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Two steps forward, one step back Indonesia's arduous path of reform

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January 2012



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Two steps forward, one step back

Indonesia's arduous path of reform

Damien Kingsbury



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First published January 2012

Published in Australia by the Australian Strategic Policy Institute

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Kingsbury, Damien.

Two steps forward, one step back: Indonesia's arduous path of reform / Damien Kingsbury.

ISBN: 9781921302756 (pbk.)

Series: Strategy (Australian Strategic Policy Institute)

Notes: Includes bibliographical references.

Indonesia—Politics and government—1998
Indonesia—Social conditions—21st century.
Australia—Foreign relations—Indonesia
Indonesia—Foreign relations—Australia.

Other Authors/Contributors:
Australian Strategic Policy Institute.

320.9598

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KEY

- Capital City
- Other City
- International border
- - - Maritime border

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Executive summary

Academics and policymakers are both inclined to see Indonesia in one of two distinct ways: it's typically said to be either 'normal' or 'special'. We need to put aside those framing devices and just deal with Indonesia as it is—a complex country shaped in part by its historical and physical circumstances but also by the competing influences of reform and regression.

Susilo Bambang Yudhoyono has emerged as a capable, competent president after a succession of weak political leaders since the end of the Suharto era. But Yudhoyono's government, especially in its second term, depends on a complex multiparty balance; SBY can't, by himself, fundamentally reform Indonesian politics and society. His successor, after 2014, will be critical in either confirming the new directions in Indonesian politics or sliding back to old ways of doing business—and many of those old ways still exist in today's Indonesia.

Indonesia's economy is growing impressively. Its growth rate is now at a point where many Indonesians feel—and are—better off. The economy is slowly maturing, shifting away from its previous heavy reliance on agriculture and increasing its level of international trade. But Indonesia's struggling to achieve robust industrialisation and isn't yet a real driver for other Southeast Asian economies.

The size of Indonesia's economy and population should make it the natural leader of Southeast Asia: its economy, in purchasing power parity terms, constitutes about one-third of the ASEAN states' aggregate economies, and its population almost 40% of their aggregate populations (CIA 2011). So far, Indonesia hasn't been able to convert those assets into pre-eminence within Southeast Asia, but that may change if it can maintain its growth trajectory.

As the world is re-examining Indonesia, so Indonesia is looking afresh at the world. It's more interested in external issues than it was a decade ago—it's still primarily internally focused, but rebalancing its threat perceptions as domestic challenges fade. Some within the leadership

are keen for Indonesia to play a larger role in the broader Asia–Pacific region and to take a seat at the global table, but most continue to concentrate on domestic developmental challenges and growing Indonesia's clout in Southeast Asia. Even if Indonesia were to become a much closer partner with Australia, its strategic horizons might not broaden either much or quickly. Still, Indonesia doesn't need to lift its horizons much in order to find strategic significance—Southeast Asia itself is quickly becoming an area of heightened strategic importance.

For Australia, it's important to build a close and constructive relationship with Indonesia and by so doing to ensure engagement to our north. The archipelago is no longer just—as Don Watson once described it—the 'screen door' that locks Australians away from the world they know and understand (Watson 2002:166). In many ways, Indonesia is a complementary partner for Australia, but for that partnership to unfold both governments would have to want it to be more than it is now. The path forward should be marked by mutual cooperation, democratic and accountable governance supported by the equitable and consistent rule of law, and the exploration of further collaboration in a range of mutually beneficial areas. Australia should be proactive in exploring new opportunities for cooperation with a reform-minded Indonesia—it's in our interests to draw Indonesia into a more important strategic role in regional security.

Chapter 1

PERSPECTIVES ON UNDERSTANDING INDONESIA

To walk the streets and lanes of Indonesia's towns and villages today is to be struck by an overwhelming sense of life going on in its usual quiet rhythm. The political and economic uncertainties of the past decade or so seem to have passed, and the brooding and occasionally brutal authoritarianism of the Suharto years is, for most, an unpleasant memory. At such times, the lessons of history are easy to forget.

Contrary to triumphalist or 'democratic fatalist' views about liberal democracy (for example, see Fukuyama 1992), there's nothing certain about the progress or permanence of democratisation. Yet much discussion of democratic reform in relation to Indonesia assumes that reform has largely arrived, that it will continue to consolidate, and that it's already a permanent feature of the political landscape.

Indonesia's future democratic path is uncertain.

Indonesia's future democratic path is uncertain. It's likely to continue on its current trajectory over the short term and may even do so in the medium term. However, while democratic processes often gain strength the longer they continue, they can also be derailed by subsequent events. Hence, Indonesia continuing on its current trajectory over the longer term is only one of several possible scenarios.

Indonesia is critically important to Australia. There was little hyperbole in 1994 when then Australian Prime Minister, Paul Keating, said, 'No country is more important to Australia than Indonesia. If we fail to get this right, and nurture and develop it, the whole web of our foreign relations is incomplete.' Yet the history of the bilateral relationship has been a litany of difficulties—the 2011 live-cattle exports issue is

an example—some of which have even threatened to end bilateral diplomatic relations. As Keating noted, if Australia fails to get right its relationship with its nearest large neighbour, that spells not only a general failure of our diplomatic capabilities but the loss of an important conduit to our region. The signing of a free trade agreement between Australia and Indonesia in November 2011, and the constructive relationship between Prime Minister Julia Gillard and President Yudhoyono did signal that the two countries were increasingly 'getting right' the bilateral relationship, with general agreement that it was in the best condition it had ever been.

Within that context, the understanding of Indonesia in Australia beyond a small group of specialists has been limited: popular perceptions of Indonesia have often been and remain at odds with official perceptions and policy. Taking Indonesia seriously, understanding it well and finding the right policy mix to engage it are almost as difficult as they are necessary.

On patterns and politics

Anthropologists and political scientists typically look for patterns in social and political behaviour. As a political culture, Indonesia has recognisable patterns that are often self-replicating—the cultures of institutions, be they academic, bureaucratic or political, tend to reproduce themselves rather than vary from known methods and sets of ideas. This idea of 'system reproduction' (Giddens 1987), or the continuation of established ways of doing things, is important because it explains why there can be stubborn resistance to change, as well as why processes are likely to evolve as variations on earlier themes rather than as something new. Indonesia has seen considerable change since the end of Suharto's New Order era. Yet some aspects of behaviour under the New Order keep resurfacing, as testimony to the self-reinforcing and self-replicating qualities of 'system reproduction', which in turn often reflect narrow self-interest.

Such patterns apply not only to political cultures, but also to the communities of scholars and observers who study those cultures. Among those who study Indonesia, there's long been a dominant standard view, but divided into two broad streams. The first stream holds that Indonesia is largely unproblematic because it broadly conforms to externally defined terms; that it's just like everybody else. The second stream says that Indonesia is largely unproblematic because it's special; that it can only be understood as itself and not relative to anything else. Neither perspective is accurate.

The 'democratic fatalist' view of liberal democracy reflects the first perspective, and it's common practice for foreign policy analysts to interpret events in other places on the basis that they're much the same as events in one's own. The alternative perception is that 'other' places are so unlike one's own place that they can't be understood except on their own terms. Despite what some analysts like to think of as their special understanding of their subject area, they continue to see situations in either of these two parallel (and therefore unconnected) paradigms. The reality is that Indonesia has been and remains a complex, sometimes difficult place where contradictions abound and the determinants of history and circumstance shape and constrain opportunities for change and reform.

... no other nation has such a fragmented physical or linguistic national base.

The Indonesian state comprises around 242 million people inhabiting 13,000 islands over a 5,000 kilometre expanse, speaking eight major and more than 600 minor languages. That alone makes Indonesia highly unusual, as well as complex, challenging and structurally difficult to manage: no other nation has such a fragmented physical or linguistic national base. Indeed, while a sense of national identity has been consciously developed in Indonesia and is now broadly established, it doesn't derive, as is more commonly the case, from a linguistic, territorial or historical unity. There's a strong politico-cultural influence, derived from Central and East Java, that informs Indonesia's self-perception and understanding as well as the organisation of its state institutions. Having experienced more than three decades of often brutal authoritarian rule, economic collapse, and now a semi-decentralised and sometimes semi-organised political economy, Indonesia is anything but 'normal'.

In strategic terms, Indonesia has tended to focus on internal questions, notably to do with the maintenance of state cohesion, more than on concerns about potential external threats. That focus is shifting, but only by degrees.

Both perspectives, the 'normal' and the 'special', have been reflected in Australian views of our large neighbour. Between 1965 and 1999 (and notably after 1975), Australian governments were often stranded in a no-man's-land largely of their own making, caught between tolerant—exceptionalist—policy settings and more frank public perceptions that were openly critical of Indonesia's failure to meet conventional external criteria, particularly in relation to democratisation and human rights. That critical disjuncture led to a series of bilateral disputes between Australia and Indonesia as each tried to find a comfortable—and realistic—saddle point for its expectations of the other.

The Asian financial crisis crashed down on the Indonesian economy from mid-1997, and the collapse triggered President Suharto's ignominious resignation in March 1998. Elections were held in June 1999. Many who had been uncritical (or even supportive) of Indonesia's 'bureaucratic authoritarianism' (Legowo 1999) under Suharto reassessed the political landscape and re-emerged to cheer Indonesia's new-found democracy. The nature of regime change is that it occurs quickly when most of the elite recognises its inevitability and switches sides, and that's what happened in Indonesia in 1998—most of the leading political actors of the New Order were still in place following the New Order's demise.

That appeared to matter less to most observers than elections, which promised a new paradigm of reform and 'democracy'. The new paradigm was typically seen as self-fulfilling and self-perpetuating—a form of democratic fatalism that overstated democracy's prospects and confused hopes with realities.

In the chapters that follow, this report unpacks the process of democratic reform in Indonesia and examines the Indonesian economy, the key social and religious movements and the country's shifting international orientation. It concludes with a set of recommendations for how Australia should progress the bilateral relationship, so that the two countries can build a joint partnership founded upon a solid reality.

Chapter 2

THE INDIRECT PATH TO REFORM

The immediate post-Suharto era was characterised by the liberalisation of large parts of Indonesian society, notably in forms of public expression and political organisation. A slew of new political parties and civil society organisations arose. The overwhelming majority of Suharto's former colleagues and supporters shifted away from Suharto and, rhetorically at least, towards those new political forces. Those shifts reflected the officially stated desire for Indonesia to embrace reform—although, in another sense, they might be seen simply as mechanisms to release some of the pressure from the public groundswell demanding change. For at least some of the 'reformers', politics became the art of satisfying pressing demands while retaining the core of the status quo.

Habibie, Wahid and Sukarnoputri

Suharto's successor, BJ Habibie, oversaw the reformist shift, and the first free and fair elections since 1955 put him in good favour with the voting public. But Habibie was never popular with Indonesia's political elite, and his decision to allow the people of East Timor a vote on what amounted to self-determination in 1999 put him directly at odds with a number of powerbrokers who'd played midwife to what they saw as a necessary but controlled political transition. Not the least of them was armed forces commander General Wiranto, who was allied with other factions of the armed forces that developed in the final years of Suharto's rule. Their disenchantment with Habibie's decision resulted in a concerted effort to undermine the East Timor ballot and then, once its predictable results were known, to make an example of East Timor to the rest of the country. The Indonesian military (Tentara Nasional Indonesia—TNI) and its proxy militia devastated the territory, murdering more than 1,500 unarmed people and burning around three-quarters of its built infrastructure.

As a result of Habibie's personal unpopularity and the near disbelief with which the 'loss' of East Timor was greeted, Habibie withdrew from the presidential election race in the face of impending defeat. Many were surprised by the election of leading cleric Abdurrahman Wahid, who came to power on a party vote of just 11%. Among his achievements in office was the decentralisation of Indonesian administration, including a substantial delegation of power to the subprovincial (*kabupaten*) level.¹ While the decentralisation program relieved pressure building against the highly centralised state, one of its negative effects was to decentralise Indonesia's well-known corruption, from the centre (formerly focused on the Suharto clan and its cronies) to the administrative periphery.

Between the effects of two strokes (including blindness), his own personal idiosyncrasies, inconsistency and poor management, and an ambitious reform program, Wahid quickly fell foul of a coalition of opposed interests. His administrative and political mismanagement resulted in continuing economic stagnation, while his reformist ambitions, especially in relation to the TNI, alienated those with a stake in the political status quo (Vickers 2005:211–12). With sectarian and separatist violence across the archipelago, this period was widely seen as one of chaos and instability. After the rigid control of the Suharto era, economic collapse and some significant reforms, it was to be expected that forces long bottled up in Indonesia's sprawling society would surface in often ugly ways (Vickers 2005:217–220). As a consequence, the reform process stumbled.

