Hill said that the members of Australia's Special Air Service Regiment and Indonesia's specialist counterterrorism unit, Kopassus Unit 81 would be involved in the two-week exercise that will include training in counterterrorism, dealing with hijackings and hostage recovery. The announcement was applauded in Indonesia. "We highly respect the Australian decision," said Indonesian military spokesman Major General Kohirin Suganda. "The world has the right to judge the Indonesian military, but the tsunami disaster and the terrorism threat have opened peoples' eyes and minds on how important we are in providing effective relief aid and in counterterrorism," he added. Asmara Nababan, the executive director, of the Institute for Human Rights and Democracy Studies, said he was not convinced Kopassus had undertaken meaningful reform since 1999, and noted that the force was implicated in rights abuses elsewhere in Indonesia. "Up until now I am not convinced there have been any major changes in Kopassus, so what is to stop the force committing more abuses in the future," he said. Dozens of Australians have been killed by terrorists in Indonesia in recent years, including 88 who died in the October 2002 Bali bombings. Al-Qaeda-linked Islamic terrorists also have targeted the Australian embassy in Jakarta with a truck bomb. "Kopassus Unit 81 has the most effective capability to respond to a counter-hijack or hostage recovery threat in Indonesia," Hill said. "In the event of a terrorist incident, the safety of Australians in Indonesia could well rest on effective cooperation between TNI and the ADF," Hill added, referring to the Indonesian and Australian armed forces by their acronyms. In an interview with the *Sunday Age* newspaper, Hill said Australia was confident that no soldiers involved in human rights abuses in East Timor would be part of the exercise. "They know to nominate somebody who has human-rights blemishes on their record would be embarrassing to us and we are confident that such a person would not be in the group," he told the newspaper. "We do believe that Indonesia has made a serious effort to improve the human-rights record of its forces," he added. "The current government is very committed to that and if we look at how they have responded to the cease-fire in Aceh, it has been really quite impressive," he said.

### **10.7.4 Indonesia-Australia-ASEAN**

With regard to the Australia - Indonesia relations in the broader context, on the regional front, Indonesia has always supported the full integration of Australia into the region for obvious reasons. Geography dictates that Indonesia and Australia should work together to confront common threats and to provide stability and prosperity in the region. Indonesia firmly believes that there will be no political stability and economic prosperity in the region should Indonesia and Australia fail to cooperate. This firm conviction has led Indonesia to support the full integration of Australia into the regional networks. It is indeed in the vital interests of Indonesia to constructively engage Australia, for politically it may serve as the bridging brick between a western-based civilisation of Australia with eastern-based civilisation of Southeast Asian countries whilst economically this may prove to be the key to the survival of both parties.

From the economic point of view, ASEAN is also very important for Australia. Looking at some of the figures, the ten countries of ASEAN have a combined population of around 550 million; a total GDP at around US\$ 682 billion, and grew in real terms of roughly 6% per annum for at least in the last two years. ASEAN is a major market for Australian exporters, accounting for 11 per cent of Australia's total exports as well as an important destination for ASEAN tourists and students. In 2003 - 2004, the value of Australia's total imports from ASEAN countries reached nearly A\$ 26 billion. Australia's total exports to ASEAN totalled roughly A\$ 18 billion. The Australia - ASEAN - New Zealand Free Trade Agreement that was announced on 30 November 2004, with negotiations to commence shortly, also offers a golden opportunity for Australia to further economically excel together with countries in the region.

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## **10.8 AUSTRALIA-INDONESIA ECONOMIC RELATIONS**

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### **10.8.1 Trade and Investment Relations**

At the bilateral level, the trade volume between the two countries is also encouraging. Indonesian exports to Australia were US\$ 2.46 billion (Jan-Nov 2004) and its imports from Australia, \$US 2.19 billion (Jan-Nov 2004), leaving the balance of trade in Indonesia's favour at US\$ 273 million. Total trade was close to 4.9 billion Australian dollars last year, a rise of 30 per cent on the previous year. Indonesia is Australia's tenth

largest trading partner, while Australia is Indonesia's eighth largest trading partner. Australia is the eighth largest foreign direct investor in Indonesia and Australian investment is growing strongly. Indonesian investment in Australia is also growing strongly. Both countries are taking a growing share in each other's markets. Over the past decade, Australia's market share has grown from under 4 per cent to well over 5 per cent now. Over the same period, Indonesia's share of the Australian market grew from under 1 per cent to over 2 per cent now. This is the result of practical policies pursued by both Governments over the past few years – and an indicator of a close and active partnership, at government and business levels. Bilateral trade is also diversifying. New kinds of Indonesian products are succeeding in the Australian market, including higher value-added and more sophisticated goods and services. Indonesia's exports of electronics (computers and components, radio and sound equipment) and a range of other elaborately transformed manufactures - sporting goods and toys, to take two examples - stand out as particularly strong growth areas.

