

## 7 Australia–Indonesia

*Allan Gyngell*

Geography has determined that Indonesia is a permanent element in Australia's security relationship with Asia. The sprawling archipelago of more than 13,500 islands stretches, as all Australian government strategic appreciations have noted, for 5,000 km across the northern approaches to this country. The strategic implications of this geographical reality were summarized in the famous phrase of the 1986 Dibb *Review of Australia's Defence Capabilities* that Indonesia is the area 'from or through which a military threat to Australia could most easily be posed'.<sup>1</sup> Australia's geography does not, of course, impose itself with the same strategic force on Indonesia, giving an inevitable asymmetry to the security interests each country has in the other.

During the colonial period and after federation, Batavia (now Jakarta) was a regular source of supply and port of call for ships sailing between Britain and its new colonies, and Australia worked comfortably with the government of the Netherlands East Indies. However, with the outbreak of war in the Pacific in late 1941 and the fall of Singapore in early 1942, the defeat and capture of Australian forces fighting in Ambon and Portuguese Timor strongly reinforced the archipelago's place in Australia's new sense of strategic vulnerability.

When the Second World War ended and Indonesian nationalists moved to declare independence from the Netherlands, the Chifley Labor government threw its support behind the revolutionary movement and opposed Dutch efforts to resume colonial control. With India, Australia brought the struggle to the attention of the UN Security Council in July 1947 and represented the new Indonesian state on a 'Good Offices Commission'.

Yet when sovereignty was finally passed to the Indonesian government, one part of the Netherlands East Indies—the territory of West New Guinea—was excluded from the transfer. Indonesia's first president, the charismatic nationalist Sukarno, led an increasingly strong campaign for West New Guinea's return as part of the patrimony of the new state.

The conservative Menzies government, which had replaced Labor in 1949, firmly supported Dutch efforts to hold onto the territory and to reject Indonesia's campaign to incorporate it. A strong reason for this was

concern about the implications for the security of the adjoining territories of Papua and New Guinea, which Australia administered under a UN trusteeship. In 1950 the Australian Foreign Minister, Percy Spender, claimed that the interests of the 'inarticulate mass of the native people of Dutch New Guinea' had been fused with the vital strategic interests of Australia.<sup>2</sup> Nevertheless, occasional Dutch soundings about the joint administration of the island of New Guinea were not pursued.

By 1962, however, it was clear that the Dutch and Australian positions on West New Guinea could not be sustained, especially in the absence of support from the United States, where the Kennedy administration was keen to keep Indonesia from drifting further towards the communist side in the Cold War. The territory was finally transferred to Indonesia in May 1963 with the face-saving promise that an 'Act of Free Choice' would be held on its future in 1969. When that carefully stage-managed event was finally held, it hardly met the highest standards of democratic accountability, but it was endorsed by the United Nations and represented the international community's acceptance of the legal inclusion of the territory into the Indonesian Republic. The effect was to give Australia a 'common border' with an Asian country for the first time in its history.

However, this achievement hardly moderated Sukarno's behaviour or restrained the influence of the Communist Party of Indonesia (PKI) on his government as the Americans had hoped. He proceeded to launch a political 'confrontation' struggle against the newly formed country of Malaysia, which brought together the neighbouring British colonies of Malaya, Singapore, Sabah and Sarawak. Australia supported Malaysia politically, and when Indonesia launched military incursions into Malaysia in 1965, militarily as well. Australian troops were stationed in Sabah and Sarawak from mid-February 1965 until confrontation ended in August 1966.<sup>3</sup>

Although skilful diplomacy enabled Australia to maintain effective communications with Jakarta throughout this period, Sukarno's adventurism and incompetent economic policies plunged Indonesia into economic and political crisis. By September 1965 an abortive communist coup attempt and the murder of six senior generals led the military under General Suharto, then the head of the army's Strategic Command, to seize power. A violent nationwide score settling followed, in which hundreds of thousands of people were killed.

Sukarno was finally forced from office in March 1967 and Suharto took over as the head of a 'New Order' government, focused on repairing the economic and international damage of Sukarno's rule. Indonesia turned essentially inwards and in strategic terms abandoned the global, confrontationalist focus of Sukarno for a policy of regional economic cooperation, and national and regional 'resilience' building. The most immediate result was the formation of ASEAN in 1967, which gave expression to an emerging idea of a Southeast Asian community.

For Australia, this was largely good news. In the bipolar Cold War structure, Indonesia shifted from a non-alignment which tipped towards the

Soviet Union to one which better suited the West. It helped provide stability in a region which was being shaken by the Vietnam War, in which the United States and Australia were participating, and generated new hopes for the Australia–Indonesia relationship. Gough Whitlam, the leader of the incoming Labor government in 1972, was particularly keen to develop relations with Indonesia despite concerns in corners of his party about the human rights record which had accompanied the New Order's seizure of power.<sup>4</sup>

### East Timor

The period of promise was, however, short lived. In April 1974, left-wing Portuguese Army colonels belonging to the underground Armed Forces Movement overthrew the regime of Marcello Caetano, who had replaced the longtime Portuguese dictator Antonio Salazar in 1968. The revolution, which was in large part a response to anger about the wars being fought against independence groups in Portugal's African colonies, was to have dramatic consequences for all Portugal's remaining colonies. An increasingly left-leaning series of provisional governments in Lisbon through 1975 implemented a policy of unilateral withdrawal from its colonies, often in favour of local radical groups. In Portuguese Timor, a small enclave sharing the island of Timor with Indonesia, and badly underdeveloped after nearly 400 years of desultory Portuguese colonial administration, three major political factions emerged: one was committed to continuing association with Portugal, one to independence and one to integration with Indonesia.

