



Perth USAsia Centre
Limited

NEW PERSPECTIVES ON INDONESIA

Understanding Australia's Closest Asian Neighbour

Authors: Jonathan Chen, Andrea Gleason, Dr Greta Nabbs-Keller, Natalie Sambhi, Kyle Springer, & Dr Danau Tanu

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Foreword

By L. Gordon Flake
CEO, Perth USAsia Centre

The Perth USAsia Centre aspires to enrich relations between Australia and its Asian neighbours and our location in Perth makes a program focus on Indonesia essential. Perth is a mere four hour flight from Indonesia's bustling capitol Jakarta, a major population centre closer to Perth than Canberra or Sydney. Perth's proximity to Indonesia has fostered a vibrant community of Indonesia-focussed academics, not-for-profits, and businesses. Likewise, Perth is home to significant number of Indonesian students who pursue higher education at Western Australia's premier universities.

Political and diplomatic leaders often refer to Indonesia as Australia's most important bilateral relationship in the region. In support of this, the Perth USAsia Centre has sought to contribute to the knowledge-base on Indonesia by publishing this informative volume, which takes a look at a changing Indonesia as President Joko Widodo, popularly known as Jokowi, has taken the reins of power in Jakarta. This volume features the work of Indonesia analysts across a variety of disciplines, all with unique insights into the trends and structures that might shape Jokowi's statecraft.

I would like to thank the cadre of Indonesia specialists who contributed to this timely volume. I would also like to thank our program associate, Kyle Springer for his role in driving our Indonesia programs and for contributing to this volume and shepherding it through the publication process. Further thanks goes to the excellent editing skills of Serge DeSilva-Ranasinghe, research fellow at Perth USAsia Centre. As 2015 unfolds, we look forward to developing more Indonesia-related programs that seek to enhance and nurture the Australia – Indonesia relationship.

Strategic Clarity, Political Uncertainty: Prospects for Defence and Security under President Joko Widodo

By Dr Greta Nabbs-Keller

Greta Nabbs-Keller is the director of Dragonminster Consulting (www.dragonminster.com) a Brisbane-based company providing Indonesia expertise to government and private sector clients. She is a former defence professional who has worked in various linguist, analytical, policy and international engagement roles in Canberra and Jakarta. Greta's broader research interests include Indonesian civil-military relations, Indonesia-China relations, politico-security developments in Southeast Asia, and Australian regional foreign policy. In March 2014, Greta was awarded a PhD examining 'The Impact of Democratisation on Indonesia's Foreign Policy' through Griffith Asia Institute. Greta remains active in public policy debate, education and government planning processes and is a regular contributor on Indonesian issues to *The Interpreter*, blog site of the Lowy Institute for International Policy. She has a record of peer-reviewed publications which include: 'Growing Convergence, Greater Consequence: The Strategic Implications of Closer Indonesia-China Relations', *Security Challenges*, (Spring 2011) and 'Reforming Indonesia's Foreign Ministry: Ideas, Organization and Leadership', *Contemporary Southeast Asia*, 35, no. 1 (April 2013).

Overview

Expectations that the election of Joko "Jokowi" Widodo as Indonesia's seventh president would herald meaningful policy reform and consolidate Indonesia's democratic gains have diminished with the dominance of Indonesia's legislature (*Dewan Perwakilan Rakyat*, DPR) by the opposition "Red and White Coalition" coalition. Led by defeated presidential candidate Prabowo Subianto's Gerindra Party, the DPR looks determined frustrate the new government's policy agenda and wind back democratic reforms. In a national political scene characterised by increasing personal acrimony and legislative dominance by oligarchic elites,

Indonesian politics looks set to enter a turbulent and dysfunctional period with potential implications for Indonesia's defence and security policies.

