

Australia's relationship with Indonesia —a rich and complex tapestry

Introduction

- 1.1 Australia's relationship with its near neighbour, Indonesia, is an extremely important bilateral relationship. It is in the interests of both nations for the relationship to be strong in all its dimensions – strategic, political, economic and cultural.
- 1.2 It is a complex and sensitive relationship born of the differences in history, demographics and cultural background. Although there have been periods of strain, it has been for the most part a positive relationship of considerable value to both countries and with the potential to be significantly more so.
- 1.3 Indonesia and Australia have many shared interests, none more so than their shared interest in security and stability in the region. While 11 September 2001 brought to light the threat posed by terrorism to the international community, the Bali bombings of 12 October 2002 brought home to both Indonesia and Australia, devastatingly and unmistakably, how closely the interests of both countries lie.
- 1.4 The Bali bombing of 12 October 2002 has raised the profile of the relationship in both countries and ensured that the relationship is in the foreground not only of policy makers and governments but more widely. It has not changed the direction of the relationship though it

has focussed it and demonstrated the critical nature of that focus for both countries.

- 1.5 The relationship, however, is far broader than its security aspects.

Importance of Indonesia to Australia

- 1.6 Indonesia's size and geo-strategic position make it of immense importance to Australia and the region as a whole. Indonesia, a nation of over 17,000 islands spanning almost the full width of Australia's northern waters, is the fourth most populous nation in the world. It is the largest Muslim populated nation in the world. Indonesia is the only country of such proportions so close to Australia.
- 1.7 As Australia's 10th largest export market, Indonesia is important to Australia economically. Its population makes it potentially of even far greater importance in terms of trade. Indonesia's geo-strategic position makes it significant not only in terms of direct trade but also because much of Australia's trade with the rest of the world transits Indonesian waters. Moreover, 25 per cent of world trade goes through the Straits of Malacca.
- 1.8 Indonesia, in particular Bali, is an attractive holiday destination for Australians, although the Bali and Marriott bombings have had some impact on this.
- 1.9 Indonesia is an important cooperative partner in an extremely broad range of areas—including border control, biosecurity, agriculture, customs and meteorology to name only a few—where a common approach and joint efforts contribute significantly to effective management.
- 1.10 Indonesia is an important cooperative partner in a number of regional fora including APEC.

Importance of Australia to Indonesia

- 1.11 An emerging democracy, Indonesia has embarked on an extraordinarily ambitious program of change that encompasses constitutional, political, economic and administrative reforms.

- 1.12 The pace and degree of success of different aspects of the reform agenda is as variable as it is broad. While significant and considerable progress has been made in a number of areas, in others there have been a host of implementation problems. There has been some disappointment, both within and without Indonesia that the reforms have yet to deliver the improvements promised. Progress has not always been even. While significant changes have taken place concerning the role of the military in society, there are tensions surrounding those changes. Endemic problems such as corruption continue to undermine international and domestic confidence. Some of the reforms such as the relaxation on control of the media have allowed the flowering of a robust and healthy press but have also given impetus to the expression of pent up dissent. This creates the potential for a much more critical attitude to Australia and when critical, is less likely to be officially confected. Internal stability is threatened by ethnic tensions and conflict in a number of provinces and separatist sentiment in others. As the nation most seriously affected by the Asian financial crisis of 1997-98, Indonesia also faces enormous challenges economically as it endeavours to re-win the confidence of foreign investors.
- 1.13 As suggested by Austrade, 'realising a democracy after 32 years of autocratic rule, restructuring, reforming and growing an economy after major collapse and devolving administrative power to the regional government administrations is an enormous challenge'.¹ In such times, Australia, as a friendly, supportive and reliable country to its south, is of significant value to Indonesia. In a world where the issue of relationships between Muslim and non-Muslim countries is highly volatile, a solid relationship between Australia and Indonesia is of great value to Australia.
- 1.14 With the balance of trade firmly in Indonesia's favour, Australia is already an important trading partner for Indonesia. It is potentially also a source of much needed foreign investment.
- 1.15 Australia is a useful advocate in international fora as illustrated by Australia's suggestion to the United Nations General Assembly in 2003 that Indonesia be given a permanent seat on the Security Council.²
- 1.16 Australia offers Indonesia an inexpensive, English speaking, safe and friendly destination for its students.