By early September the left-leaning *Fretilin* group, which wanted independence, was in charge. As the then Australian Ambassador in Jakarta, Richard Woolcott, later wrote:

There were real concerns in Indonesia and some other ASEAN countries, fanciful as they may now seem, that a weak, unstable, left-leaning and aid-dependent East Timor could become a 'Southeast Asian Cuba', possibly even with Soviet-supplied missiles directed at Jakarta. This would weaken further the fragile security of the region.<sup>5</sup>

After an intense period of undercover operations by Indonesian forces across the border of the divided island, during which five Australian television journalists were killed at Balibo by Indonesian forces in October, Indonesia openly invaded Portuguese Timor on 7 December 1975.<sup>6</sup>

Australian policy towards the invasion was complex but some clear divisions were apparent between the Department of Defence, which argued for advising the Indonesian government that Australia should be inclined to 'favour the emergence of the territory through self-determination, as an independent state' and the Department of Foreign Affairs, which placed more weight on the advantages of the territory's successful incorporation

into Indonesia.<sup>7</sup> The Fraser government, replacing that of Whitlam in November 1975, did not adopt a greatly different position. In January 1978 it recognized the incorporation *de facto* of the territory into Indonesia, and early in 1979 quietly acknowledged (in its negotiations with Indonesia over the delineation of the Timor seabed) Timor's *de jure* incorporation.

The invasion of East Timor, the deaths of the five Australian journalists and the subsequent Indonesian mismanagement of the territory dominated Australia–Indonesia relations for the subsequent two decades. An unusually strong alliance, embracing veterans groups, those suspicious of Indonesia on both the left and the right, the Catholic church, human rights advocates and elements of the broadsheet press, formed a very effective lobby on a number of fronts, while the clumsy and often brutal manner of Indonesian military rule in the colony perpetuated a sense of resentment on the part of the East Timorese. In the public mind, Indonesian behaviour in East Timor cemented a concern about Indonesian expansionism which had first become prominent during Sukarno's campaigns on West New Guinea and Malaysia.

Nevertheless, a consistent theme of defence and foreign affairs analyses was to emphasize the strategic importance of Indonesia. A formal Defence Cooperation Program (DCP) between Australia and Indonesia had begun in 1968. During the following decade this program grew to become Australia's second largest military aid program after that with PNG. The early focus of the program was equipment like the *Nomad* aircraft and attack-class patrol boats, although joint mapping operations were also important. The 1986 Dibb Review reached the conclusion that 'Indonesia has neither the motive ... nor the capacity to threaten Australia with ... potential threats from the North. Were these attitudes to change it would take time for any disputes to develop into major military confrontations.'<sup>8</sup> By the late 1980s there was a shift towards using the DCP to develop capabilities rather than to provide equipment and support. As a result, the focus on training and exchanges grew. The 1993 Strategic Review emphasized: 'Personal contacts are particularly important in developing closer relations with Indonesia. Priority should be given to training and activities that foster long-term personal contact and understanding at all levels, concentrating, where possible, on potential leaders.'<sup>9</sup>

### **The Keating government**

Indonesia did not loom large in the foreign or security policies of Labor Prime Minister Bob Hawke. The word Indonesia appears only once in the 561-page memoir of his eight-year prime ministership, as the destination with Papua New Guinea of his first overseas trip.<sup>10</sup> But the election of Paul Keating (as leader of the Labor Party in 1991) heralded a new approach to Indonesia. Like Whitlam before him, Keating was prepared to spend political capital on the relationship. He had come to office determined to

address the problems in the relationship. He subsequently summed up his views this way:

The coming to power of the New Order government was arguably the event of single greatest strategic benefit to Australia after the Second World War. Without an Indonesian government which was focussed on economic and social development and committed to policies of cooperation with its Southeast Asian neighbours, Australians would have faced three decades of uncertainty, fear, and almost certainly massively greater defence spending. And ASEAN and APEC, the two foundation stones of regional cooperation, could not have developed.<sup>11</sup>

He symbolically chose Indonesia as the destination for his first overseas visit as prime minister in 1992. Suharto was by then clearly in the final period of his power, but Keating built a personal relationship which he used effectively to promote Australian interests—for example by permitting the institutionalization of the APEC leaders meetings, and in the bilateral relationship through the establishment of the Australia–Indonesia Ministerial Forum.

The 1993 Strategic Review subsequently concluded, in quite similar terms to earlier Australian defence planning documents, that ‘more than any other regional nation, a sound security relationship with Indonesia would do most for Australia’s security. We should seek new opportunities to deepen the relationship in areas that serve both countries’ interests.’<sup>12</sup> Keating agreed but thought the suggested ways of achieving this—essentially incremental changes to existing practice—were not ambitious enough. He asked why Australia should not develop a formal security relationship with Indonesia. Australia already had such links with Singapore and Malaysia through the Five Power Defence Arrangements (FPDA), with New Zealand through ANZUS and with PNG through the Joint Declaration of Principles. Why not Indonesia?

The response from officials and Keating’s ministerial colleagues was sceptical and cautious, mainly on the grounds that Indonesia, with its long commitment to non-alignment, was unlikely to agree. Despite this, officials commissioned some initial work on the possible shape of such an agreement.

Keating set out his views in a speech in March 1994, saying:

Changes in Australia and Indonesia and in the world since the end of the Cold War should compel us to take a fresh look at our strategic relationship. I believe great potential exists for further defence cooperation between Australia and Indonesia. . . . If we are to turn into reality our policy of seeking defence in and with Asia, instead of against Asia, Indonesia is the most important place it will have to be done.<sup>13</sup>

Keating put the proposal to Suharto during a visit to Jakarta in June 1994 and received a commitment to discuss the matter further. They agreed to

nominate emissaries for the job. In Australia's case, this was to be the former Chief of the Australian Defence Force (ADF) General Peter Gration, who had worked hard to develop links between the Indonesian armed forces and the ADF, together with the author, who was Keating's international adviser at the time. A 'non-paper' (prepared by Australia as a basis for discussion in October 1994) set out the rationale for a security agreement:

Australia and Indonesia share similar strategic concerns. We share an interest in each other's security. Neither is a threat to the other. An agreement or understanding on security cooperation between Australia and Indonesia would benefit us both. It would also strengthen the stability and strategic resilience of the region. An agreement would be consistent with our strong and broadly based bilateral relationship. It would demonstrate the trust and confidence each has in the other. It would have a beneficial impact on public attitudes in both countries. It would provide a formal basis for our more active defence relationship.<sup>14</sup>

When, after a hiatus in the talks from the Indonesian side, negotiations finally got underway (over a year later, in November 1995), it was clear that the main Indonesian problem was not with the content of the agreement so much as with some of the language. Australia had used phrases like 'defence agreement' and 'external threat' which were troubling for the Indonesians given their reservations about military alliances. So, instead of being described as a 'Defence Agreement', it became an 'Agreement on Maintaining Security', while a phrase about external threats was replaced by 'adverse challenges' in order to show that the agreement covered not only military contingencies but the full range of external problems that might affect both countries and benefit from common action.