If there was one benefit from Wahid's political demise, it was that the legislature confirmed its significantly strengthened position in relation to the executive (Zeigenhain 2008:177). The oversight and active legislative functions of the People's Representative Council (Dewan Perwakilan Rakyat—DPR, Indonesia's lower house) were welcomed as a part of the checks and balances of a democratising system. (Later, those functions were also to have a negative implication, as members of the DPR asserted their authority to limit or block the reform agenda of President Yudhoyono.) Wahid's replacement, Megawati Sukarnoputri, Indonesia's fourth president in four years, wasn't a skilled politician or administrator. She was, however, a supporter of the status quo and the TNI. The reform process took a step backwards (Vickers 2005:213).

Yudhoyono

The election of Sukarnoputri's successor, Susilo Bambang Yudhoyono, in 2004 marked a return to a reform agenda, if a more cautious one.² It also marked the consolidation of Indonesia's somewhat awkward start to its process of democratisation. The former lead reformer in the TNI, Yudhoyono brought to office his experience in the military, a keen intelligence and a desire to set Indonesia on a steady economic and political path. His first term of office saw some successes in tackling corruption, promoting judicial reform and cleaning up the taxation department. It also saw a negotiated end to the three-decade-long secessionist rebellion in Aceh, which was important in addressing a key security concern and helping to underpin a growing sense of national unity. The Aceh peace agreement also restricted the TNI in one of its last two bastions of military and hence economic activity.

As a result of the elections of 1999, 2004 and 2009, there's been considerable political turnover and Indonesia's political culture has adapted. In terms of accountability, the opportunity for Indonesia's citizens to vote political representatives in and out of office was a major step in the reform process, even if in many cases the choice of candidates was limited and the role of patron–client networks was still significant. More positively, initiatives

such as the Kecamatan Development Program and the government's Musrenbang (Multi Stakeholder Consultation Forum for Development Planning) offered some progress in community involvement in local decision-making.³

The oppositional role of the Indonesian Democratic Party–Struggle (Partai Demokrat Indonesia–Perjuangan, or PDI-P) reflected an increasing coherence around two broad political groupings. Such a development is typically a sign of consolidating democratic political processes. Notwithstanding a plethora of specific interests and multiple political parties, the roles of government and opposition were becoming more developed and distinct.

Yudhoyono's election in 2004 was with Golkar's candidate, Jusuf Kalla, as vice-president, producing a workable bloc in the legislature. That alliance fell apart in 2007 over issues of control and influence, meaning that the president ran for his second term with the competent but politically less connected former Governor of the Bank of Indonesia, Boediono. The change of allegiances was important because, until 2009, it signalled a split with Golkar and weakened Yudhoyono's ability to get his executive program through the legislature.

The electoral performance of Yudhoyono's Democratic Party in 2009, when it won 148 of 560 seats, made it the single biggest party, primarily at the expense of Golkar and the PDI-P (106 and 94 seats, respectively). The pro-welfare, anticorruption, Islamist-oriented Prosperous Justice Party (PKS) grew to become the fourth largest party, with 57 seats. The National Mandate Party (PAN) slipped to 46 seats, the United Development Party (PPP) dropped to 38 seats, the National Awakening Party (PKB) crashed even further, losing a quarter of its vote, to 28 seats, the Great Indonesia Movement Party (Gerinda) took 26 seats, and the People's Conscience Party (Hanura) secured 17 seats. Yudhoyono commanded the largest plurality in the legislature, but couldn't consistently count on a majority.

The presence of Gerinda in the DPR was a victory for former President Suharto's ex-son-in-law, Prabowo Subianto. Prabowo might still have at least one more run at the presidency, in 2014 or possibly 2019, pushing a more conservative, pro-TNI orientation. Similarly, the establishment of Hanura, just inside the legislative cut-off, was a small victory for former armed forces chief and twice-failed presidential candidate Wiranto. Wiranto's political orientation fell between that of Prabowo, whom Wiranto had sacked from the army when he was the military chief, and Yudhoyono, to whom Wiranto had been a political ally in the mid-1990s.

Anticorruption and electoral reform

Despite early inroads and what he'd hoped would be a workable legislative coalition, Yudhoyono's attempts to reform the judiciary and to clean up corruption met with only qualified success. He spent his first term pursuing a policy of cautious reform, achieving enough to satisfy most observers (and investors) without substantially alienating vested interests.

If much had been expected from Yudhoyono's first term in office, even more was expected from his second. In his election campaign, Yudhoyono indicated that the pace of reform might be slowed, but he won the 2009 presidential elections with a very strong 61% of the vote, securing a majority in 28 of the country's 33 provinces. As Indonesia's first democratically returned president, Yudhoyono brought together a coalition of parties to try to achieve a consistent voting majority in the legislature. The coalition comprised the Democratic Party, the Golkar Party, the PAN, the PPP, the PKB and the PKS. Still, however modest they might have been, the reforms of the first term were too strong for some. Many in the DPR turned against him, and the coalition proved unreliable.⁴ Yudhoyono was similarly

disenchanted with the performance of some of his coalition ministers. Golkar and the PKS responded by saying that they expected the coalition agreement to be maintained.

In response to the growing political isolation of the Democratic Party in the legislature, and contrary to his 2009 election campaign promise not to form a coalition with a party that was compromised on the human rights front, Yudhoyono turned in March 2011 to Prabowo's party, Gerinda, to join the government coalition. That move was met with dismay by human rights groups such as KontraS (the Commission for Missing Persons and Victims of Violence), which viewed the inclusion of a party led by former Kopassus (special forces) chief Prabowo as at best a nod towards continuing impunity and an acceptance of, if not a return to, New Order-style politics (Widhiarto 2009).

Indonesia's process of democratisation has, at one level, been extraordinary, given the array of entrenched interests that benefited from a more authoritarian political process.

Indonesia's process of democratisation has, at one level, been extraordinary, given the array of entrenched interests that benefited from a more authoritarian political process. For example, the Constitutional Court again upheld the right of independent candidates to run for election in December 2010—an important step towards genuine democratic pluralism, especially given that so many of the parties suffer from patronage politics. The way that ordinary Indonesians have overwhelmingly participated in the voting process and continued to support the idea of democracy has also been extraordinary (IFES 2010).

Despite these advances, there have been a number of limiting tendencies, not least a continuation of patronage-driven politics in which local party organisers receive economic benefits from their candidate's success and areas that vote in particular ways can be assured of greater development largesse. Patron–client networks, which exist to some extent in all political societies, tend to be deeply entrenched in pre-industrial societies and often evolve with a state's transition to more rational–legal processes. In Indonesia during the New Order era, however, that process became entwined with a system of state-led corruption, and it's since evolved as an integral and deeply acculturated part of social, political and economic relations. Elements of such behaviour are not unusual in many developing countries, but they do need to be acknowledged as an ongoing problem in Indonesia. (The strategic implications of corruption are discussed in Chapter 3).

In terms of informed political participation, a survey in 2010 by the International Foundation for Electoral Systems showed that 78% of its 2,500 respondents were informed very poorly, if at all, about local elections, while 65% didn't even know where and when to vote (IFES 2010). Other problems with Indonesia's democratic process included incomplete or unreliable voter rolls, a failure to finalise voter lists prior to elections and consequent shortages of ballot papers. In a survey of 10 elections across the country, the People's Voter Education Network showed that voter participation continued to decline and that ballots typically occasioned a high level of official complaints about processes, with losing candidates in seven of the ten areas surveyed lodging appeals with the Constitutional Court (Siahaan 2010). Violence in local elections also resurfaced as a problem, after years of relative electoral peace (ICG 2010).

Aspinall and Mietzner (2010:17) summarise the development of democratisation in Indonesia by saying that, in isolation, it could be viewed as 'riddled with deep-seated structural defects', including in the electoral process, in the roles of parliament, parties and civil society, in the status of women and in regional politics. In comparative terms, however, they argue that 'these issues look much less exceptional'. That's largely correct if Indonesia is compared with some other regional states that are far from substantively 'democratic' (such as Burma). That qualification, though, sets up a relatively low baseline for comparative analysis. Some neighbouring states have a mere shell of democratic processes (for example, local government in the Philippines) or are inconsistently democratic (for example, Thailand).

Two points are therefore worth noting. First, Indonesia's process of democratisation hasn't been straightforward, is far from complete and even today isn't guaranteed of success.⁵ The country continues to struggle with basic problems of corruption and organisational inefficiency, which have a direct negative effect on the lives of its citizens and the potential to damage its external and strategic relations. Second, the tendency of some observers to overstate Indonesia's democratic experience and prospects is all too often a product of wishful thinking. The scorecard on Indonesian democracy is mixed. Political life is vastly freer than it was under the New Order government of Suharto and, despite some backsliding, has seen real (if incomplete) gains under President Yudhoyono. But the 'reflexive monitoring of system reproduction' means that many of the habits of the past have continued even with the arrival of new political actors and evolving systems. If Yudhoyono isn't succeeded by one of his ilk, it also may be that the world has seen the high water mark for Indonesian democratisation for the foreseeable future. As noted, somewhat soberly, by MacIntyre and Ramage (2008:3), this may be as good as it gets, perhaps for the foreseeable future.

Indonesian politics, rather than being 'normal' or exceptional', continue to be shaped by the competing challenges of vested interests, a degree of nostalgia for the past, and pressures for reform and liberalisation.

Indonesian politics, rather than being 'normal' or exceptional', continue to be shaped by the competing challenges of vested interests, a degree of nostalgia for the past, and pressures for reform and liberalisation. Managing the diverse and segmented interests of a heavily populated state sprawling across thousands of islands remains a massive task, presenting a daunting challenge to whoever assumes political authority. The extent to which segmented political will can rise to meet that challenge remains one of the key structural questions that define Indonesia's future political options.

TNI reform: stalled

In parallel with the ‘reform’ process was the introduction in 1998 of the Indonesian armed forces ‘New Paradigm’, which in 2000 split the police from the military. Angkatan Bersenjata Republik Indonesia (ABRI) became the Tentara Nasional Indonesia (TNI), in a move intended to professionalise the military and remove it from its formal role in politics. Not coincidentally, the chief architect of the New Paradigm was then Lieutenant-General Susilo Bambang Yudhoyono, with the support of General Wiranto and in concert with a group of other senior officers who’ve been characterised as belonging to a particular ‘red and white’ military faction (as opposed to the then pro-Suharto, pro-Islam ‘green’ faction). The divorce of the police from the armed forces was successful, even if the police continued to operate under army direction in conflict environments. The TNI was also formally removed from politics, in stages completely losing its representation in the legislature, although retaining considerable informal influence at the local level through the maintenance of the immediate post-independence-era territorial structure in which the army occupied an organisational structure parallel to the civil administration.

The internal reform of the TNI, however, has been much less complete. ‘Military entrepreneurs’ (Kristiadi 1999:113, Razak 2010) continue to operate businesses, are extensively involved in the black market and engage in other illegal activities. The TNI strongly resisted a formal government requirement for the military to sell off its businesses to or place them under government control ahead of a sell-off. It argued that the government didn’t allocate sufficient finances to the TNI to allow it to function effectively. That was an accurate assessment of the Indonesian Government’s longstanding low level of military expenditure. Official defence expenditure was increased on a number of occasions, from around US\$1 billion in 1998–99 to US\$2.5 billion in 2005, more than doubling to US\$5.2 billion in 2011 and increasing again to US\$7.5 billion in 2011–12. Lack of transparency in budgetary allocations makes it difficult to determine how that money is spent. Indonesia doesn’t typically run a large capital equipment program, and there have been allegations from time to time that senior TNI officers often personally benefited from the lack of transparency (Misol 2006).

The current defence budget is probably still inadequate to cover all the military’s costs.

The current defence budget is probably still inadequate to cover all the military’s costs. If so, the TNI remains under pressure to fund a proportion of its expenditure from its own revenue sources. Legal TNI businesses include transport, construction, hotels and security services, the last of which allegedly segues into protection rackets, extortion, smuggling, illegal mining and logging, gambling, prostitution, drug running and, for a time, gun running. After numerous delays, a law passed in 2004 required the TNI to divest itself of its business interests to the Indonesian Military Business Management Body (BPBTNI) by October 2009. By late 2011, the TNI still hadn’t done so, and there’s no deadline for completing the task (Razak 2010).

A seemingly necessary ground-up reconstruction of Indonesia's defence forces would leave the country's external security compromised for at least the short to middle term. It would also result almost immediately in a serious political backlash by vested interests, which would probably be sufficient to bring down any government the country is able to produce.