1 Submission No 83, p 7

2 Sydney Morning Herald, 25/9/03, p 7

- 1.17 Australia cooperates with and offers support to Indonesia in its development and reform programs. Details about Australia's aid program are provided in the next chapter. Australia's support is important not only in financial terms but also because of the quality and relevance of its expertise.

Conduct of the inquiry

- 1.18 In response to the interest of the Committee, on 22 August 2002 the Minister for Foreign Affairs referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade, an inquiry into Australia's relationship with Indonesia. In referring the inquiry, the Minister welcomed the Committee's proposed focus on opportunities for rebuilding closer links between the two countries. The Committee has kept this focus throughout the inquiry.
- 1.19 While the Committee has noted major developments in Indonesia, it has not attempted to give a comprehensive account of these developments. Such accounts are available from a variety of other sources with the responsibility and resources to acquire specialist knowledge in the area including government departments, universities and international agencies. The Committee has not in any sense reported on Indonesia but has rather formed an assessment of current strengths and weaknesses in the relationship. It has identified some areas in which it considers it important that greater effort is made to strengthen the relationship.
- 1.20 The Committee advertised the inquiry in 'The Australian' on 18 September 2002. Letters inviting submissions were sent to relevant Ministers, Commonwealth agencies, State Premiers and a wide range of organisations with an expected interest in Australia's engagement with Indonesia. A press release was widely distributed.
- 1.21 The Committee received 124 submissions (listed at Appendix A), and took evidence from over 60 organisations in approximately 40 hours of public hearings (listed at Appendix B). The Committee also spent four days in Jakarta meeting with political leaders, senior officials, and representatives from a wide range of organisations. Further details about this visit are provided in Chapter 2.

Timing of the inquiry and impact of the Bali bombings

- 1.22 As noted above, this inquiry was undertaken during a period of great transition in Indonesia. The already extraordinary pressures on Indonesia were compounded by the terrorist acts of the Bali bombings in October 2002 and the Marriott bombing in August 2003, irrefutable evidence of terrorist activity within its borders.
- 1.23 While the Bali bombing, in particular, has focussed attention on the security aspects of the bilateral relationship, it did not sway the Committee from its original intention which was to examine the relationship in all its aspects. It has, however, highlighted the significance of the bilateral relationship and the importance of addressing some of the issues which affect the quality of that relationship.
- 1.24 The Bali bombing has affected the bilateral relationship. A number of submissions cite the high degree of cooperation between Australia and Indonesia that took place immediately after the bombings in dealing with the disaster, and the ongoing cooperation since in pursuing the perpetrators of this heinous crime. Many submissions referred to the ways in which both countries have responded to Bali as having had a positive effect on the relationship, demonstrating not only the value of cooperation but also the willingness of both countries to achieve it. Bali has impacted on a number of areas of engagement and the response has been multifaceted, some accounts of which are provided in various sections of this report.
- 1.25 One aspect of Australia's response to the Bali bombing has been to provide various forms of immediate assistance to deal with the emergency. It has also provided long term health assistance and economic assistance. As at November 2003, the Australian Government's overall commitment to Bali, in response, to the disaster, stood at over \$12.45 million. The details of this assistance are outlined on the next page.
- 1.26 The Bali bombing has affected the relationship between Australia and Indonesia in its deepest currents. Of the 202 lives lost, 89 were Australians and 38 were Indonesian.³ This shared loss has brought together our two histories in a new and indelible way. No account of measures taken by either government can adequately portray the nature of this impact.

3 Canberra Times, 22/2/03, p 4 'Revised Bali death toll counts 89 Australian victims'

Australian government's assistance to Bali after 12 October 2002

IMMEDIATE ASSISTANCE

In the immediate aftermath of the Bali bombings, the Minister for Foreign Affairs approved \$300,000 in emergency assistance to Bali, which was later supplemented by a further \$121,000 from the bilateral aid program to Indonesia.

This assistance was used to purchase emergency medical supplies for Sanglah Hospital (\$14,000); fund an Australian expert to assess needs for, and prepare an inventory of, donated medical supplies (\$22,000); support the Indonesia Red Cross's work in a range of areas (\$140,000); and provide psychosocial support for victims, their families and others involved in the tragedy (\$245,000).