The Indonesian suggestions strengthened the agreement, making it broader and more relevant to the sort of real world problems like terrorism and people smuggling that would be at the heart of the security relationship just a few years later.

The final agreement, announced on 14 December 1995, was just over a page long. The preambular paragraphs placed its provisions in the context of the United Nations and noted that nothing in it affected the existing international commitments of either party. The three key operative paragraphs provided for Australia and Indonesia to:

- consult at ministerial level on a regular basis about matters affecting their common security and to develop such cooperation as would benefit their own security and that of the region;
- consult each other in the case of adverse challenges to either party or to their common security interests, and, if appropriate, to consider measures which might be taken either individually or jointly and in accordance with the processes of each party; and

- promote—in accordance with the policies and priorities of each—cooperative activities in the security field.<sup>15</sup>

The agreement was therefore simple, direct and provided a foundation for closer defence cooperation; yet it also had an active element—the agreement to consult in the event of adverse challenges and to consider individual or joint measures to respond.

The agreement was generally well received. The press was largely positive and the Opposition immediately expressed its support. What criticism there was took the form of complaints that the agreement was a ‘secret treaty’. It had not been announced to the public in advance and, highly unusually in Canberra, nothing about it leaked. But its purpose, direction and form were consistent with the published and spoken comments that the government had made about its wish to strengthen defence cooperation with Indonesia.

The agreement was certainly a product of the personal relationship between Keating and Suharto. In both countries it was driven from the top. The decision-making process on the Indonesian side was difficult to read but all the evidence pointed to Suharto, who consistently showed himself to have a broader view of the relationship with Australia than many of his senior officials, having personally overcome opposition within the Indonesian military and government to secure agreement.

After ratification, the agreement largely disappeared from the public debate, but it provided the foundation for a very intense period of activity between the two armed forces. A new bilateral defence structure was put in place with annual ministerial meetings—an Australia–Indonesia Defence Policy Committee (chaired by the two chiefs of the defence forces) and an Australia–Indonesia Defence Coordinating Committee (with five working groups, including on operations and exercises, electronic warfare technology and logistics).

### **Indonesia transformed**

The first major statement of strategic policy from the new Howard government came with the 1997 Defence White Paper which concluded: ‘In recent years the sense of shared strategic interests between Australia and Indonesia has grown. This has been reflected in the Agreement on Maintaining Security signed by our governments in 1995.’<sup>16</sup>

Yet soon after the publication of the White Paper, two equally unanticipated events transformed the nature of the Australia–Indonesia security relationship: the 1997 financial crisis (which devastated Indonesia’s economy and brought about the end of the New Order government) and the Bali bombings of 12 October 2002 (which contributed to a dramatic change in the content of the security relationship between the two countries).

The financial crisis began in Indonesia in mid-August 1997 when the government was unable to sustain its informal currency peg with the US

dollar. Indonesia's large private foreign debt, around US\$30 to \$40 billion in loans and hot money on the stock exchange, was mostly unhedged.<sup>17</sup> With businesses unable to repay their debts, systemic weaknesses in the local banking system and poor prudential control were exposed. The International Monetary Fund (IMF) was called in to help, but made matters worse. Under pressure from the United States, which with the end of the Cold War no longer viewed Indonesia as an important strategic partner and wanted to put pressure on Suharto for human rights reforms, the IMF imposed onerous and unrealistic conditionality on its assistance. Paul Blustein, an historian of the crisis, described Indonesia's experience during this period as 'a tale of error piled atop error, with each side's bad moves—both the Fund's and the Indonesians'—compounding the other's and dragging the country to depths nobody had previously imagined possible'.<sup>18</sup> The result was that the Indonesian economy shrank by 20 per cent as money, including local money, fled the country. Unemployment doubled and inflation grew by 80 per cent. Few countries in the world of Indonesia's size and level of development have faced such sharp decline.

There was an immediate political impact. In the words of Suharto's biographer Robert Elson: 'The crisis was . . . the catalyst which allowed a broad constellation of factors, many of them the products of long gestation, to come together and build so much pressure that Suharto found himself with no option but to stand down.'<sup>19</sup> The President resigned in a public speech in May 1998, handing over power to his vice-president, B. J. Habibie, an eccentric aeronautical engineer who had no independent power base.

Habibie was ready to test a number of the policy assumptions of the New Order government of Suharto, including those relating to the province of East Timor, where 20 years of indifferent and sometimes brutal Indonesian control had done little to reconcile its inhabitants to Indonesian sovereignty. Habibie expressed his willingness to consider prisoner releases and a 'special status' for East Timor, provided it was 'recognized as an integrated part of the Republic of Indonesia.'<sup>20</sup> This led to a revived effort within the UN-sponsored talks on the East Timor problem.

The Australian government wanted to play a part in the new discussions. Public opinion in Australia was clearly opposed to Indonesia's control and the Labor Opposition was now taking a stronger position. At the recommendation of the Foreign Minister Alexander Downer, the prime minister decided to send a letter to Habibie setting out Australia's views on the issue and offering some suggestions. Howard's letter of 19 December 2005 stated that Australia's view of Indonesia's sovereignty over East Timor was unchanged, as was Australia's view that the interests of Australia, Indonesia and East Timor were best served by East Timor remaining part of Indonesia. He argued, however, that Habibie should enter direct negotiations with East Timorese leaders and consider ways of addressing public opinion such as the Matignon Accords in New Caledonia, which had enabled France to postpone a referendum on independence for many years. Successful

implementation ‘of an autonomy package with a built-in review mechanism would allow time to convince the East Timorese of the benefits of autonomy within the Indonesian Republic’,<sup>21</sup> Howard wrote.