The TNI continues to be haunted by the shadows of its past human rights abuses. Despite investigations and trials, no senior TNI member has been convicted of any offence committed during the military's involvement in East Timor. That's consistent with what's, at best, the TNI's marginal accountability for human rights violations. A Wikileaks report said that one of Yudhoyono's close advisers, former Lieutenant-General Sjafrie Sjamsoeddin, had been refused a visa to enter the US because he was suspected of committing war crimes (Dorling 2011b). While Sjafrie denied any wrongdoing and said he wasn't associated with specific crimes, he spent most of his military career in Kopassus during its most notorious era.

As an indication of the extent of TNI reform, in March 2010 Indonesia's Defence Minister, Purnomo Yusgiantoro, said that soldiers charged with gross 'human rights abuses' would be brought before a civilian court (Maulia and Santosa 2010). That, however, hasn't yet been tested. In January 2011, three Indonesian soldiers from the Army Strategic Reserve Command (Kostrad) 753 were convicted of 'disobeying orders' following the abduction and torture of two Melanesian Papuans, video footage of which showed the soldiers kicking and burning the two men with a cigarette and a lighted stick. The advantage of reducing the charge against the three soldiers was that 'disobeying orders' did not fall under the heading of 'human rights abuses'.

As long ago as 2001, former Australian Foreign Minister and advocate of closer ties both with Indonesia and with the TNI, Gareth Evans, said: 'I am one of those who has to acknowledge, as Australia's foreign minister at the time, that many of our earlier training efforts helped only to produce more professional human rights abusers' (Evans 2001). Is today's TNI different? While Australia's Defence Cooperation Program focuses heavily on human rights, governance and respect for the rule of law in all engagement with TNI, the evidence indicates that reforms in this area have been limited and that a culture of extrajudicial violence and impunity continues, for example in Maluku in 2010 (Amnesty International 2011a).

If there's a qualification to the opportunities for further military reform, it's that the archipelago's fragmented geography both presents potential internal challenges and distributes the armed forces across the archipelago...

In another key area, reform has been effective. Importantly, while there have been some grumblings about civilian politicians from retired TNI officers (harking back to the TNI's formerly active political role), military support for intervening in civil politics hasn't found a new lease of life. That's not to say that the military couldn't at some future point increase its direct political power, but that power continues to diminish overall. The TNI might be fighting a rearguard action against reform, and some officers may continue to balk at changes that limit their access to unofficial sources of income, but their scope for reversing civil ascendancy appears to be decreasing. If there's a qualification to the opportunities for

further military reform, it's that the archipelago's fragmented geography both presents potential internal challenges—and addressing those has been the TNI's principal reason for being—and distributes the armed forces across the archipelago, hence making the TNI less responsive to centralised command and control. Political will has overcome some of the TNI's less positive features, and certainly can continue to do so, but the archipelagic geography of Indonesia militates against robust formal civil control, short of a complete restructuring of the defence force and its missions. The opportunity for that, if it ever existed, appears to have passed for the foreseeable future.

As a footnote to military reform, in the middle of 2011, Yudhoyono appointed Pramono Edhie Wibowo as head of the army. Wibowo is Yudhoyono's brother-in-law and the son of his mentor, Sarwo Edhie Wibowo, who was instrumental in crushing the Indonesian Communist Party and the effective toppling of President Sukarno in 1966. This relationship indicated possible nepotism in Yudhoyono's decision. However, as part of the military reform process, not only was Pramono a respected professional soldier, he was also loyal to Yudhoyono, which was an essential criterion in such difficult change management. Yet a further negative was that Pramono was in East Timor in 1999 and was implicated in an attack on the home of Bishop Carlos Belo⁶ in which 25 people were killed and others injured, illustrating how difficult it is for the TNI and its members to escape their own compromised past. Such problems in turn have implications for Indonesia's value as a strategic partner: its record of serious human rights abuses, not entirely in the past, continues to compromise it in the eyes of governments that might otherwise see it as a potential, indeed important, strategic player.

Papua

From the moment of the transfer of Papua's administration to Indonesia in 1963, it has continued as a running sore on Indonesia's body politic.⁷ Valued by the rest of Indonesia only for its fulfilment of a political vision of an Indonesia extending from Sabang to Merauke (Aceh to Papua), for its resource wealth and as a somewhat troubled site for transmigrants, Papua has remained at the margins of Indonesia's reform process. The electoral process in Papua has produced more generally acceptable governors than in the past but, as noted by senior adviser to Vice-President Boediono, Dewi Fortuna Anwar, 'We have yet to settle our security problem in West Papua.'⁸

The TNI retains a significant and active presence in Papua, along with the paramilitary police Mobile Brigade (Brimob), and continues to be actively engaged in operations not just against the small number of militant separatists but against civilians engaged in nonviolent protest. Papuan concerns include their 'chronic underdevelopment', not least in comparison to the growing influx of non-Melanesian settlers from other parts of Indonesia, who are set to become a majority in the near future. Melanesian Papuans have the lowest Human Development Index (HDI) rating in Indonesia (Singh 2008) and the highest incidence of poverty, at just under 40% of the population. Within this context, 'the Indonesian Military (TNI) has far more troops in Papua than it is willing to admit to, chiefly to protect and facilitate TNI's interests in illegal logging operations ... The governor ... had to move cautiously so as not to upset the TNI, which he said operates as a virtually autonomous governmental entity within the province.'⁹

A commitment by Yudhoyono in 2004 to resolve the Aceh and Papua problems was half-achieved with the negotiated resolution of the Aceh issue. However, Yudhoyono used up a great deal of political capital on the Aceh exercise and had much less available to him in

his second term. Despite a range of proposals for a more autonomous political structure in Papua, he hasn't followed up on any of the suggested ways forward—partly because there continued to be a default position among some influential Papuans to hold negotiations only if they included the option of a referendum on independence, and partly because of a deep reluctance by more conservative Indonesian power holders to make substantive concessions to Papuan claims.

The future of Papua, therefore, looks as though it will be decided, if at all, during the tenure of Yudhoyono's successor. A more reformist-minded successor would be inclined to want to see this long-running problem resolved because of the opprobrium it still earns Indonesia in some international quarters. It would also be a significant further step towards limiting the 'grey' and illegal financial activities of the TNI and the police. If Indonesia is to claim legitimately to be a nation, it must secure those parts of its population—principally at its peripheries—who remain deeply unconvinced of the benefits of national inclusion. A more conservative or reactionary successor, however, would be likely to endorse the continuing policy of economic exploitation on one hand and repression and political alienation on the other.

Papua stands as perhaps the strongest example of the structural challenges that confront the Indonesian state.

Papua stands as perhaps the strongest example of the structural challenges that confront the Indonesian state. Physically remote from the capital—its indigenous population culturally and historically unrelated to Indonesia's majority of Malays and its economic importance to Indonesian state viability uncontested—Papua is a problem that, in theory, could be fixed with sufficient political will. Yet that same range of factors also means that the political will has so far been a long way from sufficient. Papua therefore remains not just a strategic—and moral—problem for the Indonesian state; it also acts as a brake on international enthusiasm for fuller strategic engagement with Indonesia.

Chapter 3

ECONOMICS, SOCIETY AND RELIGION

The Indonesian Government has been implementing structural reforms, albeit slowly, to enhance the country's mid- to long-term growth potential in a more stabilised political climate. Those reforms include tackling corruption, microstructural reform of the economy and improving the investment climate. The outcome to date has been broadly positive, if mixed in some areas. In response to those reforms, in 2010 there were signs of a significant pick-up in much-needed investments, which also highlighted a long-term problem with infrastructural bottlenecks that may restrict growth.

Economic growth in recent years has been relatively robust and has created enough jobs to absorb a growing number of labour force entrants. Formal unemployment has declined from 11% to 7%, although underemployment (informal employment) remains high. More positively, population growth has continued to moderate, to around 1% in 2010 and showing a slight decline over the previous three years, while mean income has continued to increase, from US\$3,700 per capita in 2007 to over US\$4,000 in 2010. Following the economic collapse of the late 1990s, this meant that Indonesian citizens were on average once again becoming richer rather than poorer. While exports were up, the economic growth also reflected what appeared to be renewed confidence by investors, which had been markedly absent since the collapse of the rupiah in 1997.

Indonesia came through the global financial crisis (GFC) better than many countries, in part due to the reorganisation of its banking sector. Its vulnerability to global financial movements was highlighted by a sudden downturn in foreign investment—US\$4 billion left the country in the fourth quarter of 2008. However, Indonesia quickly stabilised, with a US\$10.3 billion inflow in 2009 and a strong US\$16.2 billion inflow in 2010 (Belford 2011, JCRA 2010), indicating a greater resilience to external shocks and reflecting the Japan Credit Ratings Agency upgrade of Indonesia's sovereign rating to 'investment' grade, for the

first time since 1997. In part, this could be attributed to the lag effect of the passing of a new investment law in March 2007 (replacing a law passed in the 1960s), which put domestic and foreign investors on the same legal basis and created greater confidence, particularly among foreign investors. While there's been continued criticism of the new law for its inefficiency and continued restrictions on foreign investors, it's streamlined some of the more problematic aspects of the former investment environment.

To further enhance its credit standing, the Indonesian Government needs to improve mid- to long-term growth prospects by further reinvigorating both foreign direct and private domestic investment.

To further enhance its credit standing, the Indonesian Government needs to improve mid- to long-term growth prospects by further reinvigorating both foreign direct and private domestic investment. For example, labour market reform has met strong opposition and has been postponed. On the other hand, towards the end of Yudhoyono's first term in office, there had been several tangible improvements in the area of tackling corruption, tax and custom reforms, the rationalisation of local regulations that were distorting business activities, and the general investment climate. Still, some commentators believe those changes were often superficial and reflected more a rhetorical than a substantive commitment to reform. On balance, growth in foreign direct investment in the country suggested a possibility that foreign investors' perception of Indonesia's investment climate had improved as a result of the reform efforts (JCRA 2007), perhaps along with the greater profits to be made from increasing global prices for many of Indonesia's resources.

Continued growth underpinned by domestic demand (even if lacking a strong export manufacturing industry), debt reduction and political stability all augur well for Indonesia's economic future. However, government weakness in formulating and implementing policies, poor and restrictive infrastructure (Belford 2011), doubts about the legal system, and corrupt officials are all still seen as impediments to continued growth (JCRA 2010).

Indonesian GDP growth declined slightly between 2007 and 2010, coming down from just over 6% GDP growth to just under 6%, but improving on 2009, when it had dropped to 4.4%. While the result reflected the negative impact of the GFC, Indonesia weathered this period better than a number of other countries whose economies contracted. In part, this was due to Indonesia's greater focus on selling into its large domestic market rather than having the higher external trade exposure of many countries that were more seriously affected. Inflation also continued to trend downwards, to 4.8% after a jump to 9.9% in 2009 reflecting the impact of increased food prices (earlier inflationary pressure came from the reduction

of fuel subsidies). By mid-2011, however, inflation had dropped to around 6%. Similarly, by mid-2011, the rupiah was slightly firmer at around 8,750 to the US dollar, reflecting the central bank's intention to reduce shocks to the economy and to steady currency flows. The country also continued to reduce its external debt-to-GDP ratio, bringing debt to an increasingly manageable 26.4% of GDP, down from a dangerous 80% in 2000 and from just under 40% at the end of 2006. Interest rates remained relatively low at 6.46% at the end of 2009 and were kept steady throughout 2010 in a continuing effort to ward off the lingering effects of the GFC. Non-performing banking loans, which had plagued the Indonesian economy following the Asian financial crisis of 1997–98, dropped to just 3.3% (Republic of Indonesia 2010). The overall ratings outlook remained stable, indicating that such policies as were in place looked set to continue to underpin economic activity, if not to spur it on along the lines of China or Vietnam over recent years. Indonesia's GDP in 2010 (US\$695 billion in absolute terms, US\$1,033 billion by purchasing parity power) was still relatively modest compared to the size of its population.

Nationwide poverty was slightly lower in 2010, at around 14%, or 32.5 million people, down from 35 million in 2008 but up on the 2009 figures. The Indonesian poverty level has been set at around US\$1.50 a day, well below the World Bank's benchmark for moderate poverty of US\$2 a day and close to its \$1.25 benchmark for extreme poverty. Moreover, the gap between rich and poor (the Gini coefficient) is relatively large, as is the intensity of deprivation (UNDP 2010a).

...poverty provides fertile ground for political discontent and helps feed into a base of religious extremism.

The problem of poverty in Indonesia is multifaceted; at base, it simply means that a large proportion of the country's population lives poorly and registers at low levels on the HDI. That translates into low educational standards and a high likelihood that children will have similar problems to their parents: inadequate nutrition; limited medical access and a consequent lower than average life expectancy; a higher than average (if steadily reducing) infant mortality rate, at just under 3% (World Bank 2010); and a host of related problems. Such poverty provides fertile ground for political discontent and helps feed into a base of religious extremism.