Australian investment in Indonesia is contributing to the development and diversification of Indonesian exports, and it can lead to substantial technology transfer, and intra-industry trade. For example, Petrosea, in Balikpapan, has developed vocational training workshops for local workers, increasing the level of skills, improving safety standards and reducing the need for foreign ventures to import foreign workers. Private sector cooperation is also vital to the development of Indonesian industry. For example, the Metal Trades Industry Association and the Institution of Engineers of Australia – with the Indonesian Institution of Engineers and KADIN – are undertaking a major programme to develop competency standards for engineers practicing in Indonesia. Australian investment also has positive spin-offs for other parts of the economy. CRA, for example, in Kalimantan, has set up the CRA Foundation (worth around A\$1 million) for community development projects - including a training agricultural farm, a tuberculosis eradication scheme and a water pump installation programme.

### **10.8.2 Australia-Indonesia Development Area (AIDA) Initiative**

The investment, exports and jobs across the region are closely interlined, and no less so in the Australia-Indonesia relationship. Australian expertise, which assists the development of Indonesian industry eventually, ends up in exports to third markets, and even back to the Australian market, creating a pleasing balance and symmetry in the economic partnership. As the business relationship gains more momentum, Australian business involvement is also extending into more provinces. The Australia-Indonesia Development Area (AIDA) initiative will help to accelerate that trend in respect of the eastern provinces. These are a manifestation of both Governments' commitment to developing the bilateral relationship. That commitment has also been reflected in the numerous official visits in both directions, which have enabled productive and wide-ranging discussions between the political leaders of both countries. AIDA is symbolic of a very special commitment made by Australia and Indonesia and heralds several 'firsts'. For Indonesia, AIDA is the first time that a sub-regional agreement has been developed outside ASEAN. For Australia, AIDA is the first sub-regional agreement with an ASEAN partner. For example, the Partnership for Skills Development Program under AIDA will support the development of technical and vocational education in eastern Indonesia by providing Australian expertise in the linking of schools with industry to develop an appropriately skilled workforce. Most significantly the Indonesian Government announced that it would accord AIDA equivalent status with the three existing ASEAN sub-regional economic cooperative schemes.

The services sector is currently one of the fastest growing sectors in world trade. And trade in services between the two countries is moving ahead rapidly. Over the past decade, Australia's service exports to Indonesia grew by 17 per cent. Indonesia ranks as Australia's tenth largest services export market. Over the same period, Indonesian service exports to Australia grew by 16 per cent. Put simply, the potential for growth is enormous. Tourism has been growing strongly in both directions. Indonesia continues to be a strong tourist destination for Australian travellers and holidaymakers (numbering 238,000 in 1995/96). And the numbers of Indonesian travellers to Australia are also growing strongly - they numbered 146,000 in 1995/96 (an increase of 15 per cent on the previous year), providing Australia with \$400 million in export earnings. Indonesia is expected to become Australia's fourth largest inbound market by 2005. The number of Indonesian students studying in Australia has been growing strongly. Now Indonesia has become one of the largest sources of full fee paying overseas students with well over 15,000 Indonesian students in Australia. Based on some estimates, in 10 years time there could be over 100,000 Indonesian alumni from Australian tertiary educational institutions.

The significant opportunities created by the dynamic services trade does not stop here. Indonesia's explosive growth is generating urgent needs for information technology, telecommunications, and financial and professional services. Australia has the world class expertise and know-how to help these sectors move forward, and thereby increase the competitiveness of the Indonesian economy. For example, the Australian Information Technology Engineering Centre in Adelaide is providing training in the technical aspects of telecommunications, business management and English language, to the employees of the PT Telecom KSO (or joint operation scheme) in Sumatra, which will allow this newly privatised telecommunications provider to prosper on its own. At the same time, Telstra is partnering the Central Java KSO and will be providing its expertise as a telecommunications operator and carrier as the KSO expands its network. And it is a two-way flow. Australia will be importing Indonesian services, including through third country trade and embedded in Indonesia's increasingly transformed products.