Although Habibie rejected the Matignon concept immediately, he used the letter, with its implicit suggestion of possible movement in Australia’s support for Indonesian sovereignty, to push ahead with rapid change. After a Cabinet meeting on 27 January 1999 Foreign Minister Ali Alatas announced that Indonesia would hold a referendum within a year in which the East Timorese could choose between independence and special autonomy. In May, Portugal and Indonesia asked the United Nations to conduct a ‘popular consultation’. The UN Mission in East Timor (UNAMET) was established on 11 June 1999 to supervise the referendum. However, the situation in East Timor began to deteriorate with violence against supporters of independence and the arming by Indonesian forces of pro-Jakarta militias. Australia began surreptitiously building up its forces in Darwin in response, while denying that this was directed against Indonesia. The relationship was becoming more fragile.

On 30 August 1999, East Timorese voted by a margin of four to one in favour of independence, with a near universal turnout of voters. When the result was announced on 4 September 1999, pro-Indonesian militias reacted violently, their actions facilitated by elements of the Indonesian armed forces. With the agreement of the Indonesians, Australian forces entered Timor to evacuate Australian and UNAMET personnel as well as East Timorese. A fortuitously timed APEC meeting in Auckland enabled Howard, Habibie, US President Bill Clinton and other leaders to discuss the response. Under intense international pressure, Habibie agreed on 12 September to accept international assistance.

When Howard was asked a question in a radio interview about the relevance of the Agreement on Maintaining Security, he made a disparaging response which Habibie seems to have interpreted as a threat that Howard might move to abrogate the agreement. Indeed, on 16 September 1999, Habibie announced that the agreement had been abrogated, and cited Howard’s remarks as the reason.

Just three years old, the agreement had not been in existence long enough to become institutionalized in the relationship between the two countries. It had not become part of the common fabric of thinking and, most importantly, because in both countries the leadership had changed, neither of the principals had a political interest tied to its success. In a crunch—and the period of East Timor’s independence was certainly that—it was dispensable.

Under the terms of a unanimous UN Security Council resolution which authorized International Force East Timor (INTERFET), a multinational force under Australian control, the first Australian forces were deployed on 20 September 1999. INTERFET’s mandate was to restore peace and security in East Timor, to protect and support UNAMET and to facilitate, within force capabilities, humanitarian assistance missions in East Timor.

The force was led by General Peter Cosgrove, with a Thai as deputy commander. Force participants included—with Indonesia's agreement—a number of its ASEAN partners (Malaysia, the Philippines, Singapore and Thailand), contributions from New Zealand, Britain and Canada and logistical help from the United States. In addition, Japan made a substantial financial contribution. With 5,500 troops at its height, it was the largest commitment of Australian forces overseas in three decades. By year's end, INTERFET had the territory under control and the UN Transitional Administration for East Timor (UNTAET) took over to supervise Indonesia's transition to independence.

The military operation was very successful, not least because of the cooperation of the Indonesian authorities. The value of the people-to-people links the military cooperation program had been emphasizing for many years became clear.

However, the political implications for Australia–Indonesia relations were serious. Merle Ricklefs described the public relations of INTERFET as a 'disaster': 'It was as if Australia, rather than partnering others in a regional police action was again sending off the troops to Gallipoli as the band played 'Waltzing Matilda'. . . . Military triumphalism was the prime ministerial style of the day.'<sup>22</sup> Indonesian nationalists responded to the perceived humiliation of the affair. The Australian Embassy in Jakarta was attacked, including with Molotov cocktails, and shots were fired. The experience in East Timor seriously undermined Indonesian military confidence in itself. The perception grew that friends had turned against them while they were weak, and that Australia was a cause of Indonesia's disgrace.

Yet the independence of East Timor was just one of a number of fundamental political changes with which Indonesia was struggling. After the stability of the New Order period—a stability which had, in the end, stagnated—political change in Indonesia appeared on the horizon. In June 1999, as a result of a new constitution introduced by Habibie, more than 100 million Indonesians took part in free elections. The Indonesian Democratic Party-Struggle (PDI-P)—a secular nationalist party headed by Sukarno's daughter Megawati Sukarnoputri—emerged as the dominant party in parliament, but it lacked the numbers to overcome a hostile coalition aimed at preventing Megawati becoming president. That impasse was resolved with the election by the parliament of Abdurrahman Wahid (Gus Dur), an Islamic scholar and leader of the moderate Islamic group Nahdlatul Ulama. Megawati became his vice-president. But scandals over money (not helped by a chaotic administrative style) eventually undermined Wahid's position and led in July 2002 to a constitutional stand-off between president and parliament. Parliament eventually voted by a unanimous 591 votes to impeach and dismiss Wahid, and Megawati finally moved into her father's old office.

In August 2002 further important constitutional changes were passed, including a provision for the direct election of the president. In September

2004 a former general (and Megawati's security minister) Susilo Bambang Yudhoyono, building a political base outside the established parties of the New Order, became Indonesia's first democratically elected president. The role of the military in Indonesia was also transformed as its structural role in the political system was diminished.<sup>23</sup>

### **A broadening security agenda**

At the same time that Indonesia was struggling with these deep political changes, a very different security agenda was imposing itself on the Australia–Indonesia relationship—broadening it well beyond the familiar military-to-military links.

In 1998–9, immediately before the East Timor intervention, expenditure on Australian–Indonesian defence cooperation totalled A\$6 million. This included support for the longstanding *Nomad* aircraft program, and training courses for more than 128 Indonesian military personnel. Engagement between the ADF and the Indonesian armed forces occurred at many different levels and included combined ground exercises in Bandung in March 1999.

