

Mr Cliff Lawson
Secretary
Foreign Affairs Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
Canberra ACT 2600

Dear Mr Lawson,

REVIEW OF AUSTRALIA'S RELATIONS WITH INDONESIA

Please find attached the Australian Strategic Policy Institute's submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade on Australia's relations with Indonesia. We very much appreciate the opportunity to contribute to this important initiative in the Australia-Indonesia relationship.

Our aim in preparing this submission was to capture the key themes in ASPI's work on the Australia-Indonesia relationship. We look forward to an opportunity to brief you on this submission, should the Committee require it.

Yours sincerely,



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10 December 2002



Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

Review of Australia's relations with Indonesia¹

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10 December 2002

CURRENT SITUATION

Democracy in Indonesia

In the four years since Suharto, democracy in Indonesia has flourished surprisingly well. The institutions of representative government have evolved and developed strongly, and the military have kept out of politics to a remarkable degree. Most recently, the move to direct elections for the Presidency should strengthen the capacity of the executive to deliver good government. But the roots are not deep, and it is still too early to say that the transition to democracy in Indonesia is irreversible. There remains a risk that another economic or political crisis could yet see the return of authoritarian, military-backed government.

A return to an authoritarian government would be a bad outcome for Australia. Back in 1965 we welcomed Suharto as a better alternative to Sukarno, whose confrontation with Malaysia and flirtations with communism posed real problems for Australia. But today Australia would find it very hard to build good relations with a newly-installed authoritarian regime in Jakarta. And it is doubtful that the Indonesian military (TNI) now has the capacity to deliver stability to Indonesia. There would be a serious risk

¹ This submission draws upon and incorporates selected ASPI work on the Australia-Indonesia relationship, including *Beyond Bali: ASPI's Strategic Assessment 2002*, by Aldo Borgu and the ASPI Staff, and *Moving Forward: Australia-Indonesia Relations After Bali*, by Hugh White. This will not be referenced on each occasion.

that chaos in Indonesia would deepen, and our relations with such a regime would be tense and adversarial.

So the success of democracy in Indonesia is of primary importance for Australia. We should do whatever we can to support and strengthen the development of democratic government in Indonesia.

East Timor and Papua

Indonesia's first genuinely democratically elected President was elected in October 1999, just a few weeks after we led the deployment of a major international force into what was then still Indonesian territory in East Timor. Few in Australia would contest the appropriateness of the Government's response to the situation we faced in September 1999 following the UN-sponsored vote in East Timor. But in Indonesia the wounds run deep.

Even among liberal supporters of democracy, there is a strong sense that Australia misled Indonesia about our objectives in East Timor, and humiliated it through our actions there. That matters. We in Australia have a very large stake in the success of Indonesia's democratic experiment. But because of the legacy of mistrust flowing from our role in East Timor, we have been unable to do much to help support the development of democracy.

Responding to these pressures will require good management of the relationship, and a renewed focus on it from the Australian side. Our expertise on Indonesia has probably slipped in recent years, and needs to be revived.

But in calibrating our response we need to keep in mind the possibility of a really sharp and deep decline in the relationship – the possibility of disaster. This cannot be ruled out.

The problem of Papua sharpens these concerns significantly. The separatist movement there remains fairly weak, and with careful handling Jakarta could most likely keep the issue manageable. But incidents such as the murder last year of Teus Eluay, and the ambush near the Freeport mine in August 2002 show that there is a risk of a spiralling cycle of violence exacerbated or even instigated by TNI elements. Such a cycle of violence could invite the sort of international attention that was evident in East Timor's transition to independence and would gravely complicate Australia's policy towards Papua.

The Bali bombing

The Bali bombing has reminded us how important Indonesia's security is to our own. The bomb that killed so many Australians and Indonesians also threatens the stability of President Megawati Sukarnoputri's government.

The Bali bombing is a blow to Megawati's Government. It highlights her weaknesses as a leader. She is probably incapable of reaching out to mobilise moderate Islamic opinion to isolate Islamic extremists. This will further erode her credibility and her

prospects in 2004. In the longer run it will add to the pressures on democracy and increase the risk of a return to authoritarian rule.

