

PERSPECTIVES

**AUSTRALIA AND INDONESIA: PARTNERS IN A
NEW ERA**

OUTCOMES REPORT

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Australia and Indonesia: partners in a new era

Outcomes report

Prepared by Malcolm Cook

On 19-21 February 2009, the Australian Department of Foreign Affairs and Trade, the Australia-Indonesia Institute and Australian Agency for International Development (AusAID), in association with the Lowy Institute, hosted a conference on the future of the bilateral relationship. The conference brought together nearly 140 participants from both countries, including one of the largest and most diverse delegations from Indonesia ever to visit Australia. It was held under the Chatham House rule of non-attribution to ensure frank exchange.

The idea for the conference came from the Prime Minister, Kevin Rudd, and its forward-looking theme – Partners in a New Era – arose from the recognition that bilateral government-to-government ties have entered a new, more intense and cooperative era. The Australian Embassy in Jakarta is now Australia's largest overseas mission, with more than a dozen Australian Government agencies represented there. Indonesia is Australia's largest development partner, with an average program of around A\$500 million a year.

In 2008, Prime Minister Rudd and President Yudhoyono met eight times, and the Prime Minister has visited Indonesia three times. In the same year, there were 32 ministerial-level visits in both directions across the Arafura Sea.¹ Yet, while government-to-government relations are at an historically new and elevated level, the relationship beyond the two governments, both business-to-business links and wider people-to-people links, has not kept pace and in some areas is eroding.

After discussing the rapid growth and strengthening of government-to-government ties at the national level, the conference speakers and participants focused on common challenges and opportunities facing the two countries. This included a discussion on why the growth in non-government ties over the last decade or so has been much slower and more tentative, and how

¹ Prime Minister Kevin Rudd. Speech at Australia-Indonesia Conference Dinner. Art Gallery of NSW, Sydney, 19 February 2009.

participants across a range of sectors could work together to add new depth to these contacts. Staging the event in Sydney helped to encourage high-level participation from both countries from business, government, parliament, political parties, the media, the arts, universities, think tanks and other civil society organisations.

The new era

Indonesia's successful transition to democracy in 1998 and the process of consolidation since have set the background for this new era of greater cooperation between Jakarta and Canberra. Prime Minister Rudd himself was an election observer in Surabaya in 1999. Indonesia's democratisation, and its ambitious decentralisation process, have multiplied the number of politically and economically influential actors with whom relationships can and should be formed. It has also created much more scope for bilateral cooperation between sub-national levels of government and non-government groups. Sub-national levels of bilateral cooperation, such as that between the Northern Territory and Nusa Tenggara Timor (NTT), have continued to prosper even during times of tension and disagreement between national capitals while helping to bring the bilateral relationship's benefits closer to people's daily lives.

Indonesia's democratisation has made it politically easier for the Australian and Indonesian governments to cooperate on a growing range of global, regional and bilateral challenges. More speculatively, the greater similarity in the two countries' political systems is turning some of their economic, cultural and historical differences from points of tension to bases for cooperation. Indonesia's new political leadership appears to recognise Australia's commitment to Indonesia's long-term stability and prosperity and the value of closer bilateral cooperation.

This can be seen in the growing cooperation between the two countries in combating climate change and in the global negotiations over the successor to the Kyoto Protocol. Australia and Indonesia have based their shared push for the inclusion of deforestation and forest degradation in the successor agreement on the fact that Australia is a wealthy developed economy with limited forest cover and Indonesia is a large developing economy with significant forest resources. Finding ways to bring developed and developing economies together to effectively deal with climate change is essential. The 2008 Indonesia-Australia Forest Carbon Partnership is a leading example of how this can be started.

Climate change is also a good example of how global and regional changes are pushing Australia and Indonesia closer together and underpinning the new era in bilateral relations. Australian and Indonesian leaders and senior ministers now meet each other and work together much more frequently on common regional and global issues and through regional and multilateral bodies. Mr. Rudd's first visit to Indonesia as Prime Minister was for the COP13 meeting on climate change in Bali in December 2007, and the most recent was in December 2008 to co-chair sessions of the Bali Democracy Forum established by President Yudhoyono to strengthen democracy and human rights in the region. The global financial crisis has enhanced the importance of the G20 financial forum, first set up after the 1997-1998 Asian financial crisis, providing new opportunities for Australia and Indonesia to work together multilaterally.