Currently, Widodo faces a hostile legislature which may choose to contest the new president's authority in foreign policy and security matters. In contrast to predecessor Susilo Bambang Yudhoyono (SBY), however, Widodo is a relative neophyte in this area. The president-elect is said to lack interest in foreign policy and strategic matters. His understanding of international affairs, according to sources close to his transition team, is informed more by trade and investment concerns, reflecting a background in furniture exports to East Asia. Like many new leaders inexperienced or uninterested in foreign policy issues before him, President Widodo will soon discover, however, that he will have little choice but to contend with a number of compelling international and domestic security issues as they intersect with Indonesia's vital interests.

The incoming government's policy emphasis on Indonesia's maritime domain means that maritime security issues, particularly the implications of South China Sea territorial disputes, will engage the new president's attention and that of his senior advisors. As the world's largest Muslim-majority state and fulcrum of Islamist extremism in Southeast Asia, moreover, the global threat posed by the Islamic State (IS) and subsequent US-led military action in Iraq and Syria will no doubt be at the forefront of Indonesia's diplomatic and domestic security concerns. Maritime security challenges, rising strategic tensions in the Indo-Pacific region and Islamist extremism are among the principal defence and security challenges facing Indonesia's new government.

As a consequence, this paper is divided into four key sections. It begins by analysing Indonesia's 'maritime axis' (*poros maritim*) doctrine, as the central defence and foreign policy pillar of the incoming Widodo Government. It contends that the 'maritime axis' doctrine marks a policy shift for Indonesia,

which, if addressed seriously in terms of implementation and resources, will provide both strategic benefit and engagement opportunities for Australia.

The second part of the paper examines rising maritime tensions in East Asia and dimensions of the China threat as perceived by Indonesian policy-makers. It explores Indonesia's conception of the regional order and illustrates how Beijing's increasing encroachment into Southeast Asian states' Exclusive Economic Zones (EEZ) has shaped the thinking of Widodo's strategic advisors.

The third part of the paper explores Salafist extremism in the form of growing support within Indonesia for the Islamic State (IS) and al-Nusra Front. Gains made by IS and the al-Nusra Front in Syria and Iraq appear to be re-energising Indonesia's radical Salafist movement, tempered previously by *Jemaah Islamiyah* (JI)'s renunciation of violence within Indonesia and highly effective counter-terrorism operations by Indonesian National Police (*Polri*). The revival of Salafist jihadism in Indonesia, encouraged by social media and galvanised by US-led military action against IS, presents a multidimensional policy challenge for Indonesia.

The final section of the paper concludes by identifying opportunities for Australia to enhance its defence and security cooperation with Indonesia. By necessity, the section also includes recommendations pertaining to foreign policy. It argues that although there is much common ground for cooperation with Australia in Widodo's defence and security platform, the departure of SBY from the national political scene, combined with residual distrust among Jakarta's political elites from the spying allegations, will serve as a constraining factor on closer engagement.

Maritime Security

Poros Maritim: A New Strategic Doctrine?

The Widodo Government has made maritime geography, as conceptualised in its 'global maritime axis' (*poros maritime dunia*) doctrine, the centrepiece of its defence and foreign policy agenda. The new government's policy emphasis on the maritime domain, however, has broader resonance beyond defence and foreign affairs. Promoting the concept of Indonesia as a global maritime axis can be understood as an overarching development doctrine, which seeks to augment Indonesia's prosperity and welfare through economic development of the maritime domain. In essence, the geopolitical component of this broader developmental agenda, calls for a reconceptualization of Indonesia's vital interests as an archipelagic state strategically located at the crossroads of contending major power interests in the Indo-Pacific.

An appreciation of the significance of Indonesia's maritime geography is not new to the country's strategic thinking. In the early post-independence period, Indonesia developed an acute sense of vulnerability to interference by external powers. In the 1950s, Dutch naval patrols off West New Guinea (excluded from the 1949 transfer of sovereignty arrangements), combined with US Central Intelligence Agency (CIA) logistical support to rebellions in the outer islands, illustrated the salience of maritime geography for the country's national security.