It is important to note, of course, that many Indonesians also live relatively well. The country overall had an HDI of 0.60 in 2009, after a steady rise from 0.40 from 1980 when HDI first began to be measured. A composite index of East Asia and the Pacific rose from 0.391 in 1980 to 0.650 in 2009; both Indonesia and the region tracked closely together until 1990, when they diverged, but closed the gap from around 2005. Indonesia was placed 108th in a global ranking of 135 states in 2009 and 83rd in 2010, improving its standing relative to many other

states and in absolute terms to an HDI of 0.686 (UNDP 2010b). The overall improvement in the Indonesian economy, reflected in improvements in standards of living for most of its citizens, has helped to reinforce and maintain the state's sense of unity.

Indonesia's also a growing regional economic power, with the largest economy in Southeast Asia.

Indonesia's also a growing regional economic power, with the largest economy in Southeast Asia. Manufacturing contributes just under 28% to the economy, while agriculture and resources contribute slightly less, at just under 25%. Construction is at about 8.5%, trade, hotels and restaurants just under 14%, banking just under 7.5%, transport and communication just under 6.3% and other services just under 10%.¹⁰ Overall, there's been a shift away from agriculture and, to a lesser extent, resources as a percentage of GDP, and a move towards industrialisation and, increasingly, service industries.

However, industrialisation hasn't been strong, particularly for more complex manufactures, compared to industry in other regional states (except perhaps the Philippines). As a result, the opportunity for Indonesia to be a regional economic driver is enhanced by its increase in foreign investment but limited by a lack of infrastructure and other problems of institutional capacity and geography.

Indonesia can be an economic partner to regional states and some states further abroad, but its capacity to set economic agendas will remain limited until it addresses infrastructure deficits, dilutes the effects of corruption and makes more headway on simplifying investment arrangements.

Corruption

Since the end of the New Order era, it's been widely acknowledged that corruption is one of the big problems—perhaps the main problem—affecting the capacity of the Indonesian economy to develop at a rate that generates employment and provides widely distributed improvements in the standard of living. Indonesia's capacity for stable economic growth remains compromised while corruption continues to feed into resentment towards the state by some regional and religious groups, with consequent potential for militant responses. Corruption also has strategic implications, both for Indonesia and for states with which it has strategic and other relationships.

President Yudhoyono said he'd make tackling corruption a cornerstone of his first term as president but, after some high-profile successes, he downplayed the fight against corruption in his campaign for a second presidential term. The reality was and remains that the corruption that permeated the Suharto era remained embedded among many politicians and business leaders and continues among newer political and business arrivals. As noted by *The Economist*, 'there is an insuperable ability to avoid accepting responsibility for one's actions' among Indonesia's elite.¹¹ Yudhoyono's initial anticorruption campaign, therefore, threatened not only entrenched corrupt interests but also many of Indonesia's elite, upon whom Yudhoyono had to rely for other parts of his political agenda.

Yudhoyono continued to oversee some cautious and limited policy reforms, as noted above, but he was increasingly criticised for inaction or otherwise failing to deliver on electoral promises. An initial failure to act in the case of corrupt tax official, Gayus Tambunan, deeply embarrassed Yudhoyono and prompted him to order a close investigation. Gayus had amassed millions of dollars in bribes and, after being jailed, bribed his way out of prison on 68 occasions, once being photographed at a tennis tournament in Bali (Deutsch 2011). Yudhoyono played down his earlier anticorruption drive during the 2009 election campaign, criticising ‘sting’ operations against corrupt politicians. Other criticism of his tenure simply reflected the role of the opposition in a plural political framework—a function taken up with some enthusiasm by the PDI-P, led by former president Megawati Sukarnoputri.

Yudhoyono was widely regarded, both internally and externally, as the best possible president from the range available in 2009, but he was also a product of the Indonesian political system. His own Democratic Party’s treasurer, Muhammad Nazaruddin, was forced to resign after being implicated in corrupt activities¹², while diplomatic cables ‘Wikileaks’ in 2011 stated that Yudhoyono was believed to have ‘personally intervened to influence prosecutors and judges to protect corrupt political figures and pressure his adversaries’ (Dorling 2011a). Yudhoyono strenuously denied the allegations, and the US ambassador apologised for the reports the day after they were published.

As for any significant political move, there was a corresponding reaction to the anticorruption drive. The biggest casualty of the reaction was the high-profile, activist anticorruption Finance Minister, Sri Mulyani, who resigned her position in May 2010. In her five years as Finance Minister, Sri Mulyani initiated significant reforms in the tax and customs offices, sacked about 150 Finance Ministry staff and penalised around 2,000 more. She also oversaw Indonesia’s continuing debt reduction and its doubling of foreign direct investment. Mulyani resigned over pressure from an investigation into allegations by Golkar legislators of corruption in the US\$800 million government bailout of Bank Century in 2008. The ‘investigation’ was publicly alleged to have been orchestrated by Golkar chairman, Aburizal Bakrie, in response to Mulyani’s own investigation of the Bakrie group for possible tax fraud¹³ and her refusal to bail out a Bakrie coal company with government funds. However, there was also a public allegation by an anticorruption NGO that some of the bailout funds were used to help finance Yudhoyono’s 2009 election campaign (Dorling 2011a).

Mulyani left the Finance post and took up a position as a managing director at the World Bank. It is thought she might return to Indonesia to assume a new post towards the end of President Yudhoyono’s second term in office in 2014. Highlighting the importance of the anticorruption effort, her resignation was immediately greeted by a 3% drop on Indonesia’s share market.

Tackling corruption in Indonesia is a high-stakes game.

Tackling corruption in Indonesia is a high-stakes game. When *Tempo* magazine ran articles on corruption among high-ranking police, two men threw petrol bombs at its head office in Jakarta. Indonesia Corruption Watch official Tama Langkun was also attacked. Indonesia’s police force (Polri) was identified by Transparency International Indonesia as the state’s most corrupt institution, followed by Customs and Excise, Immigration, the Transportation Agency and municipal administration (TII 2010). An investigation by the Corruption Eradication

Commission (Komisi Pemberantasan Korupsi, or KPK) into police handling of a corruption case in 2009 led to police responding by laying charges of corruption against two KPK deputy chairmen. A tape recording later showed that the two KPK officials had been framed by two businessmen and the Deputy Attorney-General.

The arrest of the KPK chairman, Antasari Azhar, in May 2009 on charges of organising the murder of pharmaceuticals company director Nasrudin Zulkarnaen was argued to be a frame-up organised by Indonesian police, although he was convicted of the crime and sentenced to death the following year. President Yudhoyono responded by saying that there needed to be reforms within Polri, within the Attorney-General's office and in the KPK. This comment was widely seen as the president reducing the seriousness of his campaign against corruption (Widhiarto 2009, Maulia and Chistanto 2009, Karana 2009). The Azhar controversy and its outcome seriously damaged the government's anticorruption credentials (Dorling 2011a).

Recognising the backlash against the president's reform agenda and the increasing hostility of the legislature, one US assessment regarded Yudhoyono's second term as increasingly 'paralysed': 'Unwilling to risk alienating segments of the parliament, media, bureaucracy and civil society, Yudhoyono has slowed reforms' (Dorling 2011a).

The strategic implications of corruption go beyond the merely moral, political or economic. Corruption fundamentally compromises the orientation and capacity of the TNI and the relationship between the TNI and the government. In the first instance, the TNI has traditionally derived as much as half or more of its total income from black market or 'grey' sources. The problems that arise include the deprofessionalisation of the armed forces, the involvement of the forces in activities contrary to state interests, and regular conflicts of interest within senior TNI decision-making processes.

In short, one can never be sure whether, for example, decisions about the retention of the TNI's territorial structure, by which it locates itself across the archipelago, are linked to the TNI's perception of threats to the state or whether the TNI uses it to access more widely distributed non-budget resources. That lack of transparency about orientation and motives extends to the TNI's internal organisation and, in principle, undermines the conventional expectations implied in external strategic relationships.

Social and religious trends

Many observers of Indonesia believe that the country reflects a tolerant and moderate version of Islam, but that perspective is another example of wishful thinking. The view that Indonesian Islam is tolerant and moderate stems primarily from an emphasis on the first of Javanese Islam's two broad streams—syncretic *abangan* Islam, which is largely nominal and rooted in pre-Islamic beliefs. The second and more formal or orthodox version of Islam is referred to as *santri*. The emphasis on *abangan* Islam reflects the numerical superiority of its practitioners, but fails to recognise the dynamism within both *abangan* and *santri* Islam, which is leading both towards a more formally defined interpretation of Islamic beliefs and practices (even if *abangan* Islam lags in that movement). Moreover, the emphasis on Javanese interpretations of Islam reflects a Java-centric understanding of Indonesia that tends to devalue other areas of the country. Equating Java with Indonesia has caused much

misunderstanding about the nation, among both some Indonesians and some external observers, and has been a repeated source of intrastate conflict.

Similarly, the emphasis on *abangan* Islam tends to overstate Indonesian Islam's tolerance and moderation. It fails to recognise that the range of factors informing tolerance and moderation aren't especially greater or lesser in Indonesia than in most other societies facing the material and social pressures that come with poverty and the awkward process of development. The events of 1965–66, in which 'moderate' Muslims associated with the Nahdlatul Ulama (Awakening of Religious Scholars) played a key role in anticommunist massacres, gives the lie to generalisations about Indonesian Islamic 'moderation'. The Nahdlatul Ulama was later the founding organisation for the National Awakening Party (PKB).

Analysts seeking to downplay the role of more orthodox Islam have drawn on electoral statistics to show a minority in decline.

Analysts seeking to downplay the role of more orthodox Islam have drawn on electoral statistics to show a minority in decline. Comparative studies of political Islam in Indonesia, based on explicit support for what's known as the Jakarta Charter of 1945, have shown that Islamism has never been a dominant political force and that it declined, as a proportion of the popular vote, in the period between the first generally free elections of 1955 and the next electoral test of 1999. The Jakarta Charter was briefly incorporated into the Indonesian Constitution as part of the national ideology of Pancasila (Five Principles), which holds that the Indonesian state is based on 'Belief in the one supreme God', with an addendum including 'with the obligation to live according to Islamic law for Muslims'. The addendum was dropped from the 1945 constitution when the constitution was formally adopted, but remained a claim for Islamist activists.

Equating religious beliefs with political behaviour assumes that if Islamist influence were growing in Indonesia that would be reflected in voting. However, that assumption doesn't account for the distinction between formal politics and the religious values felt by many Muslims. A political party doesn't have to identify itself as formally Islamic to be accepted as pro-Islam. And, regardless of political statistics, the influence of formal Islam is growing in Indonesia. The Democratic Party of President Yudhoyono is formally secular, but he has explicitly campaigned as an observant Muslim and is recognised as such by many of his supporters. All major Indonesian political parties, including those that are nominally secular or nationalist, include pro-Islamic factions, and all are at least sympathetic to Islam as the nationally dominant and increasingly assertive faith of choice.

That said, there's been a shift away from the more established Islamic parties. In the 2009 elections, the PPP's loss of 20% of its 1999 support struck a serious blow against the party, which was the sole pre-1998 political vehicle for Islam. The PKB's drop of a quarter of its vote was less a loss of support for an Islamic party per se than for a party that has its roots in the more tolerant and moderate *abangan* interpretation of Islam that has been

so often, if overoptimistically, identified with Indonesia. Notably, the 'moderate' Nahdlatul Ulama-aligned PKB allied itself with the more overtly Islamist PKS to contest some of the regional elections (such as in East Java). The PKS's candidates also won mayoral (Depok), district (Sidoarjo) and gubernatorial (West Sumatra) elections, although its strategy remains primarily one of opportunistic influence rather than direct political competition, as seen in some local secular party officials instituting shari'a (Islamic law; in Indonesian, *syariah*) requirements in local regulations.

The PAN's decline of 7% was less dramatic but reflected a shift of more urban and *santri* voters away from the party, probably to the PKS. In 2004, the PKS campaigned on an anticorruption and welfare platform, but by 2009 had turned more towards a fundamentalist Islamist agenda. Despite initial observations that the change would limit the PKS's voter appeal, its vote grew by 12%. The political importance of the PKS was less in the number of seats it held but in the dozens of alliances it entered into in support of 'acceptable' candidates. In 2005, the PKS supported presidential candidate Yudhoyono, and it formed a (stretched) alliance with Yudhoyono's Democratic Party again in 2009. The government coalition (comprising the secular Democratic Party, the secular Golkar Party, the pro-Islamic PAN and PKB, the explicitly Islamic PPP, and the PKS) could be understood to have a religious hue about it, not least because of the Democratic Party's slightly Islamic tinge. However, it could also be understood as a coalition of parties organised to stifle the ambitions of Megawati Sukarnoputri's PDI-P. Indeed, any likely coalition of parties forming a legislative majority in Indonesia would always have an Islamic orientation within it.