Following the Timor operation, most of this program went into a deep freeze. Actual expenditure on defence cooperation in 2000–1 was just A\$3.3 million, compared with the budgeted A\$7.2 million. Exercises and high-level visits were all put on hold but, despite the tension in the relationship, the program was never abandoned completely. Implicitly at least, both sides wanted it to continue. Personnel and logistics support for the *Nomad* program continued and Australian students attended Indonesian staff colleges. Therefore, even during the most difficult period, Australian observers believed that TNI's leadership recognized that the relationship would go through a period of damage control followed by repair and rebuilding.

The relationship was built up again slowly through 2004 with reciprocal senior visits and the resumption of high-level strategic dialogue and service-to-service talks. Capacity-building cooperation shifted from TNI headquarters to the defence ministry and included strategic analytical capabilities. Around 100 Indonesian defence personnel were once more training annually in Australia. By 2004–5, the expenditure on defence cooperation was again around A\$6 million.

More importantly, the security relationship was developing in new areas. From 2001, Australia had been developing a greater interest in cooperating with Indonesia over rising levels of people smuggling and illegal fishing. Then the 11 September 2001 attacks in New York, and Washington added terrorism to the agenda. This issue picked up urgency after the October 2002 Bali bombings (in which 88 Australians died),<sup>24</sup> the August 2003 Marriott Hotel and September 2004 Australian Embassy bombings in Jakarta, and the October 2005 Bali bombings (which killed 20 people, including four Australians). These events greatly deepened the urgency and broadened the extent of the cooperation between the law enforcement and

intelligence agencies of the two countries, especially the Australian Federal Police (AFP) and the Indonesian National Police, which had been formally separated from the military in the reform process that followed the end of the Suharto government. As the significance of the threat posed by the *Jemaah Islamiyah* group became clearer, Australia recognized, in the words of the 2005 Defence Update, that Indonesia had a 'pivotal role to play in counter-terrorism in the region'.<sup>25</sup>

After the Bali bombings in 2002, counterterrorist planning became a greater feature of the relationship, including, sensitively, with *Kopassus*—the Indonesian special forces which would probably form the main Indonesian strike body in any counterterrorism operation.

This broader security agenda was reflected in a Memorandum of Understanding on counterterrorism signed in February 2002. In October that year Prime Minister Howard announced a A\$10 million four-year counterterrorism assistance package, which was increased to \$20 million in October 2004. One concrete result of this cooperation was the establishment in 2004 of the Jakarta Centre for Law Enforcement Cooperation (JLEC) which has provided counterterrorism training to law enforcement officers from Indonesia and across Southeast Asia. A Transnational Crime Centre in Jakarta, officially opened in February 2006 (and also jointly funded by Australia), was established to enhance the Indonesian National Police's capacity to address terrorism, drug trafficking, cyber crime and money laundering.

The Australian government has claimed that close cooperation between the AFP and the Indonesian police was instrumental in bringing more than 160 terrorists and their collaborators to justice.<sup>26</sup> Other bilateral agreements were reached covering transnational crime and police cooperation (June 2002) and the exchange of financial intelligence (February 2004). The two countries also cooperated regionally by co-hosting meetings on the counterterrorism agenda.

This broadening security cooperation was reflected in the rather different sort of language which Australian policymakers used to describe Indonesia in the 2005 Defence Update as compared with earlier defence analyses:

As a country of 230 million people, Indonesia's importance to the Asia-Pacific region and to Australia should not be underestimated. Its size, historical legacy and economic potential give it a strategic importance undiminished by the significant domestic economic and political challenges of recent years. Indonesia has a pivotal role to play in counterterrorism in the region.

Australia attaches high priority to working with Indonesia on common security issues, particularly terrorism and border security. We have rebuilt the defence relationship after the stresses of East Timor. Our focus is on developing activities, at a pace comfortable to both countries, that will confer practical benefits. Developing mutual confidence and awareness between our forces will be an asset for both countries.<sup>27</sup>

This new agenda again generated political interest in the idea of an overarching security arrangement between the two countries.

President Yudhoyono had dealt effectively with Australia in his earlier positions, including as an army general and as coordinating minister for security under President Megawati Sukarnoputri. His election as president gave a strong new impetus to Australia–Indonesia cooperation. This began, tragically, with the disaster of the Indian Ocean tsunami on 26 December 2004 which killed more than 130,000 Indonesians and displaced half a million people in Aceh and North Sumatra. The Australian government and community responded quickly and generously to the crisis. Under Operation Sumatra Assist, the ADF provided humanitarian support including emergency relief, engineering and aeromedical evacuation. In January 2005, Prime Minister Howard announced a A\$1 billion aid program over five years under a new Australia–Indonesia Partnership for Reconstruction and Development. An earthquake in Nias and neighbouring islands in March 2005 resulted in another humanitarian operation by the ADF, in which nine Australians lost their lives in the *Sea King* helicopter disaster.

In April 2005, President Yudhoyono visited Australia. Speaking to a parliamentary lunch in Canberra, he said: ‘We now live in geopolitical and geo-economic environments that are different from the ones of the previous decades. . . . It is not enough for us to be just neighbors. We have to be strong partners.’<sup>28</sup> He referred again to a subject he had first raised in an earlier visit as security minister in 2003—the idea of a new security treaty. Following discussions between the two governments, a new Agreement between the Republic of Indonesia and Australia on the Framework for Security Cooperation was signed by the Australian and Indonesian foreign ministers in Lombok on 13 November 2006.<sup>29</sup> Foreign Minister Downer described the agreement as providing ‘a strong legal framework for encouraging intensive dialogue, exchanges and implementation of cooperative activities and . . . a firm basis for the conclusion of separate arrangements in specific areas’.<sup>30</sup> The stated purpose of the agreement is to

provide a framework for deepening and expanding bilateral cooperation and exchanges as well as to intensify cooperation and consultation between the Parties in areas of mutual interest and concern on matters affecting their common security as well as their respective national security.<sup>31</sup>