Indonesia's first attempt as a modern nation state to articulate a strategic policy germane to its maritime geography was the Djuanda Declaration of 1957. It was the birth of *Wawasan Nusantara* or Indonesia's archipelagic doctrine, which became the basis of the country's geopolitical thinking. Prior to the Djuanda Declaration, the country's sovereignty had extended only three miles from the

low water mark under a 1939 Dutch ordinance. The ordinance meant, in effect, that Indonesia's islands were separated by international waters or "open seas".¹ The Djuanda Declaration delimited Indonesia's territorial sea of 12 nautical miles through straight baselines connecting the outermost points of the outermost Indonesian islands. It would lead to international legal recognition of Indonesia as an 'archipelagic state' under the 1982 United Nations Convention on the Law of the Sea (UNCLOS).

Beyond recognition in international law, however, the concept was not a defining factor in government policy formulation. Indonesia's neglect of the maritime domain was attributable to a number of politico-economic factors, not least the former political pre-eminence of Indonesia's Army, at the expense of the Navy and Air Force. Meanwhile, the Suharto regime's preoccupation with internal dissent and separatist challenges ensured a defence strategy focussed on land-based threats. The sheer scale of the developmental challenges faced by one of the world's largest states in population and area terms, moreover, was a powerful factor militating against a more substantive investment in maritime infrastructure and resources. Indonesia is the world's largest archipelagic state. It comprises of 17,504 islands with a population of approximately 250 million. The country's total area of water measures 5.8 million square kilometres (sq km).²

¹ Hasyim Djalal cited in I Made Andi Arsana, "RI toward a naval power? 54 years of Djoeanda Declaration", *The Jakarta Post*, 14 December 2011, <http://www.thejakartapost.com/news/2011/12/14/ri-toward-a-naval-power-54-years-djoeanda-declaration.html>.

² Consisting of 0.3 million sq km of territorial waters, 2.8 sq km of internal and archipelagic waters, and 2.7 million sq km of EEZ. Prof . Dr. Tulus Warsito, "Geostrategic Maritim Indonesia Dalam Perspektif Diplomasi", in *Jalan Kemandirian Bangsa*, [Path to National Self-Reliance] *Tim Ahli Seknas Jokowi* [Expert Team Jokowi National Secretariat] (Jakarta: Kompas Gramedia, 2014), 150.

New Government's Policy Platform

Widodo's policy emphasis on Indonesia's maritime environment and expression of its geo-strategic interests through the 'maritime axis' concept presents a long overdue reorientation of defence and foreign policy planning. Based on the Vision-Mission and Action Program (*Visi-Misi dan Program Aksi*) released by Widodo and Vice President-elect Jusuf Kalla in May 2014, the new government will seek to operationalise its 'maritime axis' concept by enhancing its foreign policy authority and repositioning itself in global affairs. The search for greater authority is a reflection generally of the policy platform's emphasis on *Trisakti*, or the 'Three Powers', encompassing political sovereignty, economic independence and national character.³

Under a Widodo government, Indonesia has committed to promoting Indonesia's identity as an archipelagic state through diplomacy and international cooperation. The foreign policy and defence expression of Indonesia's archipelagic status will be realised through five key action items:

- *Maritime diplomacy to expedite the resolution of Indonesia's border disputes, including land borders, with ten neighbouring states;*
- *Safeguarding the territorial integrity of the Unitary State of the Republic of Indonesia (NKRI), maritime sovereignty and security and welfare of the outer islands;*

³ "Berdaulat dalam bidang politik, berdikari dalam bidang ekonomi dan berkepribadian dalam kebudayaan". Jokowi-Jusuf Kalla 2014, *Jalan Perubahan Untuk Indonesia Yang Berdaulat, Mandiri Dan Berkepribadian: Visi, Misi Dan Program Aksi*, [Path to Change for an Indonesia which is Sovereign, Self-sufficient and United: Vision, Mission and Action Program] Jakarta, May 2014, http://kpu.go.id/koleksigambar/VISI_MISI_Jokowi-JK.pdf, 3.