Despite the good work on the Bali bombing investigation, the overall trajectory of the bilateral relationship post Bali is not promising. We are likely to see a divergence of public perceptions in both countries. In Indonesia sympathy for Islamic extremism and a sense of xenophobia and hostility towards the West as exemplified by Australia will grow, even among those who deplore violence. Anti-Muslim images from Australia will amplify this trend. And in Australia, xenophobia towards Indonesia may grow as it becomes identified in the public mind with terrorism and extremism. Strong negative perceptions over East Timor and Papua could be amplified. The politics of the relationship will become tougher from both sides.

And finally we need to recognise that the Bali bombing and the wider question of Islamic extremism in Indonesia has the potential to deepen the mutual sense of animosity in both Australia and Indonesia. An effective response to terrorism in Indonesia is very important to Australia—and to the future relationship—but Indonesia's weak government is at present incapable of delivering it.

Rebuilding the relationship

The Government has been right not to rush into rebuilding the relationship with Indonesia since 1999. It has focused instead on small practical steps on matters of mutual concern, which have paid good dividends in building cooperation on issues such as terrorism and people smuggling. Now is the time to take some bigger and bolder steps. It might be best to start with a major effort to re-establish the sense that had developed slowly up to 1999 that Australia and Indonesia have basic strategic interests in common, including Indonesia's territorial integrity.

Those steps will need to recognise that, whatever we do, our influence on Indonesia's political trajectory can be only marginal at best. But just as the Colombo Plan in the early 1950's recognised that with carefully targeted programs we could make a small but important difference to the way our neighbours developed, we recognise that we now have the same opportunity, and perhaps the same responsibility.

Management of the US Alliance

Our management of the relationship with Indonesia will also be complicated by the position of the United States, which still pays little attention to our concerns and is becoming more demanding. America will expect strong and vocal Australian support, especially if it comes to a major war in Iraq where other allies will offer little. This may complicate relations with Indonesia even further at an especially critical time, and damage our ability to work effectively with Indonesia to combat terrorism in our region.

POLICY IMPERATIVES

Revise our assessments

Firstly, we need to revise our assessments. Indonesia is central to Australia's security. We cannot be safe from terrorism unless Indonesia can act effectively against extremists on its territory.

Islamic extremism and anti-western xenophobia could grow in Indonesia, making the Australia-Indonesia relationship much harder to manage. We need to be conscious of how bad the relationship with Indonesia could become if all of the current trends continue.

Build our capability to work with Indonesia

One of the keys to addressing the threat of terrorism to Australia is to rebuild our capacity to work effectively with Indonesia. This gives a new urgency to the need to support stable democratic government in Indonesia and work effectively with the government there. It also underlines the importance of working with institutions such as the Indonesian police and judiciary in combating terrorism and strengthening their broader capabilities, rather than primarily focusing on relations with the Indonesian armed forces, TNI. We need to build a relationship with TNI that is acceptable to all sides. This will probably entail keeping contact with Kopassus to a minimum. We should encourage the development of others in the counter-terrorism area.

The immediate challenge Australia faces will be to transform the cooperation we have received from Indonesia on the Bali investigation into a wider cooperation to combat terrorism in the medium to longer-term. But it is also important to remember that our interests in Indonesian democracy, stability and security go beyond terrorism. The relationship is important to all aspects of our security.

This also entails bringing Indonesia back to the centre of Australia's foreign policy priorities, increasing the resources we devote to it, and rebuilding our expertise in and out of Government.

Australia should also find ways to support democracy in Indonesia, and to build its credentials as a friend of Islam.

Communicate clearly and modulate our messages

We are engaged in a campaign in which the attitudes of the Indonesian people are very important to us. They need to be a key target of our messages. This is going to require restraint and discipline from Australia.

We also need to communicate effectively and clearly with Indonesia, in order to salve the East Timor wound, and also to calm Indonesian anxieties regarding Papua.

Manage the US Alliance

Our alliance with the US needs to be actively managed so that it serves our overall security interests. That will require more sophisticated alliance diplomacy, to ensure that Australia's concerns and priorities are properly understood in Washington.

Engage the region

Finally, we need to engage the region. The probable tensions in our bilateral relations with Indonesia over coming years suggest that our interests may be more easily promoted multilaterally than bilaterally. We need to look for ways to do this, including if necessary by helping invent new regional multilateral mechanisms to address terrorism.