The new partnership between the two national governments is more than just more frequent interaction and the greater recognition of shared interests. A series of framework agreements and inter-governmental processes are structuring bilateral cooperation and providing the platforms for future growth. The Lombok Treaty, brought into force in Perth last year, is the most important of these, as it sets out a comprehensive framework for security cooperation across a wide range of shared non-traditional threats from illegal fishing to people smuggling to money laundering. The agreement, importantly, also includes a treaty-level reaffirmation of each government's support for the territorial integrity of the other country. This treaty was preceded in 2002 by the establishment of the Bali Process, a regional effort to combat people smuggling and human trafficking, co-chaired by Australia and Indonesia, and the February 2002 signing of a joint memorandum of understanding on counter-terrorism. At the multilateral level, Indonesia is also an active participant in the International Commission on Nuclear Non-proliferation and Disarmament established by Australia and Japan in 2008.

In 2005, the economic relationship was boosted by the agreement on a bilateral trade and investment framework. The ASEAN-Australia-New Zealand free trade agreement signed on 28 February in Thailand and the possible bilateral free trade agreement will provide two new mechanisms to strengthen the commercial relationship, which continues to fall short of its full potential. At the Conference, the Indonesian and Australian Trade Ministers announced their intention to recommend to their respective Governments that the two countries move to negotiate a comprehensive economic partnership agreement (free trade agreement) covering trade, investment and capacity building.

Beyond governments

Throughout the conference there was a strong consensus that bilateral relations, particularly between neighbouring countries, are best served when there is strength in both the intensity of government-to-government ties and the broader people-to-people links that bring the two societies closer together. The positive, though limited, role governments can play in enhancing these societal links through public diplomacy and supporting business-to-business links was also widely recognised and encouraged. The opening dinner for the conference was a tribute to this potential as it also marked the 20th anniversary of the Australia-Indonesia Institute (AII) and its diverse programs to promote people-to-people links and a better mutual understanding. The AII, through its various exchange programs, has deepened Australia's relationship with Indonesia through the clever use of government seed funds to develop links between Australians and Indonesians in a number of fields.

The overwhelming conclusion from the conference presentations and deliberations was that, while there were some signs of improving people-to-people links and mutual understanding, the relationship beyond the governments was not keeping pace and was not yet an enduring partnership between close neighbours. Conference participants acknowledged that, while the scope of people-to-people links needs to be broadened, there was already a significant range of unofficial contact between Australians and Indonesians taking place across a range of fields. Deepening and further diversifying such contact remains the clear challenge.

Some of the positive signs included the AII's growing ability to source funds for its activities from non-government sources. This is particularly important given the present budget realities facing governments around the world. In 2008, Australian tourism to Bali jumped 58%, and Australians were the second largest group of foreign tourists to visit Bali after the Japanese.² The Indonesia Investment Coordinating Board (BKPM) is planning to open an office soon in Sydney to help Australian firms invest in Indonesia.

On a more sober note, the close links between the two societies were highlighted by the generous and spontaneous response of the Australian people to the 2004 tsunami and of the Indonesian people to the recent bushfires in Victoria. Two Indonesian students are among the unaccounted from the bushfires. The growth of people-to-people links across the Arafura Sea has also featured some undesirable ones, such as people smuggling and unauthorised arrivals that require greater bilateral coordination.

² Please see <http://www.tourismindonesia.com/2009/02/japanese-tourists-top-list-of-tourist.html>.

Three specific areas – media and popular opinion, trade and investment, and education – were highlighted as crucial areas where people-to-people links and understanding have not kept pace with the new era of government-to-government relations. Encapsulating this sense of growing imbalance, one of the presenters noted that the bilateral relationship was still a ‘New Order-style’ one (ie. a top-down approach led by political elites with much less engagement with society) in the post-New Order era.

This broader problem is reflected in the recently launched PricewaterhouseCoopers-Melbourne Institute-Asialink index on Australia’s engagement in Asia. It arrives at the disappointing conclusion that Australia’s engagement with Indonesia between 1990 and 2007 has increased only half as much as Australia’s engagement with the ASEAN region and less than Australia’s engagement with Asia as a whole.³ The Rudd Government’s goal of making Australia the most Asia-literate Western country faces a particular challenge when it comes to understanding Australia’s largest Asian neighbour.

- *Media and popular opinion:* The media is the key source of public information, and initiatives like media exchanges have helped to improve the quality of reportage overall. Yet speakers from the media noted that often there is a ‘rearview mirror’ approach taken to stories about the other country and the bilateral relationship, with the tendency to highlight long-standing grievances and negative stereotypes. This corrosive tendency is encouraged by the marketability of ‘bad news’ in competitive media markets.