- *Securing natural resources in Indonesia's Exclusive Economic Zone;*
- *Intensifying defence diplomacy; and*
- *Reducing maritime rivalries between major powers and supporting the resolution of regional territorial disputes.*⁴

Central to the 'maritime axis' concept is a greater policy emphasis on the Indo-Pacific. The Widodo Government seeks to integrate the Indian and Pacific Oceans as the primary theatre for its foreign policy implementation. In order to realise Indonesia's active role in the Indo-Pacific region, the government will accord priority to following policy objectives:

- *The consolidation of Indonesia's leadership in ASEAN as well as the strengthening of ASEAN cooperation and centrality;*
- *Strengthening of the regional architecture (especially the East Asia Summit) in order to prevent the hegemony of major powers;*
- *The strengthening and development of bilateral strategic partnerships;*
- *Managing the impact of regional economic integration and free trade on Indonesia's national economic interests;*
- *Supporting comprehensive maritime cooperation in the Indo-Pacific region, especially through the Indian Ocean Rim Association (IORA).*⁵

In defence terms, the new government will aim to realise its 'maritime axis' doctrine through the development of the Indonesian Armed Forces (TNI) into a

⁴ Ibid., 12-14.

⁵ Ibid.

regional maritime power of consequence in East Asia.⁶ In so doing, the Widodo Government will move the basis of its capability planning beyond the Minimum Essential Force (MEF) 2024 strategy of the SBY era, best understood as a capability-based defence and force readiness level that can guarantee the attainment of immediate strategic defence interests, towards a more ambitious goal. This will be achieved through a targeted increase in defence spending to 1.5 per cent of GDP during Widodo's five year term from its current 0.82 per cent or approximately IDR 83.4 trillion (AUD 7.89 billion).⁷

Implementational Challenges

The government will face both ideational and financial difficulties in the implementation of its 'maritime axis' doctrine. Turning awareness of Indonesia's archipelagic status and maritime potential from what Widodo advisor, Rizal Sukma, characterised as "merely discourse" into policy reality will be immensely challenging.⁸ Despite the modernisation of Indonesia's armed forces, including a growing emphasis on maritime capabilities⁹, the country still lacks comprehensive maritime domain awareness. An integrated surveillance and coordination approach by maritime agencies is still some way off despite changes to lead agency maritime security agency *Bakorkamla*

⁶ In Indonesian '*membangun TNI sebagai kekuatan maritim regional yang disegani di kawasan Asia Timur*'. Ibid., 14.

⁷ "Dirjen Potan: Kebutuhan "MEF" Bisa Terpenuhi 2024" [Director-General Defence Potential: "MEF" Can be Achieved by 2024], Kemhan [Ministry of Defence], 26 March 2013, <http://www.kemhan.go.id/kemhan/?pg=31&id=1013>.

⁸ Bagus BT Saragih, 'Jokowi on people-based diplomacy', *The Jakarta Post*, September 10, 2014, <http://www.thejakartapost.com/news/2014/09/10/jokowi-people-based-diplomacy.html>

⁹ In order to safeguard its sea lanes of communications, TNI AL has purchased advanced primary weapon systems including three brand new Changbogo class diesel electric submarines, two Dutch-built Sigma PKR 10514 frigates, four Dutch-built Sigma corvettes, three ex-Royal Brunei Navy Nakhoda Ragam class multirole light frigates, up to 32 locally built fast missile craft and patrol boats, CN-235 maritime patrol aircraft (MPA) and AS-565 Panther anti-submarine helicopters. TNI AL is also improving the amphibious capability of the Marine Corps by procuring large numbers of Russian BMP-3F and Ukrainian BTR-4 amphibious fighting vehicles and improved artillery systems. Information courtesy of Marc Keller, Director Dragonminster Consulting, <http://dragonminster.com/>