Despite its social welfare and anticorruption orientation before 2009, the PKS had a link to a larger Islamic agenda. Its earlier incarnation in 1999, as Partai Keadilan (the Justice Party) campaigning on a *syariah* platform, saw it attract just 2% of the vote. Its remake as the PKS for the 2004 election showed it in public to have a more community-oriented, anticorruption goal. By 2008, however, it was clear that the PKS was the political vehicle for Jemaah Tarbiyah (Educational Community), the explicit intention of which is to fully 'Islamise' Indonesia through a 'true Islamic education' (Machmudi 2008). Full Islamisation includes introducing *syariah* (Machmudi 2008:191–216). Jemaah Tarbiyah is associated with and, in effect, an extension of the Muslim Brotherhood, which extends from the Middle East to have representation in all Islamic societies. Jemaah Tarbiyah has had a presence in Indonesia since the 1990s, although it existed in earlier manifestations such as the Darul Islam movement, offshoots of which came to include Jemaah Islamiyah and various militant *laskars* (Islamic militias) that were active in Maluku and Sulawesi, among other places, in the early post-Suharto era. This isn't an alarmist view of the PKS, but simply a recognition of the origins and purposes of its political agenda. The support base for Indonesia's smaller Islamic parties, which are not represented in the DPR, remains small and relatively static.

Another reflection of the growth of more orthodox Islam in Indonesia has been the increasing influence of *syariah* in the drafting of national legislation, and in the number of districts (*kabupaten*)—estimated at more than 10%—that have incorporated *syariah* into local by-laws and other regulations (Bush 2008). In parallel, there have been increasing restrictions on the building of Catholic and other Christian churches. Joint Regulations No. 9/2006 and No. 8/2006 provide guidelines to local authorities on granting approval for the building of places of religious worship, and tend to be conservatively interpreted. More disturbing, however, has been the rise of vigilante Muslim attacks against Christians

practising and in some cases proselytising in Muslim majority areas. The Jakarta suburb of Bekasi and Bogor, West Java, have been among the more notable flashpoints. Bekasi is home to branches of the actively anti-Christian Indonesian Islamic Propagation Council, the Islamic Student Movement, the Islamic Defenders Front and, since 2008, the Jemaah Ansharut Tauhid (JAT), which was established by the alleged spiritual master of the terrorist organisation Jemaah Islamiyah, Abu Bakar Ba'asyir, along with a substantial *salafi* (traditionalist puritanical) Islamic community that has violent jihadist tendencies.

Despite the significant crackdown on Jemaah Islamiyah and the arrest or killing of many of its members, radical Islamism of the type associated with terrorism began to surface again in 2009.

Despite the significant crackdown on Jemaah Islamiyah and the arrest or killing of many of its members, radical Islamism of the type associated with terrorism began to surface again in 2009. The discovery of a plot to attack a Jakarta church with a 70 kilogram bomb on Good Friday 2011 shed light on the re-establishment of the Negara Islam Indonesia (Islamic State of Indonesia, or NII) organisation. NII was the political wing of the Darul Islam rebellion of the 1950s, from which almost all Indonesia's *jihadi* Islamist groups derive. It's believed that NII has infiltrated upper levels of Indonesia's bureaucracy as well as the nation's universities, notably the State Islamic University (Universitas Islam Negara), and more remote locations. Indonesia's constitutional court chairman, Mohammad Mahfud, said: 'I am aghast over how this massive movement went undetected. They have recruited tens of thousands of followers ... This is very dangerous.' NII followed an even more unstructured organisational pattern than Jemaah Islamiyah, being based on small, independent cells, although with links to Abu Bakar Ba'asyir's JAT. Their focus was said to be on specific targets rather than indiscriminate bombing—something Jemaah Islamiyah had been accused of by its Islamist detractors (ICG 2011).

While the anti-Christian focus of these groups is notable, possibly as a new rallying point for Salafist *jihadi* organisations of the type that had previously focused on Poso and Ambon, other groups are similarly vulnerable to radical Islamist attacks. Attacks against the Ahmadi community for its practice of Ahmadiyah (a 'deviant' interpretation of Islam), which in one case in 2011 left three dead, reflected the announcement of a *fatwa* against it by the Indonesian Ulama Council, originally in 1980 but again in 2008. In one view, 'The problem is not whether or not Ahmadiyah is acceptable as a faith or not, but, the shifting tendency in public religious discourses to allow less and less space for tolerance of "the other", or indeed, engagement and acceptance of "the other"—whether this otherness be based on religion or interpretation of a particular religion' (Fuller 2011). Problematically, and perhaps reflecting Religious Affairs Minister Suryadharma Ali's call for Ahmadiyah to be banned, the police failed to respond to the 2011 attacks. Moreover, not content with opposing what were perceived to be religious challenges to Islam, the Indonesian Ulama Council in 2005 also ordered a *fatwa* against secularism, liberalism and pluralism, which was taken as a political starting point

by more Islamist-oriented Muslims. More comforting for secular liberals, the *qanun jinayat*, or 'stoning law', that was passed in relation to sexual offences by Aceh's outgoing legislature in 2009 was not signed into law by Aceh's governor and was subsequently dismissed by the incoming legislature.

Like much about Indonesia more broadly, Indonesian Islam is multifaceted, complex and polychromatic.

Like much about Indonesia more broadly, Indonesian Islam is multifaceted, complex and polychromatic. However, the multiple forms of adherence to Islam are challenged by its explicit focus on a singularity of belief. As Islam has developed in Indonesia, it's followed in the footsteps of other religious forms that have left traces, in some cases significant traces, in the way the religion is practised. But the push towards greater religious orthodoxy continues, reflecting a wider international orientation within Islam. That's not necessarily of strategic concern, but it does reflect one way in which international influences are overcoming the geographical separation of the state and encouraging unity, albeit around religious rather than secular values.

Chapter 4

INTERNATIONAL ORIENTATION

Indonesia practises the normal skills of diplomatic statecraft typical of most states. It's an active participant in the G20, it asserts the importance of developing countries in helping to rebalance the global economy, and its experience in dealing with 'toxic' loans from the Asian financial crisis of the late 1990s shows that it's adept at managing relations during fraught times. However, there remains an underlying tendency for Indonesia to be inwardly focused. That focus reflects not so much its objective understanding of its external strategic environment but more its overall perception of where it sits within the world. There's some regional variation to that perception within Indonesia, as some of the outer islands have a more external focus, reflecting their historical links to the wider world. But for many Javanese, who comprise the majority of Indonesia's population and whose world view tends to dominate public thinking, the rest of Indonesia is part of the outside world.

Indonesia's principal concerns include a range of common development issues, such as creating employment, improving education, increasing foreign direct investment and advancing industrial and technological development. Among those is the necessity of meeting Indonesia's large and growing power needs and solving the problems posed to national infrastructure by its archipelagic geography. While the balance between Indonesia's domestic and international concerns has shifted over recent years towards a greater international focus, it's fair to say that its main concerns remain overwhelmingly domestic.

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Indonesia has long had a foreign policy position that it describes as 'independent and active'. It was a key founding member of the

Non-Aligned Movement, and hosted the movement's critical 1955 meeting in Bandung. Its commitment to the movement was arguably compromised during the New Order and Cold War era, when it clearly had an international view more closely aligned with the West than the East. Now, after tensions between Indonesia and the US following events in East Timor in the 1990s, Indonesia has again become wary about relying too closely on any one major power.

ASEAN

Among Indonesia's key multilateral commitments, it was also the principal founding state of the Association of Southeast Asian Nations (ASEAN) in 1967, largely as a means of normalising its regional relations following the diplomatic disaster that was Sukarno's 'Confrontation' with Malaysia in the early 1960s. Indonesia remains an active participant in ASEAN and its subgroups, such as the strategically focused ASEAN Regional Forum. Over the decades, however, ASEAN has achieved little in concrete terms apart from its own organisational survival. True, its survival provided a general sense of peace and stability, which limited the prospects for further intra-regional conflict. The proof of its success in this regard is that all states of the region have either become members or, in the case of East Timor, wish to do so.

In the period from the late 1990s, Indonesia's status as the first among equals in ASEAN slipped due to its various domestic troubles. More recently, it appears to have again assumed a leadership role, not least because of its democratic credentials compared to the other member states. Its general strategic position in relation to ASEAN and as a leading non-aligned state is that the ASEAN Regional Forum should be a mechanism to engage with large external powers, such as the US and China, but also a means to keep such powers at a comfortable distance. Part of its stance has been an effort to improve security in its own maritime region, including through unprecedented levels of cooperation with Malaysia and Singapore since 2004, in a bid to forestall US patrols and Beijing's expressed intent to ensure that China has unfettered passage through the Malacca Strait. In this, Indonesia is comforted by the 'rules' under which ASEAN operates, even if the 'rule' of non-interference in the affairs of other ASEAN states has long since faded. (Indonesia itself has been critical of human rights abuses in Burma.)

ASEAN provides a known framework and a sense of order for regional states and remains a useful mechanism for discussing regional affairs, even if its capacity for concerted action hasn't yet been tested in any meaningful sense. But some Indonesian strategic thinkers are increasingly trying to look beyond ASEAN to the wider regional and global geopolitical space. Rizal Sukma, for example, has described ASEAN as a 'golden cage' that imprisons Indonesian foreign policy, and called for a 'post-ASEAN foreign policy' (Sukma 2009).

The United States

Although Indonesia wants to retain a relatively high degree of independence from larger powers, it's long seen value in a US regional presence. Certainly, it has no wish to be drawn into existing or new US alliance arrangements, but it accepts that US engagement in the Western Pacific is a potent ordering mechanism that limits the space available to other great power players. Moreover, Jakarta wants good relations with Washington, even though the two countries don't see eye to eye on all issues. There's an increasing perception in Indonesia, though, that while the US remains the major global power, it is unfocused, in decline and will eventually be overtaken by China.

For most of the past decade, Jakarta attempted to persuade the US to lift its ban on military assistance to the TNI's special forces (Kopassus), imposed in 1999 as a consequence of TNI atrocities in East Timor. US military assistance to Indonesia was resumed in July 2010, ending what looked like a stand-off between the two countries over military-to-military links. In 2010, the US co-hosted a nine-nation military exercise with Indonesia and provided US\$47 million worth of equipment to help boost Indonesia's maritime security.

China

Indonesia's relationship with China is now stable. The two countries had previously endured more than two decades without diplomatic relations and, before that, many in the Indonesian leadership harboured a sense of hostility towards a China that they believed was a potential or actual sponsor of Indonesian communism. Anti-Chinese sentiment ran high in Indonesia in the late 1960s, and diplomatic relations were suspended in 1967. Indonesia's increasing confidence in itself, and China's distinct moves away from economic socialism and from support for communist parties in other countries, allowed the two states to normalise relations, formally in 1990 but more thoroughly after the fall of the New Order government. China's willingness to assist Indonesia's military following the US embargo helped allay fears that China wasn't to be trusted, and in February 2011 the two countries signed a deal for bilateral defence cooperation.¹⁴

There remains a concern in Indonesia about China's rapid growth and in particular about the reach not just of its economy but of its military (Brown 2011). But, at least in public, prominent Indonesian figures speak of Chinese military modernisation in moderate terms. The former Defence minister, Juwono Sudarsono, for example, recently wrote that 'China's anti-satellite capability, its recent launch of its first aircraft carrier and stealth fighter capability, and other features of China's military modernization, have important symbolic value to satisfy Chinese pride but they do not adversely reduce American strategic presence in East Asia' (Sudarsono 2011).

The Chinese Government has made a significant gesture towards better bilateral relations by investing \$6.6 billion in Indonesian infrastructure (Onishi 2010), offering reassurances on Indonesia's territorial sovereignty and committing to working with Indonesia and other ASEAN states within existing frameworks. Similarly, the TNI's Kopassus undertook its first-ever military exercise with Chinese counterparts, operation 'Sharp Knife 2011', in mid-2011, focusing on counterterrorism (Future Directions International 2011), which indicated a greater comfort with China on Indonesia's part. Courted by both China and the US, and seeking to balance its sometimes pressing relationship with both, Indonesia has become more assured of its regional role and of finding a space between the two powers in which to develop an independent foreign policy.

In 2011, China assisted Indonesia in establishing a weapons production facility, initially to manufacture rockets. In part, China's closer engagement with Indonesia reflects the development of its 'soft power' approach to diplomatic and strategic relations, but it also reflects Indonesia's desire to be less reliant on the US as its principal arms supplier, following the arms embargo imposed in 1999. Over the past decade, Indonesia has conspicuously diversified its arms suppliers to include Russia and China as well as the US and the United Kingdom. This broadening of strategic partners is consistent with Indonesia's non-aligned status and recalls its origins as one of the key actors in the development of the Non-Aligned Movement.