This approach also exacerbates bilateral diplomatic problems such as high-profile Australian consular cases in Bali and Papuan asylum seekers. The 2006 Lowy Institute poll on views of Indonesia in Australia and of Australia in Indonesia underlines this ‘rearview mirror’ problem. The poll showed Indonesia’s democratic successes are not well understood in Australia, nor is Australian support for Indonesia’s development fully appreciated in Indonesia.⁴

- *Trade and investment:* Commercial interaction is a strong basis for people-to-people partnerships as it stems from the self-interested actions of each partner. However, unlike Australia’s relations with the ASEAN region and Asia as a whole, in the last

³ Trade Minister Simon Crean. 2009 Conference 'Australia and Indonesia: partners in a new era'. Intercontinental Hotel, Sydney, 20 February 2009.

⁴ Fergus Hanson, *Lowy Institute Poll 2006: Australia, Indonesia and the world*. Lowy Institute for International Policy, 2006.

decade trade with Indonesia has largely stagnated. From 1997 to 2007 it only grew 38%, while trade with the ASEAN region as a whole expanded by 159%.⁵ In 2007-8, Australia's trade with Indonesia shrank while Australia's trading relationship with Singapore was more than twice as large as that with Indonesia.

Some new laws in Indonesia like the Mining Act have concerned potential Australian investors. The security situation in Indonesia in recent years, as assessed by the Australian Government and reflected in their travel advisory for Indonesia, has also complicated business-to-business links. Australia's immigration and skills recognition rules have also limited labour migration from Indonesia to Australia. Participants discussed the potential for growing labour mobility between the two countries as Australia's skills needs and Indonesia's workforce changed in the years ahead. Designed to facilitate further people-to-people contacts, the recent agreement on a bilateral work and holiday visa program represents a small step forward in this area. Under the agreement, up to 100 young, university-educated Indonesians and Australians each year will be able to seek visas to work and travel in the other country for up to 12 months.

- *Education:* Tertiary education links have long been one of the strongest pillars of the broader Indonesia-Australia relationship and one where the two governments have played a key role. Australia has long been a primary overseas destination for Indonesian students with over 16,000 now studying in Australia.⁶ In the post-war period, Australia has been one of the leading centres globally for Indonesian studies. Scholarship programs such as the 1950s Australian Volunteer Graduate scheme (Herb Feith was the first of these volunteers)⁷ helped develop the core of Indonesian studies in Australia, while Australian Scholarships allow non-wealthy Indonesians the chance to study in Australia. In addition to the 300 post-graduate scholarships for Indonesians provided by the Australian Government, the Indonesian Government also provides scholarships for Indonesians to study in Australia. Unfortunately, the number of Australians currently studying in Indonesia (around 150) is critically low.

Government support for education ties has deepened in this new era as shown by the Australian Government program, managed by AusAID, to build and refurbish 2000

⁵ Crean. 2009 Conference 'Australia and Indonesia: partners in a new era'.

⁶ Foreign Minister Stephen Smith. Opening address, 'Australia and Indonesia: partners in a new era'. Intercontinental Hotel, Sydney, 20 February 2009.

⁷ Please see <http://coombs.anu.edu.au/SpecialProj/ASAA/asian-currents-archive/asian-currents-04-10.html>.

schools across Indonesia and by the Indonesian Government grant to rebuild schools damaged by the recent bushfires. Yet, Australia's role as a global centre of Indonesian studies is under serious threat, as is the coverage of Indonesia in primary and secondary education. Only about 1% of year 12 students study the Indonesian language, and only 3% of university students in Australia study Asia-related subjects.⁸ Only 14 universities in Australia offer Indonesian language courses while Indonesian subject matter courses have also fallen off sharply. Many of the post-graduate students in Indonesian studies in Australia actually come from Indonesia itself.

The security situation in Indonesia, as assessed by the Australian government and reflected in their travel advisory, has also impeded some in-country research based on individual education program managers' assessments of the risks involved. This has served to further constrain Indonesian studies in Australia. Coverage of Australia and Australian studies in Indonesia is much less prominent than the study and coverage of Indonesia in Australia.

Broadening the base

The panel format of the conference sessions and the diversity of the participants helped generate a wealth of recommendations on how the two countries can enhance two-way contacts. These ranged from the free and easy-to-do to the ambitious and long-term. Most focused on addressing the shortcomings mentioned in the previous section, while others focused on how government-to-government links could better serve the common challenges facing both countries.