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## 10.9 SUMMARY

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From a discussion above, we have seen that Australia-Indonesia relations have witnessed ups and downs due to a variety of factors, like history, culture, value orientations, perceptions and misperceptions, East Timor, human rights and finally close proximity, which some call the tyranny of geography, between the two countries. Any Indonesian government will fear further Australian domestic pressure on human rights in Irian Jaya, Ambon, and Aceh, seeing these as covert support for secession movements there. Apart from the army, many Indonesians can swallow the "loss" of East Timor from the Republic, as it was not part of the original independence settlement with the Dutch. But they will not countenance the dismantling of their Republic. And they are right to fear an Australia role in this. Various groups in Australia are already protesting human rights in Irian Jaya, and are not receptive to arguments about the international legal difference between East Timor and Irian Jaya. The Howard government needs to say soon that it will support no moves for secession in Indonesia and that it rejects the views of those in Australia who support this.

There are three major future problems in Australia's bilateral relationship with Indonesia. The first is that East Timor will be a continuing problem for both sides and it will need a deep level of cooperation between Australia and Indonesia to manage this. That deep level does not now exist, but it is in both states' interests to prevent East Timor from becoming a source of continuing trouble in the bilateral relationship. The second problem is a related one: the trust that is required on both sides to manage the relationship is mostly gone. This does not mean that Australia in the past always gave in to Indonesia, for as argued above, it did not. But there was trust that, despite the difficulties, Australia wanted Indonesia to succeed in its national vision of becoming a secure, well regarded and economically successful country. That vision has suffered terrible blows in the last couple of years. Its recreation depends on future Indonesian governments, but Australia must also do its part. That means, first, an end to the blame game and, second, a proper balancing of Australian interest's vis-à-vis Indonesia and East Timor. Finally, there is a temptation; already apparent in Australia before the peacekeeping force has done its work, to make quasi-triumphalist pronouncements about Australia's future defence and foreign policies.

Australia must still live in Asia, and if the United States pushes it to become its deputy sheriff there, Australia may find itself genuinely not acting in its own best national interest. The alliance with the U.S. is being transformed so that Australia does more, the U.S. does less, and yet Australia is still expected to back up American foreign policy preferences, as with China. A rapid and substantial increase in defence expenditures would need a strong public justification, since it is not clear that threats to Australia have increased. An opportunistic hike in defence expenditure at this time would send all the wrong signals to the region and muddy the waters of cooperation on security issues.

Indonesia is a post-colonial state in the midst of a major political transition from a military-dominated autocracy to some form of soft unstable democracy. Australians need to recognise that simply ignoring Indonesia or, worse, undermining it in the region are simply not options. A patient rebuilding of relations based on the capacities of whatever government is in power there, and eschewing the extremes of domestic opinion, is the only way forward. Both the Australian and Indonesian Governments must sustain their firm commitment to creating a strong enabling environment for the commercial relationship. In summing up the future of Australia's relations with Indonesia, it would be worthwhile to quote foreign minister Alexander Downer at the 24th Joint

Conference of the Indonesia-Australia Business Council (IABC) and the Australia-Indonesia Business Council (AIBC), Denpasar, Bali on 16 June 1997: "The vitality of Australia's modern relationship with Indonesia - and, indeed, the strength of Australia's other partnerships across the region - should leave us in no doubt about the paramount importance of closer engagement with Asia. As a country, we are now passing through an historic transition from being a European outpost to becoming one of the most vital and exciting contributors to the Asia Pacific economic and security environment. That is not easy for everyone in Australia to understand."

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## 10.10 EXERCISES

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- 1) Discuss briefly the twists and turns in Australia's relations with Indonesia.
- 2) How does culture and values influence the relationship between the two countries?
- 3) Examine the role of East Timor in Australia-Indonesia relations.
- 4) Write a note on the state of relations between Australia and Indonesia in post-Timor period.
- 5) Examine the nature of Australia's economic relations with Indonesia.

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## 10.11 SUGGESTED READINGS

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Anthony L. Smith, *Australia-Indonesia Relations: Getting Beyond East Timor*, Asia Pacific Center for Security Studies, Hawaii, October 2004

Bilveer Singh, *Defence Relations Between Australia and Indonesia in the Post- Cold War Era*, Canberra, 2002

Carlyle A. Thayer, *Australia-Indonesia Relations: The Case of East Timor*, Department of Diplomacy, National Chang Chi University, Taipei, Taiwan, October 1999

Geoff Forrester, *Australia-Indonesia Relations: Facing the New Millennium*, Canberra, 1999.