The US's earlier attempts, notably in the period just before its shift of strategic focus in 2001, to draw Indonesia into a 'cup' to help contain the then rising China are now much less likely to be fruitful. Moreover, as China becomes a more powerful regional and global actor, Indonesia, like other states in Southeast Asia, is increasingly attuned to the calculus of its own policy settings—it's aware of the advantages of retaining a positive and mutually beneficial relationship with China, as well as the disadvantages that would flow from a more adversarial position in relation to China's increasing reach into the region.

Local factors

Indonesia's other strategic relations in the region have remained steady, with only minor disputation over the ownership of small and relatively inconsequential islands, which is to be expected in such a shared archipelago. By and large, however, Indonesia has had increasingly cordial relations with its neighbours, and none presents a strategic threat. Indeed, if there's any perception of a potential for threat, it derives from the size of Indonesia's population compared to those of its neighbours and the implications that could potentially have for the size of its armed forces.

Beyond that, Indonesia's strategic concerns remain focused on internal security and actual or potential challenges to it. Internal challenges to state sovereignty have largely been resolved with the resolution of the Aceh issue and the separation of East Timor from Indonesia in 1999. The remaining separatist problem of any note is in Papua; the concern there is that external actors have assisted Papuan separatists, and suspicions linger about Australia's possible role in that regard. Australia's respect for Indonesian sovereignty under the terms of the Australia–Indonesia Framework for Security Cooperation (the Lombok Treaty) was specifically designed to reassure Jakarta that Canberra didn't see further fragmentation of the Indonesian state as a good strategic outcome.

Beyond physical sovereignty, both the 1997 financial crisis and the GFC alerted Indonesia to its economic fragility. Many in Indonesia felt that Indonesia's vulnerability to external economic shocks compromised its sovereign status, and the state has subsequently worked hard to strengthen the economy, principally through paying off external debt and reordering its financial institutions.

Balancing priorities

Indonesia's perceptions of the relative weighting of its strategic concerns are difficult to gauge precisely, but it's possible to examine current concerns and compare them to the strategic outlook a decade ago, at the height of Indonesia's internal turmoil. The comparison suggests the following weighting of concerns.

In 2001, Indonesia's external concerns were relatively limited compared to its internal ones. Its external concerns included its continuing economic vulnerability, perceived and actual US manipulation through financial instruments, and Australia's leadership of INTERFET, which affected internal issues after the separation of East Timor in 1999. By 2011, however, Indonesia's external concerns had grown considerably compared to internal concerns: China's economic and strategic rise had significantly altered the regional balance of power, and US influence was in relative decline both in Indonesia and in the region. India–China competition also featured, if not as a perceived threat then as a larger strategic competition with regional implications.

In 2001, following East Timor's departure, internal matters were of much greater importance as the state faced a number of serious threats to its cohesion in the form of border instability, Acehese separatism and Papuan separatism. Islamist extremists, including Jemaah Islamiyah and other groups, also challenged notions of stability and order, while sectarian violence flared in Maluku and Sulawesi, adding to a sense—and an awareness—of the state being only barely in control. By 2011, however, perceptions of internal security threats had diminished greatly, leaving only Papua as the main domestic challenge. The return and rise of Islamist extremism also remained a concern, but less as an immediate challenge to the state and more as a generalised threat perception.

So, while Indonesia doesn't feel especially threatened externally, perceived external security concerns have grown compared to domestic security concerns, which have declined markedly. Overall, external security concerns in 2011 are undoubtedly greater than they were in 2001, but Jakarta's attention to them has been shaped by the context of a much more secure domestic security environment. To go back a further decade—say, to 1991—is to understand Indonesia as a very different place, still allegedly concerned with the influence of communism, battling a separatist movement in East Timor, instituting the repressive 'Military Operations Area' in Aceh and doing relatively little in Papua. External threats at that time were perceived as effectively non-existent.

New state instruments

As the relative weightings of threat perceptions have shifted, so too has the perceived value of a different set of state instruments. In both domestic and international terms, the balance of order and diplomacy versus power and force in Indonesian thinking has shifted substantially since the end of the New Order. During the New Order period, the state was ruled by degrees of coercion and violence, both implied and actual. There was considerable discussion at the time about different conceptions of power (particularly Javanese conceptions of power), what they meant and how they were applied. Those issues had an overwhelmingly domestic or internal orientation, and scant attention was paid to external actors, other than by the occasional expression of annoyance (for example, towards Australia) or muted anger (such as towards China in the late 1960s).

More recently, order and diplomacy have moved to the fore as Indonesia presents itself both domestically and to the international community as a reformed and democratic state, increasingly able to resolve its internal problems by dialogue and agreement (the Aceh peace agreement being its most notable success). Unreconstructed elements tend to be downplayed, qualified or dismissed as exceptions or acts of *oknum* (small-time, often military-related, criminals). By and large, however, Indonesia likes to see—and portray—itsself as a state under the rule of law. Such claims might stretch the extent to which an equal, consistent and uncompromised rule of law actually applies in Indonesia, but Jakarta nowadays pays more than lip service to the concept, and that's a large step forward from New Order days. Moreover, civil–military relations theory suggests that civilian control of the military is typically enhanced in a security environment of relatively low internal threat and more significant external threat (Desch 1999) because the military becomes less of a domestic political player.

Strategic strength and weakness

While such hard strategic strength that is Indonesia's has tended to rely primarily on the allocation of its military forces to regional military districts (*Kodam*) across the archipelago, its greater strategic strength rests on its population size, its growing economy and its geographical location. This partly explains why Indonesia's military spending remains relatively modest as a proportion of GDP, even though the size of its military—at a little over 430,000, of which around 330,000 are in the army—is comparable to that of many other countries. Indonesia has faced no serious external threats since independence, and the main purpose of the TNI has been internal security. (Indonesia initiated conflict in Papua and the *Konfrontasi* with Malaysia, although there was covert foreign support for the rebel provisional government during the *Piagam Perjuangan Semesta* (Universal Struggle Charter) uprisings in Eastern Indonesia in 1957–58.)

Indonesia's naval capacity remains limited, especially for an archipelagic state, but its historical defence doctrine has emphasised the absorption of an enemy and a subsequent war of attrition, rather than set-piece battles. Indonesia's defence resources have been organised only partly in the light of external strategic considerations.

Beyond Indonesia's status as a regional economic actor, there are competing views on the relationship between economic and strategic strength, particularly when strategic strength is understood in military terms. Still, two links between economic and strategic strength are broadly accepted. The first is that a strong economy underpins the capacity to establish and sustain a strong military, and the second is that a robust military will produce innovations that can feed back into technological development, in turn supporting the economy. Competing with this is the view that military expenditure is non-productive expenditure, especially in repressively governed developing countries. Regardless of such perceptions, a number of regional powers have asserted a strategic influence underpinned by economic strength, most notably China and India. The question is, does Indonesia see itself developing a stronger strategic role in regional geopolitics in this way?

There's little doubt that Indonesia has always regarded itself as a regional power...

There's little doubt that Indonesia has always regarded itself as a regional power, based in large part on the size of its population, its territorial extent and the history of its pre-colonial kingdoms and empires. However, it hasn't previously considered itself as a regional power based on its economic performance. Even from 1988, when it was posting 6%–7% annual economic growth (admittedly, from a low base—1969 per capita GDP was \$50, about half that of India at the time), Indonesia's GDP was still relatively modest compared to the size of its population.

The relative and absolute growth of China, coupled with its long history of expansion when it's powerful (and contraction when it's weak), puts it in a different class from Indonesia. China's perception of its regional capacity has thousands of years of coherent history behind it, while Indonesia's pre-colonial history was largely one of expansion and contraction of East and Central East Javanese power within the archipelago, and not of a more sweeping set of regional ambitions.

India has generally consolidated as a viable, voluntarist state. By contrast, little of Indonesia's history is based on the notion of voluntary inclusion.

Indonesia, then, would seem to be a very different state from both China and India—one less likely to wish to promote its external strategic interests in a manner as direct as New Delhi's or Beijing's.

Indeed, Indonesian interventions in regional affairs have typically been more diplomatic than strategic. Its offer to mediate between Thailand and Cambodia over their long-running Preah Vihear temple border dispute is one example. At the ASEAN summit in Jakarta in 2011, Thailand and Cambodia both initially agreed to have Indonesian military observers placed between their two armies while the matter was resolved diplomatically. In this, Indonesia appears to want to act as a good—if senior—member of the ASEAN grouping, rather than as a dominant regional power. It also wishes to be seen as influential, if at a second-tier level, in Asian affairs. However, it remains sensitive about imposing itself and wishes both to have, and to be seen to have, a benign role in regional affairs.

As Indonesia rises, its strategic weight will grow in Southeast Asia and beyond, but it's hard to see an agenda that might flow from that growth—beyond Jakarta's traditional interest in enhancing national and regional resilience. Indonesian strategic identity is evolving only slowly.

Engagement with Australia

Australia's relationship with Indonesia is continuing at its all-time high following the conclusion of the East Asia Summit in Bali. Prime Minister Julia Gillard has come away from the summit confirming a major reduction in tariffs in trade with Indonesia, providing further 'ballast' to the once troubled relationship.

Even Australia's agreement to host US Marines in the Northern Territory has caused fewer problems than commentators in Jakarta might have indicated in the days immediately after the plan was announced. Having said that, it is unlikely that Australia will take up President Yudhoyono's suggestion that Australia also play host to China's military, to balance assertions of regional power.

Even what was portrayed as a flare-up in relations over the live cattle trade in 2011 had dropped off the bilateral agenda, being subsumed by the larger trade agreement, while a mooted prisoner-swap agreement will also add to ending tensions over the jailing of each others' citizens—including under-aged Indonesians in Australian prisons. Meanwhile, Indonesia is working towards satisfying Australian concerns so the trade can resume, probably early in the new year, even if in reduced form as the country moves towards becoming self-sufficient in beef production. Issues such as the live cattle issue are proving to be peripheral to the larger bilateral relationship.

The ratification of the ASEAN-Australia-New Zealand Free Trade Agreement in November 2011 showed that Australia had 'no better friend or partner' than Indonesia in the Asian region, according to Trade Minister Craig Emerson. The deal and Emerson's comment reflect the long-term policy initiative to add trade 'ballast' to the bilateral relationship.

Australia's interest in Indonesia is shaped by geographical proximity and the position of the archipelago across our northern lines of transport and communication.

Australia's interest in Indonesia is shaped by geographical proximity and the position of the archipelago across our northern lines of transport and communication. Indonesia is also a lynchpin in ASEAN, with which Australia formally seeks positive and constructive relations. Furthermore, Indonesia sometimes acts as an interlocutor for Australia to the region. Australia's regional interests in countering potential and actual terrorism and people smuggling are deeply entwined with Indonesian security. And, because we share an extensive maritime border, relations between the two states also cover such matters as fishing rights and offshore oil and gas exploration.

Notwithstanding those many intersecting interests, popular Australian perceptions of Indonesia remain disturbingly negative, 'mired in distrust and suspicion' and 'virtually unchanged since ... 2006' (Hanson 2011). More positively, more than three-quarters of Australians surveyed say that they believe the two countries should work to develop a closer relationship. However, public perceptions of Indonesia as presenting a military threat to Australia, though not located in an objective reality, persist (Hanson 2011:15).

The view that any possible threat to Australia would come through the archipelago—born of the experience of World War II almost seven decades ago—has become less relevant with changes in military technology, military tactics, and the current and medium to longer term global balance of power. In objective terms, Indonesia hasn't presented a direct threat to Australia and is unlikely to do so in the foreseeable future, including because of its lack of strategic interest, its internal orientation and the structure and status of its military. A breakdown of bilateral relations, sparking a contest between the states that would be played out in contiguous maritime areas, is only a remote possibility.

The official rationale for Australian–Indonesian military cooperation programs has been that it helps promote stable strategic frameworks in our immediate neighbourhood, in the wider Asia–Pacific and at the global level, reducing the potential for threats and mitigating their consequences. While that's generally correct, there's been evidence that joint training alone is an insufficient means for preventing conflict.¹⁵ Australia resumed military-to-military training links with Indonesia in 2005. If anything, the TNI-AD (Indonesian army) and by extension the rest of the Indonesian military have wanted a closer and more active relationship with Australia as a way of rebuilding their international acceptability, especially with the US, which has been a major creditor through bilateral institutions and a major arms supplier. In a bipolar, unipolar and once again bipolar world since the mid-1960s, Indonesia has felt much more comfortable having the US as a friend and supporter.