Media and public opinion

- Regular polling by independent organisations to track changes in Australian views of Indonesia and Indonesian views of Australia.
- Twinning programs with extended periods of exchange between media outlets from the two countries, including popular media and new forms of media and communication.

⁸ Tim Lindsey, Relaxed, complacent and risible. *ABC Radio National*, 24 March 2007.

- Collaborative media reporting by Australian and Indonesian media outlets on sensitive issues (such as illegal fishing, Papua or defence acquisitions) to help inform and ensure appropriate balance in media reporting and to expand the potential audience reach.

Trade and investment

- Small, repeated boardroom meetings in Australia with potential investors led by Australian companies that are prospering in Indonesia. A BKPM office in Sydney and Austrade could help organise these.
- The development and incorporation of case studies of foreign investment in Indonesia into business school and course curricula in Australia and Indonesia.
- Private-public partnerships to allow and expedite the accreditation of skilled workers from Indonesia in areas of serious labour shortages in Australia such as nursing.

Education

- Focus efforts in Australia first at rebuilding the core of Indonesian studies and the availability of Indonesian studies for tertiary students.
- Expand programs, like the one at Flinders University, that aim at incorporating information about Indonesia into primary and secondary courses on history, geography, culture, etc.
- Build on existing programs like ACICIS (the Australian Consortium for ‘In-Country’ Indonesian Studies), hosted by Murdoch University, to allow students from Australia to study – and obtain academic credit from – a semester or two in Indonesia, and vice versa.
- Greater collaboration in science and technology through government and industry-sponsored programs to strengthen exchanges between Australian and Indonesian scientists.
- Further school and teacher exchange programs to strengthen two-way contacts and understanding among young Australians and Indonesians, including by utilising easily accessible technology such as Skype.

- Possible exchanges of Indonesian and (Australian) English graduate teachers to improve their language and teaching proficiency and promote mutual understanding.

Democracy and governance

- A new partnership between the two governments and civil society organisations in each country to promote democracy and human rights adherence in the region, including through Indonesia's Bali Democracy Forum initiative. The Forum is a fruitful new arena established by East Asia's largest democracy to address democracy and human rights in the region.
- Establish bilateral networks of women in political leadership positions to share Australian and Indonesian experiences and to help promote women's access to the political system in both countries.
- Mechanisms to strengthen links between civil society organisations (including peak representative groups and think tanks) in each country, given their importance as institutions to hold governments accountable and their value in ensuring greater awareness of developments in the other country.

Public diplomacy

- Personalise the names of bilateral scholarship programs to enhance their attractiveness and to celebrate key figures in the bilateral relationship such as Ali Alatas, Herb Feith and Tom Critchley.
- Review the impact of existing public diplomacy efforts of both governments to improve their future scope and sustainability. Key challenges include the need for the Indonesian Government to publicise the positive changes that have taken place in Indonesia over the past decade, and more recently in Papua and West Papua provinces. The Australian Government should explain better the focus and achievements of its aid program in Indonesia.
- Establish an Indonesia-Australia Institute in Indonesia as a partner institution to the Australia-Indonesia Institute to develop new programs of exchange.

- The need to harness more effectively popular culture and sport (especially sports popular in both countries, such as football), to strengthen links and ensure broader public awareness of Australia-Indonesia cooperation.

Climate change

- Incorporate oceans management into the bilateral efforts to combat the effects of climate change and in the shared positions on the negotiations for the successor to the Kyoto Protocol.
- Ensure that REDD (Reduced Emissions from Deforestation and Degradation) credits are incorporated into the pending Australian carbon pollution reduction scheme.
- Engage a consultative group to advise both governments on the joint Australia-Indonesia REDD programs, including local community representatives where possible.

Travel advisories

- Study the potential to transfer the responsibility for travel advisories from the government to a non-government agency to highlight that security assessments are separate from political considerations.

Conference follow-up

- Organise a range of smaller, stakeholder meetings to address specific areas of concern and potential discussed in the conference. Small groups of both government and non-government stakeholders that meet periodically to address specific areas of cooperation would best enhance the impact of the conference.
- On a larger scale, establish a regional grouping (or groupings) involving sub-national levels of governments and local groups, such as between northern Australia and eastern Indonesia, to further local cooperation and knowledge.

ABOUT THE AUTHOR

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Before moving to Australia in 2000, Malcolm lived and worked in the Philippines, South Korea and Japan and spent much time in Singapore and Malaysia. Before joining the Institute in November 2003, Malcolm ran his own consulting practice on East Asian political and economic policy risk analysis.

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