(rebadged as *Bakamla*), which will now direct maritime security operations carried out by the twelve agencies under its command.¹⁰ The recent discovery of four unidentified drones in Indonesia's territory has further underscored Indonesia's inadequacies in Intelligence, Surveillance and Reconnaissance (ISR) and hence weaknesses in its capacity to defend its territorial integrity.¹¹

There are also cultural constraints to further reform within Indonesia's security bureaucracies. Deep rivalry between TNI and *Polri* since their separation in 1999 has long frustrated closer coordination.¹² There is little incentive for agencies to coordinate more closely. Steeped in hierarchical and opaque bureaucratic cultures, they are still some way off from internalising the good governance principles of efficient service delivery, transparency and accountability.¹³ Finally, the maritime domain presents ample opportunities for Indonesian ports, customs, coastguard, immigration, police, and naval personnel to engage in rent-seeking opportunities. Despite the Corruption Eradication Commission's (*Komisi Pemberantasan Korupsi*, KPK) successes in prosecuting senior police officers, bureaucrats and politicians, Indonesia is still ranked at

¹⁰ These are: TNI AL; Polri's Marine Division; Ministry of Transport's Coast Guard Unit (KPLP); Ministry of Maritime Affairs and Fisheries; Ministry of Finance's Customs and Excise Directorate-General. The following seven agencies listed maintain information coordination without committing any assets to sea: Ministry of Law and Human Rights; Coordinating Ministry for Political, Legal and Security Affairs; Ministry of Home Affairs; Ministry of Foreign Affairs; State Intelligence Agency; Attorney-General's Office and TNI HQ. Ibid.

¹¹ Confidential interview, Jakarta, 3 September 2014

¹² Indonesian Security Sector Reform analysts, for example, widely attribute the rejection of the National Security Bill (*UU Kamnas*) by the DPR to rivalries between TNI and Polri. Polri fears TNI dominance in a proposed National Security Council (*Dewan Keamanan Nasional*), a key component of UU Kamnas bill, and has so far resisted plans to place the Polri chief under a civilian minister. There are also broader institutional jealousies and turf rivalries between Polri and TNI personnel that on occasion erupt in violence.

¹³ For an idea of problems endemic to Indonesia's public service more generally see Staffan Systerstrom, "The Civil Service: Towards Efficiency, Effectiveness and Honesty", in *Indonesia: Democracy and the Promise of Good Governance*, edited by Andrew MacIntyre and Ross H. McLeod, 160, (Singapore: ISEAS, 2007), 159–177.

114 among 177 countries by Transparency International's Corruption Perception Index.¹⁴

The realisation of the defence and security aspects of the 'maritime axis' doctrine such as "safeguarding Indonesia's maritime sovereignty" and "securing natural resources in Indonesia's EEZ"¹⁵ will require a long term investment, which will not be realised within a five year presidential term. The increase in defence spending is contingent upon solid economic growth rates and the competing imperatives of service delivery in health and education, as well as investment in infrastructure and agriculture. Whilst Indonesia remains unable to police its expansive territorial waters it remains prone to myriad security threats and criminal activities including arms, drugs and people smuggling, piracy, illegal, unreported and unregulated (IUU) fishing and territorial violations by state actors.

Indonesia, the South China Sea and Broader Strategic Stability

The end of complacency

Widodo's presidential candidature has provided an opportunity to reappraise the strategic realities of Indonesia's archipelagic status and reflect it in policy terms. This comes after a sustained period of democratic consolidation in which Indonesia's economic fortunes and global diplomatic stature have risen. Indonesia's rise has also corresponded with an increase in regional strategic tensions driven in large part, by China's brinkmanship in its maritime territorial disputes with Japan, Vietnam and the Philippines. In the twenty first century,

¹⁴ "RI improves ranking on global corruption perception index", *Antara news*, 3 December 2013, <http://www.antaranews.com/en/news/91680/ri-improves-ranking-on-global-corruption-perception-index>.