LONG TERM HEALTH ASSISTANCE

In February 2003, the Prime Minister announced a \$10.5 million package of assistance to the Bali health system.

The assistance comprises:

- An upgrade to Sanglah Hospital, focussing on a new intensive care centre comprising an intensive care unit, an intensive care coronary unit, and a burns unit, in conjunction with a program of emergency care capacity building, and the upgrading of the hospital's morgue, incinerator, and water supply (\$4.5 million);
- The construction of a community eye treatment centre to treat operable blindness and the provision of two mobile eye clinics (\$2.94 million); and
- The creation of an on-going Bali memorial medical and health scholarship program comprising both long-term study awards in Australia and short-term training (\$3 million over 5 years).

ECONOMIC ASSISTANCE

Through the Bali Rehabilitation Fund (BRF), Australia provided \$750,000 to assist communities in Bali and surrounding areas affected by the downturn in the tourist industry. The Fund acts as a small grants program primarily supporting new economic initiatives, opportunities for economic diversification, market development and skill training and development for Balinese and other Indonesians whose livelihoods were severely disrupted following the bombing and the resultant economic stress.

Mr Downer announced a further \$750,000 for the BRF on 12 October based on the success of the Fund to date and an assessment of unmet need.

Australia has also provided direct assistance to Balinese firms to assist them in increasing their exports. The Technical Assistance Management Facility (TAMF) assisted the National Agency for Export Development in a pilot program to determine the export readiness of a group of about 50 potential Balinese exporters. This activity, funded in July 2003, provided the opportunity for handicraft producers to better align their product designs to global customer preferences.

Australia is also contributing \$4 million to the Indonesian Enterprise Development Facility (IEDF), which aims to help develop the small and medium enterprise (SME) sector in Eastern Indonesia. The Bali arm of the IEDF, the Trade and Export Program (TEP), will work with producers in the furniture and handicraft sector.

The Australian Government's overall commitment to Bali, in response to the disaster, now stands at over \$12.45 million (exclusive of IEDF). Source: *Submission No 122, pp 1-2*

Overall impression - a multifaceted multilevel bilateral relationship

- 1.27 The bilateral relationship between Australia and its near neighbour, Indonesia, is a richly textured and complex tapestry. In some places it is extraordinarily well structured and detailed; in others, only loosely woven. It is a relationship that exists on many levels — political/diplomatic, bureaucratic and people-to-people. Although the focus of this inquiry has been on the bilateral relationship, much of our engagement takes place in the regional and multilateral domains.
- 1.28 The Committee was extremely impressed with the strength of the relationship at the bureaucratic level as described in the large number of submissions received from government agencies. The Committee has endeavoured to portray the strength of this area of the relationship in the next chapter.
- 1.29 The relationship, however, is not an even one, a perception reinforced during the Committee's recent visit to Indonesia. While there is a welcome willingness on both sides to engage, the Committee detected and is concerned by the level of misunderstanding and even mistrust that is present in the relationship. The Committee considers that the bilateral relationship needs considerable strengthening at both the political and at the people-to-people levels. At both levels there is a pressing need for much better communication and much deeper understanding. Many of the suggestions made in this report are aimed at strengthening the relationship in these areas. It is important to the national interest that these needs are addressed.

Scope and structure of the report

- 1.30 In describing a relationship as broad as that between Australia and Indonesia, it is inevitable that there will be areas of overlap. There is an inter-relationship between many of the factors affecting developments within Indonesia and the relationship between the two countries. The Committee has endeavoured to organise the areas it has considered in such a way as to provide a reasonably linear narrative but it has not always been possible.