The rationalisation for military links, that they impart human rights values, have been shown to be ineffective (e.g. see Amnesty International 2011b, HRW 2011, Moss 2011, Noblet 2011, Radio Australia 2011). Controversial training programs involving Australia's Special Air Service Regiment (SAS) and Indonesia's Kopassus' Counter-Terrorism Unit 81 (SG81) were renewed in 2005 after all training was stopped because of concerns about human rights abuses generally and events in East Timor in 1999 in particular. Training with SG81 was intended to improve mutual counter-hijack and counter-hostage capacities.¹⁶ Human rights groups regularly note that Kopassus troops revolve though SG81 to other Kopassus units, and that Indonesia's principal counterterrorism function devolves to the police Special Detachment 88. However, it should also be noted that SG81 was formally 'activated' as a part of Indonesia's National Counterterrorism Agency (BNPT) in October 2010, and that militaries globally generally include a counterterrorism function.

The 2006 Lombok Treaty between Australia and Indonesia addresses traditional and some non-traditional security issues. Conventional elements of the treaty concern defence cooperation, including closer military-to-military links, intelligence cooperation, joint maritime border patrols and law enforcement cooperation. The treaty contains an explicit endorsement of Indonesia's territorial integrity, and when it was signed some Australian human rights groups feared that it tied Australia into the suppression of West Papuan separatist activists within Australia. That's proven not to be the case. Cooperation on counterterrorism has been a significant feature of the treaty. Each of the main components of the treaty is in Indonesia's interests, and it's helped to secure what was at that time still a fragile friendship. Moreover, looking ahead, some in Canberra see the Lombok Treaty not as the pinnacle of shared bilateral interests but merely as the base-camp for greater exploration of a future bilateral relationship.

One difficult area of the treaty was the commitment by Australia to assist Indonesia with its proposed nuclear power plant development in Java. That issue resurfaced in 2007 with Indonesia's plans to build a nuclear reactor, the first of four, near Mount Muria, 440 kilometres east of Jakarta, to help meet Java's expanding energy needs. The plan, first announced in 1996 by then Research and Technology Minister BJ Habibie, stalled amid safety fears arising from Java's unstable geology. Despite continuing concerns about safety, the plan was relaunched in mid-2007, for completion in 2016. There's no doubt that Indonesia is struggling with energy production, especially since it became a net oil importer in early 2005.

Still, it's uncertain whether the project will go ahead. It was quickly pronounced as *haram* (forbidden) by the traditionalist Nahdlatul Ulama—the first time a mainstream Islamic group had made such a pronouncement on nuclear power. Unlike the earlier plan, the new proposal appeared to have financial backing, although Indonesia's neighbours continued to be worried about the potential for an accident, especially given the prevailing wind across Malaysia and Singapore. This was always a problematic proposal because of broader reservations about the nuclear industry and Java's tectonic instability. A large earthquake could damage a reactor and create a nuclear meltdown, which would not only affect tens of millions of Indonesians but would have serious implications for the region, including Australia. Even after the March 2011 earthquake and tsunami in Japan, in which a series of reactor failsafe mechanisms failed, a spokesman for Indonesia's National Nuclear Energy Agency said that Indonesia still intended to proceed with the development of the power plant. However, he conceded that the plant probably wouldn't be built on the Muria peninsula because of local opposition there (Padden 2011).

Since the collapse of the Indonesian economy in the late 1990s, Australia's economic relationship with Indonesia has strengthened. Former Australian Foreign Minister Gareth Evans noted that strengthening economic ties between the two countries would put 'ballast' into the relationship. Trade between the two states grew from \$1,181 million in 1988–89, when Indonesia was Australia's 10th largest export destination, to \$5,169 million in 1996–97. In 1997–98, two-way trade increased to \$5,619 million, but with a significant slump in Australian exports and a large rise in imports from Indonesia, reflecting the collapse of the rupiah at that time. Overall trade in the following year declined slightly, but the balance again shifted very much more in Indonesia's favour. Despite Australia's considerable technological advantage at this time, our exports were dominated by commodities (Parliamentary Library 1999–2000). With both Australia and Indonesia having ridden out the 2009 GFC better than might have been expected, by 2009–10 Australian trade with Indonesia had reached \$9,332 million, with a surplus of \$744 million in Australia's favour, locating Indonesia as Australia's 11th largest export destination (still dominated by commodities, but with education assuming greater importance) and, according to the Department of Foreign Affairs and Trade, our 13th largest overall trading partner. The 'ballast' had returned to the economic relationship.

The underlying goal of the aid program is to help reduce poverty, assist democratisation, justice and good governance, and promote regional peace and safety.

Some of the ballast continues to derive from Australian development assistance to Indonesia, which is currently Australia's largest aid commitment at \$458.7 million a year. The underlying goal of the aid program is to help reduce poverty, assist democratisation, justice and good governance, and promote regional peace and safety. Specific goals include improving gender equality, maternal and child health, access to potable water and sanitation, educational support (at \$558.1 million, receiving the largest proportion of aid funds), measures to address climate change (mainly through stopping deforestation), and assisting with tackling corruption (AusAID 2008:8–23). Over the years, AusAID has shifted its pattern of aid to make increasing use of Indonesia's own systems and resources.

Although memories of it are starting to fade with the passing of time, Australia's response following the 2004 tsunami disaster in Aceh was a notable example of good intentions reaping rich diplomatic benefits. Australian disaster response and subsequent rehabilitation work in Aceh made a real difference, especially in the shorter term, while our commitment to longer term development illustrated the depth of the relationship.

Diplomatically, Australia's position has been to try to form the best relationship possible within the context of, and sometimes despite, the prevailing political circumstances. The effort hasn't always been successful, and the two countries have from time to time had low points in their bilateral relationship that, if we'd shared a land border, might have resulted in more belligerent outcomes. Instead, those moments of antagonism were diluted by the ocean between us.

Despite greater cooperation and closeness, Australia and Indonesia remain very different countries. For example, Australia is historically federalist, but our geographical and

sociolinguistic unity construct us as a ‘nation’; Indonesia is historically unitary, but its geographical and sociolinguistic disaggregation imply that it should be federalist, which the decentralisation of 2001 was partly intended to achieve. Geographical proximity can provide only so much in the way of glue. In the longer term, circumstances aren’t guaranteed to drive each state to an identical, or even consistent, space in which liberal cooperation is the norm.

There’s been scope within Indonesia’s political spectrum for an occasional—if not permanent and certainly not absolute—liberal interpretation of political behaviour, in particular under the presidencies of Abdurrahman Wahid and Yudhoyono. As a result, Indonesia’s engagement with Australia has been steady since US-educated Yudhoyono’s election as president, primarily because of the approximation between his liberal democratic orientation and that of Australia. Until then, Australia’s relationship with Indonesia was characterised by a series of bilateral difficulties, a polite if occasionally annoyed disdain (Suharto), irritation (Habibie), partial engagement (Wahid) or coolness (Sukarnoputri).

Even through those periods, there were specific shocks to the bilateral relationship, some of which were the doing of the Australian Government or its institutions (the East Timor intervention in 1999, the acceptance of Papuan asylum seekers in 2006), some of which were a product of Indonesian insensitivity (the proposed appointment of Herman Mantiri as ambassador) and many of which were a consequence of the two countries’ differing approaches to the organisation of civil society. In particular, there has been considerable Indonesian angst over commentaries and protests by groups and individuals beyond the Australian Government’s control, largely over human rights issues, which have regularly tested the strength of the bilateral relationship. The last major fallout between Australia and Indonesia was in 2006 over the arrival and eventual acceptance of 42 asylum seekers from Papua, which encouraged many in Indonesia to believe that Australia had a secret agenda to see the troubled province break away from the Indonesian state. That event led to the labelling of expressions of concern about West Papua as naive or inaccurate (McGibbon 2006) or to reflections about the lack of expertise of its interlocuters (Aspinall 2008).

From the Indonesian perspective, Australia is again an important regional partner, if not entirely trusted and especially not by all key players in the Indonesian political scene. Memories of INTERFET have faded, but not entirely. Moreover, Australia remains a relatively smaller power in global terms, whereas Indonesia has in the past seen itself if not as a global player then at least as a country that needs to be treated with the respect accorded to such a player. Australia has often been seen not to do so.

Finally, there’s enough realism in Indonesia for its leaders to know that, while a closer bilateral relationship with Australia would have a number of benefits for Indonesia, most of those benefits are also available elsewhere. Indonesia would like to have a good relationship with Australia but knows that it will have more opportunities to pick and choose its partners as its own power and influence in the region grow.

Chapter 5

HOW SHOULD AUSTRALIA PROCEED?

Given that Australian–Indonesian bilateral relations are generally well positioned at the moment, it’s difficult to suggest what could or should be done differently. Indeed, much of any proposed action to strengthen the relationship would have to be a continuation of the current bilateral strategy. However, there are some points of reorientation that might reap greater benefits, both for Australia and for the relationship.

Trade, aid and education

Both countries might profitably look at ways to improve their economic relationship. Current trade is heavily weighted towards commodities and simply transformed manufactures. Australia should look more closely at how it can promote its technological and educational advantages in an Indonesia that’s progressing up the developmental curve. For an advanced economy, like Australia’s, there may well be substantial benefits in a complementary fit with a rapidly growing developing economy that’s right alongside us.

Australia’s aid program to Indonesia is also a useful and practical gesture of continuing goodwill, and its focus on education in particular is extremely useful for building skills and understanding in Indonesia and creating a more positive profile for Australia. Without imposing an Australian educational agenda, it would be useful to help to ensure a subtle but continuing recognition of Australia’s commitment to education programs, through plaques and the like. Our tertiary scholarship program in Indonesia has been very successful, attracting high-calibre candidates who return to Indonesia to take up influential senior positions in Indonesian society. The expansion of the program is likely to reap significant benefits over the medium to longer term.

Both countries must also work to improve the people-to-people links that underpin good relationships. Australia’s previous emphasis on understanding Indonesia—‘Indonesia literacy’—has significantly declined since the mid to late 1990s. Australia’s universities were once among the world leaders in Indonesian awareness and, although there

remains a significant cohort of Indonesia scholars, the peak in Indonesian studies appears to have passed. Specific funding for research in a range of areas of Indonesian society, politics, geography and economics would generate a better understanding of Indonesia within Australia and provide a richer and deeper pool of talent to draw on for advice and comment. Just as importantly, it would better assure Indonesia that Australia continues to take it seriously as a partner worthy of close consideration and understanding.

One obvious aspect that requires remediation is the rapid decline in support for Indonesian language education, especially at secondary school levels in Australia. Australia's universities are struggling to maintain Indonesian language courses, which have a direct impact on 'Indonesia literacy'. Greater support for Indonesian language education at the secondary level would provide a stronger foundation for language and related studies at the tertiary level, enhancing our overall ability to engage closely with Indonesia across a spectrum of activities. Closer people-to-people contacts would be a direct outcome of such an approach. An incentive scheme for studying Indonesian would markedly improve enrolment and retention rates in this area, as well as signalling to Indonesia that Australia is serious about the depth of the bilateral relationship.

Australia's promotion of understanding of Indonesia through educational programs and exchanges is very useful and could be expanded. In particular, while the interfaith dialogue process is an important forum for the exchange of ideas, it tends to bring together people who, if from different faith backgrounds, already have a favourable disposition in that direction. An alternative might be to introduce Australian Muslims to Indonesian Muslims to share interpretations of their common faith and to explore ways in which it can better accommodate people of goodwill of other faiths (or, indeed, of none).

Security cooperation and disaster response

Australia has already offered significant assistance to Indonesian authorities, in particular its police, in investigating terrorism and planning counterterrorist activities. Indonesia's own counterterrorist capability has been remarkably successful, partly because of its extensive intelligence network and local knowledge and partly because of the occasional ineptitude of Indonesian terrorist organisations. Australia can and should continue to provide high-level forensic and related investigative skills where required and requested. There may be opportunities in future for Australia to work more closely with Indonesia in the area of terrorist radicalisation and deradicalisation, and those should be explored.

Indonesia's problems with corruption have long been widely recognised as a significant impediment to its economic development, and Jakarta's commitment to fighting corruption has varied from rhetorical observance to a range of anticorruption measures. Given the political sensitivity of the corruption issue, Australia would generate considerable antipathy by offering direct investigative assistance in this area. Still, if Indonesia were to take the lead in asking for investigative support or analytical assistance in particular cases, Australia could probably offer such help.

Located astride a tectonic fault line, Indonesia regularly experiences natural disasters, including earthquakes, volcanic eruptions and, in relatively recent history, a major tsunami. Much of the populated area, especially on Java, is low-lying land subject to flooding. Australia has its own experience in humanitarian and disaster relief and has been generous in providing financial, technical and human assistance to other countries in need, including Indonesia. We should continue to be prepared to provide such aid, although we should remember that direct human assistance is sometimes not required or, more importantly,

not wanted by some more defensively nationalist elements in Indonesia's body politic. With that proviso, assistance to Indonesia's military in disaster response preparation (for example, engineering and emergency medical skills) could be a useful area of military-to-military training that doesn't engage with the TNI's less humanitarian activities.