¹⁵ Jokowi-Jusuf Kalla 2014, *Jalan Perubahan Untuk Indonesia Yang Berdaulat, Mandiri Dan Berkepribadian: Visi, Misi Dan Program Aksi*, [Path to Change for an Indonesia which is Sovereign, Self-sufficient and United: Vision, Mission and Action Program], 12.

both sea and air power will be critical for defence against conventional threats in the Indo-Pacific region. As a consequence, the vulnerabilities and immense potential of Indonesia's maritime geography have been at the forefront of the minds of the key intellectuals who drafted the President-elect's policy platform and coordinated the work of the transition team.

Based on an analysis of Widodo's May 2014 Vision-Mission and Action Program, policy input by Indonesian academics¹⁶ and "off the record" comments by Widodo advisors, Indonesia's neglect of its maritime environment and the country's relative complacency about the intersection of China's South China Sea ambitions with its territorial waters appears to be coming to an end. One of Jokowi's principal defence advisors, for example, called recently for a psychological shift from a weak state mentality to a more offensive defence posture which better reflects Indonesia's geographic character. To illustrate the point that Indonesia's defence posture was too passive, he quipped recently to seminar participants, including mid-ranking TNI officers, that instead of providing a credible military deterrent, "Natuna would be snatched and Indonesia forced to snatch it back again!"¹⁷

The China Threat

China's determined pursuit of its national interests in the South China Sea — hydrocarbons, fish stocks, and territory — presents a security challenge for Indonesia in two important ways. First, China's nine-dash line claim which is the basis of its "indisputable sovereignty" over most of the South China Sea intersects with Indonesia's EEZ just north of the Natuna Islands, located in Riau

¹⁶ These contributions were coordinated by *Tim Ahli Seknas Jokowi* (Jokowi National Secretariat (Seknas) Expert Team) in a research symposium conducted on 20 March 2014 in Jakarta. The presentations are published as *Jalan Kemandirian Bangsa* [Path to National Self-Reliance].

¹⁷ The original was in Indonesian: "*Natuna direbut, kami rebut kembali!*" Confidential views of Jokowi advisor, Jakarta, 3 September 2014.

Islands Province. Secondly, Indonesia sees itself as a key arbiter of the regional order. Through its founding role in the establishment of ASEAN in 1967, and as ASEAN's largest state, Indonesia has a proprietorial view of the organisation. Indonesia is the *primus inter pares* actor in ASEAN and through its leadership seeks to preserve Southeast Asia's autonomy vis-à-vis external powers.

An analysis of the history of ASEAN indeed reveals that much of its politico-strategic agenda has been about China. How to socialise China into ASEAN norms on the renunciation of the use or threat of force and the peaceful settlement of disputes has engaged Indonesia's foreign policy intellectuals for decades. But there are cracks appearing in Indonesia's China policy, both in terms of government unanimity with respect to the undeclared territorial dispute with China, and in Indonesia's hedging against Chinese dominance through regional multilateral organisations.

Indonesia's official position on China's claim to waters near the Natuna Islands is to ignore it. But this approach by Indonesia's foreign ministry is getting more difficult as TNI officers break ranks and publically express concerns about the vulnerability of Natuna to China's creeping encroachment.¹⁸ On 10 September 2014, for example, Head of the Maritime Security Coordination Agency (*Bakorkamla*) Vice Admiral Desi Albert Mamahit was the latest in a series of senior TNI officers to publicly express concern: "Sooner or later, whether we like it or not, Indonesia will be affected by the South China Sea conflict either directly or indirectly."¹⁹ Meanwhile, Indonesia itself has been subject to