The Lombok Treaty is different in form from the 1995 Agreement on Maintaining Security. At its heart lies a non-aggression pact. Under Article 2, the parties to the treaty agree to ‘refrain from the threat or use of force against the territorial integrity or political independence of the other’.<sup>32</sup> The familiar ‘mutual respect for the sovereignty, territorial integrity, national unity and political independence of each other’ are emphasized and the parties agree that, ‘consistent with their respective domestic laws and international obligations’, they

shall not in any manner support or participate in activities by any person or entity which constitutes a threat to the stability, sovereignty or territorial integrity of the other Party, including those who seek to use its territory for encouraging or committing such activities, including separatism, in the territory of the other Party.<sup>33</sup>

This article in particular bears the marks of a bruising period in Australia's relations with Indonesia. It shows the effect of the East Timor intervention, the tension over Papuan asylum seekers in 2006 (further discussed below) and a residual Indonesian concern over Howard's December 2002 comments that Australia had the right to preempt terrorist attacks in the region. It is a reversion to familiar forms and language in Indonesian security policy.

The commitment that the two sides will 'not in any manner support or participate in the activities by any person or entity which constitutes a threat to the stability, sovereignty or territorial integrity of the other party' goes beyond the longstanding position of both major political parties in Australia to support Indonesia's established borders. Yet this clause would seem to offer Australia as much scope to press Indonesia on *Jemaah Islamiyah* and other terrorist groups as for Indonesia to pressure Australia on Papua. Either way, though, it seems to store up rich political problems for the future.

There follows in Article 3 of the Lombok Treaty a list of the general areas in which cooperation might take place, together with a commitment to cooperate (although this is hedged in most places by caveats). The clause on intelligence cooperation, for example, reads 'cooperation and exchange of intelligence on security issues between relevant institutions and agencies, in compliance with their respective national legislation and within the limits of their responsibility'. Other areas identified for cooperation include the defence forces; law enforcement in areas such as drugs, illegal fishing, people smuggling, corruption, cyber crimes and money laundering; counterterrorism cooperation; intelligence cooperation; maritime security; aviation safety; and the proliferation of weapons of mass destruction (WMD).

The implementation mechanism for the Lombok Treaty is the annual Indonesia–Australia Ministerial Forum.

Compared with the 1995 agreement, the Lombok Treaty is more traditional in form and more bilaterally focused. The main difference lies in its ambition. In the 1995 agreement, the two sides agreed to 'consult each other in the case of adverse challenges to either party or to their common security interests, and, if appropriate, consider measures which might be taken either individually or jointly and in accordance with the processes of each party'; in other words, to act together to address challenges that might threaten both. The new treaty is much more concerned with the bilateral relationship. The idea of the two countries identifying common external interests and then acting together to pursue them is much less prominent. Still, it underlines the commitment of both governments to work together to

build closer ties. It was negotiated quickly and it reflects a dialogue on these subjects that is broadening out well beyond the two defence forces.

### **The future of the relationship**

For nearly 50 years, Australia had to deal with just two Indonesian presidents; yet there were four in less than a decade after the fall of the New Order regime, together with a more active and involved parliament. For the Australia–Indonesia relationship as a whole, and for its security dimensions in particular, Indonesian democracy will yield more surprises and unexpected turns than did Indonesian authoritarianism.

This will give public opinion an increasing role in the relationship. In this regard, the findings of a Lowy Institute public opinion survey in 2006 were revealing.<sup>34</sup> The first poll to be conducted in both countries, it showed quite high levels of suspicion and ignorance. Just 50 per cent of Australians expressed positive feelings about Indonesia, markedly less than the results for most other Asian countries. For Indonesians, the attitude to Australia was not dissimilar, with only around 51 per cent expressing positive feelings.

Respondents in Australia agreed strongly with statements that Indonesia was essentially controlled by the military and that it was a dangerous source of Islamic terrorism. A clear majority supported the view that ‘Australia is right to worry about Indonesia as a military threat’. Australians were ambivalent about whether ‘Indonesia is an emerging democracy’.

On the Indonesian side, respondents felt strongly that ‘Indonesia is right to worry that Australia is seeking to separate the province of West Papua from Indonesia’, that ‘Australia has a tendency to try to interfere too much in Indonesia’s affairs’ and also that ‘Australian policy towards Indonesia and the region is shaped too heavily by its alliance with the United States’. Neither set of respondents displayed much political knowledge of the other country. When asked to name the other country’s leader, only a quarter of Indonesians and one fifth of Australians could do so correctly. On a more positive note, however, the survey also found that clear majorities in both countries felt that ‘it is very important that Australia and Indonesia work to develop a close relationship’, although more Australians (77 per cent) expressed support for this view than Indonesians (64 per cent).

Yet, short of the emergence in Jakarta of an Islamist government committed to Salafi-Jihadist aims (of which there is no evidence at all, either from the past history of Indonesian Islam or from the patterns of Indonesian voting preferences in elections since the end of the New Order government), Indonesian democratization should not deliver any fundamental conflicts of strategic interest with Australia.

Within the reasonable time horizons of strategic planning, it is far easier to see similar approaches to Australian and Indonesian strategic objectives in East and Southeast Asia than to imagine differences. Indonesia will want ASEAN to remain a strong and resilient element in regional security and

economic affairs, if only to ensure a hedge against China's growing power. That will suit Australia. Neither, on any realistic estimate, is Indonesia likely to develop the economic foundation to enable it to establish an extensive military projection capability in its own right, still less the interest in turning such a capability against Australia. It is equally hard to see why it would facilitate the projection of power by any adversary (presumably China under some scenarios) which might threaten Australia.

So Australian and Indonesian strategic objectives in Asia are likely to remain fundamentally congruent.

Any security problems are more likely to appear in border areas. Richard Chauvel has pointed to the 'centrality of the periphery' in the Australia–Indonesia relationship.<sup>35</sup> East Timor remains a concern for Australian security and foreign policy, but it is now less of a problem in the context of our relationship with Indonesia. This is not to say that mismanagement in East Timor, Indonesia or Australia could not make it so again, but it would be a problem of a different sort and, most likely, of a lesser order.