Strategic cooperation

More controversial possibilities include options for closer strategic cooperation. Australia's strategic relationship with Indonesia has been a difficult one for a variety of reasons, including human rights issues and a historical sense of distrust going back to the Sukarno era. Australian perceptions of Indonesia currently range along a spectrum, from human rights advocates at one end to the defence and security community at the other. Reflecting that distribution of views, about a third of Australians, but a declining proportion, view Indonesia as posing the greatest likely threat to Australia. More informed analysts, on the other hand, don't regard Indonesia's strategic orientation or military posture as presenting a threat to Australia; nor do they see Indonesia as able to mount or sustain a major military operation in relation to Australia in the foreseeable future.

Despite legitimate concerns about the TNI's domestic human rights record and its history of impunity, the official preference of both countries has mostly been for the militaries of the two countries to train together. The advantages of cooperative training to Australia include having a better knowledge of the TNI's operational methods, greater mutual trust, closer intelligence sharing and, importantly, potentially greater interoperability. In a general climate of reform, there's also some possibility that Australia could influence (probably in a limited way) how the TNI conducts itself as a professional defence organisation. The concern that joint training only helps the TNI to become better at repression is countered by the *realpolitik* recognition that the TNI is already well skilled in that area and isn't likely to become more repressive because of Australian assistance, which would be heavily qualified.

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Importantly, closer military-to-military relations, in an environment of close political accountability, could lead to a strengthening of the security relationship between the two countries with the eventual aim of establishing a stronger strategic partnership, which has been suggested by some policy thinkers looking to Australia's longer term security arrangements. This has been characterised as Australia seeking to grow a Southeast Asian 'power core', at the heart of which would be a much closer strategic partnership between Australia and Indonesia (Lyon 2011). Such an arrangement, if it were to be pursued, would need to be constructed within a formal framework that ensures, as a minimum, that Australian forces are not complicit in the types of human rights abuses that continue to colour the TNI's record. For its own part, the Indonesian Government would probably wish to see such an agreement constructed in terms that further bolster its sense of sovereign integrity, and may want further concessions from Australia in that regard before it agrees to any such arrangement.

Individually, Australia and Indonesia are both middle powers, with differing strengths and capabilities. However, a formal alliance between the two could create a formidable partnership able to act as a significant deterrent to all but the largest and most determined potential aggressors. In an era in which the global balance of power is shifting and in which East Asia in particular is undergoing a major shift in orientation, and assuming that Indonesia doesn't revert to the more draconian aspects of its less palatable past, Australia should seek to explore opportunities for establishing a strategic framework that could lead to a mutually beneficial defence structure.

There would be questions about what conditions Indonesia might require for the establishment of such an alliance, and what conditions Australia would be prepared to accept to achieve it. At some point, closer cooperation would inevitably have to deal with the status and methods of the TNI and intrude upon the political space of the more reactionary elements in the Indonesian security community. Therefore, this possibility needs to be explored carefully, within a tight intellectual and legal framework, lest it end up creating more, rather than fewer, tensions.

Conclusion

This report notes at its outset that much discussion of democratic reform in relation to Indonesia assumes that reform has largely arrived, that it will continue to consolidate and that it's now a permanent feature of Indonesia's political landscape. However, the progress of democratisation is not a given, and Indonesia might or might not complete its democratic trajectory. Moreover, forces continue to be at work in Indonesia that could lead to either outcome or, more likely, something in between. Indonesia's political culture contains variants that may advance the reform agenda, stop it in its tracks or even reverse some of its gains. As a political leader, Yudhoyono has read the play well, arguably since the mid-1990s, and taken advantage of the opportunities that have been available, but he'll end his presidency in 2014, short of a constitutional change.¹⁷ It's far from clear who his successor will be, or whether they'll continue with even his cautious reform agenda. It's also unclear how his successor will view Australia and what types of issues between the two states will need to be addressed. Meanwhile, structural issues also continue to shape the options that may—or may not—be available to Indonesian political leaders.

Australia must continue to try to strengthen and improve this relationship, as well as to protect it from the inevitable setbacks that eventually affect all relationships. Our continued support in a range of areas has reassured Indonesia of the benign and constructive character of Australia's intentions. That reassurance was particularly important after the breach that resulted from Australia's intervention in East Timor in 1999 and the sense of mistrust in Indonesia that followed, which to some extent remains among the more unreconstructed beneficiaries of Suharto's New Order. Until quite recently, many Indonesians regarded Australia's emphasis on assistance to Indonesia's relatively impoverished eastern regions as an attempt to divide the state, in a manner similar to that of the departing Dutch colonialists in 1949. Papua, too, remains a sensitive issue, not so much because of any Australian involvement in Papua but because of an underlying sense of insecurity in Indonesia about the nature and integrity of the state.

In 2011, Indonesia continued on its slow and sometimes inconsistent road towards reform under the cautious liberal leadership of President Yudhoyono. Yudhoyono's leadership also came under increased pressure during the year for being slow to produce results and as a consequence of Indonesia's internal political competition. However, the country also achieved steady and increasingly strong economic improvements, maintaining economic

growth above population growth. The state also appeared more rather than less cohesive, especially compared to the fragmentary tendencies of the first years of the reform period. Most expressions of concern over Indonesia's slow development, often directed at the president, should more properly be directed elsewhere—the deeper problems include a lack of bureaucratic capacity, administratively complex state machinery, economic fragmentation, and the continuing problem of corruption.

It would be unrealistic to expect a state as large, complex and unwieldy as Indonesia to develop quickly following the economic collapse of the late 1990s. Core structural problems continue to challenge the state and its options for development, stability, and diplomatic and strategic relations. That Indonesia has returned to steady and sustained economic expansion is of major significance. Reform of some state institutions continues, if at a pace too slow for some critics, although reform of the military and the intelligence services appears to have stopped altogether. That has implications for the TNI's professional capacity as a defence force, as well as potential to damage its relations with other strategic partners. Still, a number of actual or potential strategic partners, including the militaries of US, China and Australia, appear less concerned by limitations to the TNI's reform process than perhaps some civil society actors in the US, Australia and Indonesia itself.

Many in Indonesia have embraced a more modern, outward-looking approach to the country's position in the world and are more confident about its territorial integrity and its broad economic growth trajectory. Many are also more confident, the further the country moves away from the Suharto era, about the embedding of its democratic processes. However, there remain many who haven't benefited from recent changes and who are nostalgic for a return to a different, older Indonesia. The country's movement has been forward, but it's also taken backward steps and may do so again. The path ahead is not unambiguously straightforward.

On balance, the period since the 2009 elections has been another steady if short step on the sometimes unclear and often obstacle-ridden path of economic development and political reform. If expectations weren't always met, that probably reflected hard reality not matching sometimes unrealistic hopes, as well as some of the underlying structural impediments to change. Australian policymakers need to remain aware of Indonesia's structural limitations and its continuing capacity for often self-interested ways of doing things, as well as looking for the positives and, where possible, assisting our large northern neighbour.

Australia has a range of options for building closer relations with Indonesia. While some in the strategic community wish for a closer strategic partnership between the two, care must be taken to build a broader social and economic partnership as a prerequisite for any such plan. Australian–Indonesian relations aren't constrained only by policy settings, but by relatively high levels of public distrust and low levels of people-to-people engagement. 'Engaging Indonesia' can't just be a strategic policy: it has to have a solid foundation in community relationships and cooperative societies.

Of the many possible Indonesian futures that lie ahead, several contain a growing, more powerful and more confident Indonesia—one that increasingly makes its presence felt in Southeast Asia and the broader region. Australia won't be the only country wanting to partner with that Indonesia.

Notes

- 1 Except Aceh and Papua, which were granted ‘special autonomy’ status, in the case of Papua later diminished through the division of the province into two (a third division is planned) and its incomplete implementation.
- 2 Yudhoyono’s ‘cautious reform’ program was an almost textbook version of that recommended by O’Donnell and Schmitter (1986).
- 3 ‘Yudhoyono–Kalla relations remain good, spokesman says’, Antara, 14 May 2007; ‘Kalla Siap Tinggalkan Yudhoyono Pada 2009’ [Kalla ready to leave Yudhoyono by 2009], *Tempointeraktif*, 3 October 2007.
- 4 ‘Democratic Party to rank parties in coalition based on differing stances’, *The Jakarta Post*, 26 February 2011.
- 5 A substantive democracy has not merely elections, but regular elections in which citizens are free to vote for whom they choose, in which there’s a separation of powers between the executive, the legislature and the judiciary, in which the law is consistent, fair and equitable, and in which citizens have access to full civil and political rights.
- 6 ‘Pramono track record questioned’, *The Jakarta Post*, 13 June 2012; ‘Lead Candidate for Army Chief May Be Tied to Violence in Timor: Rights Group’, *The Jakarta Globe*, 13 June 2012.
- 7 The name ‘Papua’ is used to denote the single province, rather than the two provinces of Papua and West Papua accepted by Indonesia’s Constitutional Court, but in contravention of provincial ‘special autonomy’ status. This area is referred to as ‘West Papua’ by many Melanesian Papuans, in reference to aspirations to an alternative political arrangement with Jakarta.
- 8 ‘Timor solution “a terrible idea”’, *The West Australian*, 11 March 2011.
- 9 ‘Jakarta accused over Papua’, *The Age*, 23 December 2010 (report based on leaked US State Department cables).
- 10 Indonesian Embassy, Seoul, 2011.

- 11 'Corruption in Indonesia: slow to shame', *The Economist*, 26 May 2011.
- 12 'Corruption in Indonesia: slow to shame', *The Economist*, 26 May 2011.
- 13 Some of the alleged corruption was linked to jailed tax official Gayus Tambunan.
- 14 'China, Indonesia to step up defence cooperation', Xinhua, 18 February 2011.
- 15 Australia and Indonesia had close military-to-military links before 1999. Direct confrontation between their two armies was only narrowly avoided during Australia's intervention in East Timor.
- 16 'Indonesia's special forces again exercise with Australia's SAS', Antara, 7 March 2011.
- 17 A senior academic Indonesianist colleague suggested that if Yudhoyono couldn't find a suitable replacement he might seek to have the constitution changed to allow a third or more terms. It appears, however, that such a constitutional change would be unlikely to find support in the People's Consultative Assembly (Majelis Permusyawaratan Rakyat).

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Acronyms and abbreviations

ASEAN	Association of Southeast Asian Nations
DPR	People’s Representative Council (Dewan Perwakilan Rakyat)
GDP	gross domestic product
GFC	global financial crisis
HDI	Human Development Index
INTERFET	International Force in East Timor
JAT	Jamaah Anshorut Tauhid
KPK	Corruption Eradication Commission (Komisi Pemberantasan Korupsi)
NII	Islamic State of Indonesia (Negara Islam Indonesia)— a political organisation
PAN	National Mandate Party
PDI-P	Indonesian Democratic Party–Struggle (Partai Demokrat Indonesia–Perjuangan)
PKB	National Awakening Party
PKS	Prosperous Justice Party
PPP	United Development Party
TNI	Indonesian armed forces (Tentara Nasional Indonesia)

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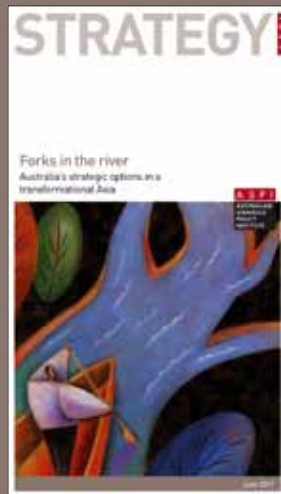
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As the Indonesian economy grows, so too do the prospects for Indonesia to establish its natural position as the leader of Southeast Asia. That role is already keenly anticipated, and Indonesia is starting to leverage both global and regional expectations about its future position. As the world is re-examining Indonesia, so too Indonesia is looking afresh at the world—more interested in external issues than it was a decade ago. True, Jakarta's strategic horizons might not broaden quickly or much: the developmental challenges at home are simply too great. But the Southeast Asian subregion increasingly finds itself at the centre of a more strongly interconnected Indo-Pacific region—so Indonesia's strategic importance is going up.

It's important for Australia to build a better strategic relationship with Indonesia. The two are complementary partners. But for the relationship to mature both governments have to be prepared to invest time and resources. Moreover, official engagement must be matched by closer people-to-people engagement: the bilateral relationship is frequently tested by points of friction that reflect the cultural gap between dissimilar neighbours. Closer engagement with Indonesia at a range of levels must be a central theme of Australian policy in the Asian century.

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