¹⁸ See Greta Nabbs-Keller, "Is Indonesia shifting its South China Sea policy?", *The Interpreter*, Lowy Institute for International Policy, 16 April 2014, <http://www.lowyinterpreter.org/post/2014/04/16/Indonesia-Natuna-shift-south-china-sea-policy.aspx?COLLCC=1491051479&>

¹⁹ "Konflik Laut Cina Selatan Berpengaruh ke Indonesia"[South China Sea Conflict Impacts on Indonesia], *Tribun News*, September 11, 2014, <http://www.tribunnews.com/nasional/2014/09/11/konflik-laut-cina-selatan-berpengaruh-ke-indonesia>.

increasingly coercive measures by Chinese maritime law enforcement vessels in its EEZ, particularly in relation to illegal fishing activities.²⁰

ASEAN unanimity, the core of Southeast Asia's resilience and autonomy, is being increasingly tested by China's actions in the South China Sea. Serious schisms, like the 2012 Phnom Penh ASEAN Ministerial Meeting which ended in acrimony and without a communique, reflects Beijing's leverage over smaller states like Cambodia and Laos. Although Indonesia's foreign minister, Marty Natalegawa, reached a face-saving agreement on a six-point statement on the South China Sea, the incident illustrated the potential of the South China Sea issue to divide ASEAN.²¹

Risk of Waning Leadership, Rising Nationalism

South China Sea territorial disputes represent one of the most pressing foreign policy and security challenges that the Widodo Government will inherit in October. Indonesia's regional leadership and national prestige is invested in its mediation role between Beijing and the four ASEAN claimant states — Vietnam, the Philippines, Malaysia and Brunei. So far Indonesia has been able to keep China negotiating on a South China Sea Code of Conduct, but Beijing appears in no hurry to sign, preferring a bilateral approach. Further belligerent actions by China, like its erection of a deep water oil drilling rig in Vietnam's EEZ last May and ongoing land reclamation activities in the Spratly Island chain, undermine regional stability and risk Indonesia's ability to maintain ASEAN cohesion in the face of rising interstate tensions.

²⁰ For example, Scott Bentley, "Mapping the nine-dash line: recent incidents involving Indonesia in the South China Sea", *The Strategist*, The Australian Strategic Policy Institute Blog, October 2013, <http://www.aspistrategist.org.au/mapping-the-nine-dash-line-recent-incidents-involving-indonesia-in-the-south-china-sea/>.

²¹ Bagus BT Saragih, "RI finds common ASEAN ground in sea dispute", The Jakarta Post, 23 July 2012, <http://www.thejakartapost.com/news/2012/07/23/ri-finds-common-asean-ground-sea-dispute.html>.

There is another important domestic political dimension to the South China Sea conflict for Indonesia. The anti-Chinese riots in Vietnam in response to the oil rig incident have not been lost on Widodo's advisors. Indonesia suspended diplomatic relations with China for 23 years for its alleged complicity in Indonesia's 1965 coup attempt. Although Indonesia has not seen serious anti-Chinese violence since the May 1998 riots that preceded Suharto's resignation, perceived illegitimate Chinese actions in the Natuna Islands, or a more serious confrontation between Chinese paramilitary vessels and an Indonesian government vessel (than has already occurred), could inflame Indonesian nationalism and unleash latent anti-Chinese sentiment. Chinese diplomats in Jakarta have been warned apparently that Indonesia will not tolerate the kind of rough treatment recently meted out to Vietnam and the Philippines.²²

Salafist Extremism

The Long War

The latest deadly incarnation of Salafist extremism, as represented by the Islamic State (IS) and Al-Qaeda backed al-Nusra Front, represents a new and insidious challenge to the Indonesian state and regional counter-terrorism efforts. According to some estimates, there are currently around 300 Indonesians fighting in Syria and another 56 in Iraq.²³ Much like Afghanistan before it, conflicts in Syria and Iraq have the potential to re-energise Indonesia's

²² Respondent was referring to China's placement of a giant oil rig in Vietnam's EEZ last May and the permanent presence of Chinese paramilitary vessels in Philippines waters. Chinese diplomats were reminded, reportedly, of the razing of the Chinese embassy in Jakarta in 1967 in reprisal for violence against Indonesian diplomats. Confidential discussion with Widodo advisor, Jakarta, 3 September 2014.