However, Papua remains a key challenge for both countries. If both sides fail to handle this effectively, it has the potential to disrupt and derail the Indonesia–Australia relationship in the early twenty-first century, just as East Timor did in the late twentieth century. As noted earlier, Papua occupies a sensitive place in the history of Australia–Indonesian relations. Contrary to some expectations, however, it has not been a central issue in the years since the 'Act of Free Choice'. PNG and Indonesia have generally managed their border relationship smoothly and, for Australia, East Timor loomed much larger in the bilateral relationship. Nevertheless, memories of the earlier suspicions continue to resonate in the minds of both Australians and Indonesians.

With East Timor's independence in 1999 and the democratization of Indonesia, the public focus on Papua in Australia resumed when a number of the Christian church, human rights and other Australian NGOs (which had focused on East Timor) shifted their attention to Papua. The issue came to a head again at the governmental level in early 2006 when a group of 43 Papuan asylum seekers reached the Australian mainland by boat and sought asylum as political refugees. Forty-two were granted refugee status after their cases were considered by an Australian official acting as an independent decisionmaker under the terms of the 1951 Refugee Convention. This result came despite a personal assurance by President Yudhoyono to Prime Minister Howard that the Papuans would not be harmed if they returned home. Despite firm reassurances by the Australian government of its commitment to Indonesia's territorial integrity, the reaction from Indonesia was sharp. It included the recall of the Indonesian Ambassador to Australia—a step which was never taken during the fraught relationship over East Timor.

Papua brings together a range of so-called 'new' security issues encountered in other parts of Melanesia (such as illegal people movement, refugees,

health and environmental problems) with the most traditional questions of nationalism and state sovereignty. For Indonesia, it involves deep questions regarding the scope and nature of the Indonesian state and engages immediate suspicions of Australian intentions. Moreover, because any large-scale unrest in Papua could spill over into PNG, with which Australia has security links (including a treaty commitment to consult in the event of external armed attack), it also potentially involves a third state. It is where the ‘old’ security issues and the new ones intersect most immediately for Australia.

The capacity and willingness of the two countries to engage with each other in these circumstances is limited, but will be vital. Rodd McGibbon has pointed to a number of ways in which this might be done such as by boosting bilateral cooperation (including aid), supporting democratic institution building in Indonesia (including special autonomy for Papua) and winning the ‘battle for ideas’ in Australia. Australian officials, he correctly points out, ‘need to fashion an approach over Papua that can navigate between the contending pitfalls of policy inaction and policy overreach’.<sup>36</sup>

Hugh White has argued that Australia’s defence relationship with Indonesia

will always be based on a deep ambivalence, in the literal sense of that word. Indonesia impinges on Australia’s deepest strategic preoccupations in two ways. It is the only large country within easy range of Australia; because of its proximity and sheer size, it has the strategic potential to pose a serious military challenge to Australia directly. And it is the only one strong enough to help defend our neighbourhood against an intruder. Whether it is strong or weak, Indonesia offers both potential protection and potential threats to Australia. . . . When Australian strategists have looked at our neighbourhood in isolation, as a self-contained strategic system, a strong Indonesia looks like a liability. But when we look at our neighbourhood as an element of the wider Asia–Pacific strategic system, it looks like an asset. Australia has this kind of strategic ambivalence with no other country.<sup>37</sup>

Other analysts have gone beyond the idea of ambivalence to underline barriers. According to Bilveer Singh,

the asymmetries between the two countries are so deep and intense, and the cultural divide so immense, it is unlikely that the strangeness between Australia and Indonesia will be reduced in the short term and to that extent, the great barrier between the two will last longer than expected.<sup>38</sup>

For Indonesia, Australia is less important to its strategic outlook. Throughout the New Order period and since, Indonesia’s security policy, as well as its wider approach to international relations, has been based on ‘an implicit adherence to a “concentric circles” approach’.<sup>39</sup> This was refined in Indonesia’s 1995 Defence White Paper:

In a geostrategic context Indonesia's basic defence and security strategy is one providing for layered security. The deepest layer is domestic security, followed by sub-regional (ASEAN) security, regional (South-east Asia) security and security of neighbouring regions, in that order. This strategy is called defence-in-depth.<sup>40</sup>

It is not just that we begin with a naturally different perspective on the relationship; it is also that we think about the world in different ways. The negotiations over the 1995 and 2006 security agreements each underlined how readily Australians think of their security from the outside in, in terms of alliances and bilateral agreements, and how naturally Indonesians think about security from the inside out and in alliance terms how Indonesians think multilaterally.

White concludes that

it is only sensible to recognize that nothing can be done to help reduce Indonesian suspicion of Australia, and to start rebuilding trust, without both sides being willing to make a substantial effort, to take some real political risks and to pay some real political costs. Today this is as true in Jakarta as it is in Canberra.<sup>41</sup>

He urges that we avoid 'unrealistic expectation' and work on the 'humble but vital business of helping each side to understand the other's policies, and our respective views of how our long-term regional goals and policies intersect'.<sup>42</sup>

This is a sober and persuasive analysis of—and policy prescription for—the relationship. Yet I would go further. In fact, the only effective way in which Australia can look at Indonesia is not in terms of a self-contained neighbourhood strategic system, or even as an 'element of the wider Asia Pacific strategic system', but as part of a wider strategic system than that—one that encompasses the security threats from non-state actors like Salafi-Jihadist terrorism and the increasingly important links between an East Asia hungry for energy and a Middle East that is the only place from which such resources can come.<sup>43</sup>

In those circumstances, Indonesia's strategic ambivalence toward Australia is diminishing, while its strengths as a potential partner for Australia (and the countries of most importance to Australia's continuing prosperity and security) are increasing.