- 1.31 As indicated earlier, the Committee received a large number of very substantial submissions to this inquiry. These submissions, particularly most of those from government departments and agencies, contain an extraordinarily detailed account of the engagement between the two countries at that level. The Committee has not sought to provide in this report details of the myriad specific activities that these submissions describe. That material will be tabled with this report, and is now on the public record, brought together in one place by this inquiry. It has been invaluable in informing the Committee about the extent and high quality of the relationship at this level.
- 1.32 In writing this report, the Committee has adopted a broad brush approach. It has been selective in the issues it has focussed on, concentrating on areas which it has identified as needing strengthening.
- 1.33 The report comprises six chapters. The first chapter has described the importance of the bilateral relationship and registered the Committee's overall assessment of the relative strengths and weaknesses of the relationship.
- 1.34 In Chapter 2, the Committee looks at the political/diplomatic and bureaucratic levels of the relationship and some aspects of the formal architecture that is in place for facilitating engagement at this level.
- 1.35 Chapter 3 examines the critically important security aspects of the relationship. Not all the areas in which Australia and Indonesia cooperate have been given equal attention.
- 1.36 In Chapter 4, the Committee examines economic aspects of the relationship, both from the perspective of the trade and investment relationship and also in terms of Australia's efforts in assisting Indonesia achieve a sustainable economic recovery.
- 1.37 Chapter 5 looks at other areas of development cooperation. It also considers some of the internal stability issues within Indonesia, with particular attention to Papua.
- 1.38 Finally, Chapter 6 concentrates on the all important people-to-people links.
- 1.39 Australia and Indonesia are near neighbours. Being good neighbours is an art requiring a delicate balancing of distance and closeness: a distance that is respectful of difference and sovereignty —a closeness that guarantees a helping hand in times of need. In conducting this

inquiry and writing this report, the Committee has endeavoured to contribute to the building of a positive, healthy and productive relationship between good neighbours.

Acknowledgements

- 1.40 Possibly the most important aspect of this inquiry was the Committee's visit to Indonesia in late February 2004. The Committee is extremely grateful for the warm welcome it received from HE President Megawati Soekarnoputri and HE Vice-President Hamzah Haz; HE Akbar Tandjung, Speaker of the DPR and Chairman of Golkar; Members of DPR Commission I and members of the Inter-Parliamentary Cooperation Group; General Sutarto, Head of the Indonesian Armed Forces; senior officials including Dr. Sudjadnan Parnohadiningrat, Secretary-General, Ministry of Foreign Affairs and Major. General. Sudradjat, Director-General, Defence Strategy, Department of Defence; and senior Indonesian National Police (POLRI) staff. The Committee extends thanks to the National Human Rights Commission, the full board of which assembled to meet with members of the Committee. The Committee thanks also a host of others who generously gave up their time to meet with or attend functions with the Committee including Parliamentarians; staff of the DPR; Muslim leaders; representatives of international financial institutions; economic and political commentators; representatives of the Indonesia-Australia Business Council; and volunteers from AVI. The information provided, the openness of the discussions and the insights shared have greatly contributed to the Committee's inquiry into the relationship between the two countries.
- 1.41 The Committee thanks HE Mr Imron Cotan, Ambassador for the Republic of Indonesia, for his interest in and strong support for this inquiry. The Committee appreciates also the friendly and very helpful support given by the Embassy's staff.
- 1.42 The Committee was extremely impressed by the dedication of the staff of the Australian Embassy and is very grateful for the flawless support they provided to the Committee throughout its visit to Indonesia. Many individuals made substantial contributions to the success of the visit. The Committee makes special mention of Mr Peter Rowe, Charge d'Affaires; Brigadier Ken Brownrigg, Head of Australian Defence Staff; and Dr Bradley Armstrong, Second

Secretary (Economic) and Liaison Officer for the visit, and thanks them for their tireless efforts.

- 1.43 The Committee was also impressed by the response to this inquiry from government departments. Most government departments provided substantial and very useful accounts of their engagement with their counterpart agencies in Indonesia. The Committee appreciated the enthusiasm and dedication to building the relationship evidenced for the most part by representatives of these agencies at public hearings. They play a key role in building and maintaining Australia's bilateral relationship with Indonesia and it is much to their credit that the relationship is as strong as it is at this level.
- 1.44 The Committee is grateful to those agencies it contacted for additional material, for the speed and detail of their responses. AusAID, Treasury and DEST have been outstanding in this respect.
- 1.45 The Committee extends particular thanks to the governments of Western Australian, the Northern Territory and the ACT for their response to this inquiry. The relationship both WA and the NT have with Indonesia is obviously of great importance economically and is very well developed.
- 1.46 The Committee thanks academics, teachers, non government organisations and others for their very valuable contribution to this inquiry.