## Notes

- 1 P. Dibb, *Review of Australia's Defence Capabilities: Report to the Minister for Defence by Mr Paul Dibb*, Canberra: Australian Government Publishing Service, 1986, p. 4.
- 2 Quoted in L. Metzemaekers, 'The Western New Guinea problem', *Pacific Affairs*, vol. 24, no. 2, June 1951, p. 140.

- 3 D. Lee and M. Dee, 'Southeast Asian conflicts', in D. Goldsworthy (ed.) *Facing North: A Century of Australian Engagement with Asia, Vol. 1*, Melbourne: Melbourne University Press, 2001, p. 277.
- 4 D. Goldsworthy, D. Dutton, P. Gifford and R. Pitty, 'Reorientation', in *ibid.*, pp. 352–76.
- 5 R. Woolcott, *The Hot Seat: Reflections on Diplomacy from Stalin's Death to the Bali Bombings*, Sydney: HarperCollins, 2003, p. 145.
- 6 The official documents for this period can be found in 'Australia and the Indonesian incorporation of Portuguese Timor 1974–76', *Documents on Australian Foreign Policy*, Melbourne: Department of Foreign Affairs and Trade, 2000.
- 7 Goldsworthy *et al.*, 'Reorientation', p. 361.
- 8 Dibb, *Review of Australia's Defence Capabilities*, p. 33.
- 9 *Strategic Review 1993*, Canberra: Department of Defence, 1993, p. 25.
- 10 B. Hawke, *The Hawke Memoirs*, Melbourne: Mandarin, 1996.
- 11 P. Keating, *Engagement: Australia Faces the Asia Pacific*, Sydney: Pan Macmillan, 2000, p. 126.
- 12 *Strategic Review 1993*, p. 24.
- 13 Reproduced in M. Ryan (ed.) *Advancing Australia: The Speeches of Paul Keating, Prime Minister*, Sydney: Big Picture Publications, 1995, p. 203.
- 14 *Ibid.*, p. 142.
- 15 For full text, see B. Singh, *Defence Relations between Australia and Indonesia in the Post-Cold War Era*, Westport, CT: Greenwood Press, 2002, Appendix 3.
- 16 Commonwealth of Australia, *Australia's Strategic Policy*, Canberra: Department of Defence, 1997, p. 11.
- 17 H. Hill, 'The Indonesian economy', in G. Forrester and R.J. May (eds) *The Fall of Soeharto*, Singapore: Select Books, 1999, p. 95.
- 18 P. Blustein, *The Chastening: Inside the Crisis that Rocked the Global Financial System and Humbled the IMF*, New York: Public Affairs, 2001, p. 88.
- 19 R.E. Elson, *Suharto: A Political Biography*, Cambridge: Cambridge University Press, 2001, p. 293.
- 20 Cited in D. Goldsworthy, 'East Timor', in P. Edwards and D. Goldsworthy, *Facing North: A Century of Australian Engagement with Asia, Vol.2*, Melbourne: Melbourne University Press, 2003, p. 223.
- 21 *Ibid.*, p. 228.
- 22 M.C. Rieckfs, 'Australia and Indonesia', in R. Manne (ed.) *The Howard Years*, Melbourne: Black Inc, 2004.
- 23 See M. Mietzner, *The Politics of Military Reform in Post-Suharto Indonesia: Elite Conflict, Nationalism and Institutional Resistance*, Washington, DC: East West Center, 2006.
- 24 An account is given in A. Gyngell and M. Wesley, *Making Australian Foreign Policy*, Port Melbourne: Cambridge University Press, 2003, p. 161.
- 25 *Australia's National Security: A Defence Update 2005*, Canberra: Commonwealth of Australia, 2005, p. 8.
- 26 Australian Government, 'Indonesia country brief', Department of Foreign Affairs and Trade, December 2006.
- 27 *Australia's National Security: A Defence Update 2005*, pp. 8, 14.
- 28 Speech by His Excellency Dr. Susilo Bambang Yudhoyono, President of the Republic of Indonesia, at the Great Hall, Parliament House, Canberra, 4 April 2005.
- 29 *Agreement between the Republic of Indonesia and Australia on the Framework for Security Cooperation*, 13 November 2006.
- 30 The Hon. Alexander Downer MP, Minister for Foreign Affairs, Australia, 'Signature of the Australia Indonesia Agreement for Security Cooperation', media release FA124, 13 November 2006.

- 31 *Agreement between the Republic of Indonesia and Australia on the Framework for Security Cooperation*, Article 1.
- 32 *Ibid.*, Article 2.
- 33 *Ibid.*
- 34 I. Cook, *Australia, Indonesia and the World: Public Opinion and Foreign Policy*, Sydney: Lowy Institute for International Policy, 2006.
- 35 R. Chauvel, 'The centrality of the periphery: Australia, Indonesia and Papua', J. Monfries (ed.) *Different Societies, Shared Futures: Australia, Indonesia and the Region*, Singapore: Institute of Southeast Asian Studies, 2006.
- 36 R. McGibbon, *Pitfalls of Papua*, Lowy Institute paper 13, Sydney: Lowy Institute for International Policy, 2006, p. xii.
- 37 H. White, 'The new Australia–Indonesia strategic relationship: a note of caution', in Monfries, *Different Societies, Shared Futures*, p. 45.
- 38 Singh, *Defence Relations between Australia and Indonesia in the Post-Cold War Era*.
- 39 L.C. Sebastian, 'Indonesia's management of regional order', in J.C.C. Liow and R. Emmers (eds) *Order and Security in Southeast Asia: Essays in Memory of Michael Leifer*, London: Routledge, 2006.
- 40 The Policy of the State Defence and Security of the Republic of Indonesia, Jakarta: Ministry of Defence and Security, 1995, pp. 16–17.
- 41 White, 'The new Australia–Indonesia strategic relationship', p. 52.
- 42 *Ibid.*, p. 53.
- 43 M. Thirlwell and A. Bubalo, 'New rules for a new "great game": Northeast Asian Energy Insecurity and the G-20', Lowy Institute for International Policy Brief, November 2006.