²³ Peter Alford, "Abu Bakar Bashir's supporters quiet over his backing for Islamic State", *The Australian*, 17 September 2014, <http://www.theaustralian.com.au/news/world/abu-bakar-bashirs-supporters-quit-over-his-backing-for-islamic-state/story-e6frg6so-1227060637092>.

radical Salafist groups and undermine the country's cohesion and pluralist *Pancasila* ideology.²⁴

Islamist extremism is not a new challenge for Indonesia, but one which Indonesia's security forces have confronted since the *Darul Islam* insurgency of the 1940s. Although the *Darul Islam* insurgency was defeated by the Indonesian military in 1962, the desire for an Islamic state and imposition of *Shariah* Law has long inspired Indonesia's radical Islamist movement. The 2001 September 11 attacks on the United States, combined with deadly sectarian violence in Indonesia's Maluku and Sulawesi provinces in the early years of Indonesia's democratic transition, gave rise to the Al-Qaeda-linked *Jemaah Islamiyah* (JI). In a series of deadly bombings between 2000 and 2009, JI-linked operatives were responsible for the death and injury of hundreds of Indonesian and foreign nationals, including 88 Australians killed in two Bali night club bombings in 2002.

Indonesia's radical Islamist movement has splintered into a number of smaller groups since mainstream JI renounced violence within Indonesia in 2007. Among the most dangerous of these is the Sulawesi-based terrorist network, the Eastern Indonesia Mujahidin (*Mujahidin Indonesia Timur*, MIT), led by Abu Wardah Santoso. *Jamaah Ansharut Tauhid* (JAT), a direct offshoot of JI is led by incarcerated terrorist mastermind Abu Bakar Ba'asyir [aka Bashir]. The group has recently divided over Ba'asyir's pledge of allegiance (*baiat*) to IS with around 95% of JAT's claimed 3,000 membership (including Ba'asyir's

²⁴ *Pancasila*, derived from the Sanskrit words *panca* and *sila*, was devised by Indonesia's first president, Soekarno, and form the ideological basis of the state. They are summarised as follows: 1) belief in one god; 2) a just and civilised humanity, 3) unity, 4) democracy, 5) social justice.

sons and senior executives), forming a new organisation *Jamaah Ansharusy Syariah* (JAS).²⁵

Radical groups JI, JAS and the Indonesian Mujahidin Council (*Majelis Mujahidin Indonesia*, MMI) are reportedly cooperating on the disbursement of humanitarian aid to Syria in support of the al-Nusra Front, rather than IS. These groups reject the legitimacy of the caliphate declared by IS encompassing eastern Syria and Western Iraq, as well as its brutal treatment of fellow Sunni Muslims.²⁶

The Government's Response

The propagation of IS ideology through social media is of concern to Indonesian authorities. An Indonesian terrorism expert who runs an anti-radicalisation program in Indonesia estimated that around 2,000 Indonesians had pledged their online allegiance to the Islamic State.²⁷ IS's strong anti-Shia ideology, furthermore, risks inflaming tensions between Indonesia's majority Sunni community and minority Shia and Ahmadiyah Muslims, who have been the target of violence, discrimination and displacement in Indonesia over recent years.

The Indonesian government fears that the Iraq and Syrian conflicts, like Afghanistan before it, will radicalise a new generation of militants with the funding, networks and combat experience to launch new attacks. In response, Coordinating Minister for Political, Legal and Security Affairs, Djoko Suyanto, said government agencies had been instructed to prevent Indonesians from

²⁵ Alford, "Abu Bakar Bashir's supporters quiet over his backing for Islamic State".

²⁶ Ibid.

²⁷ Taufik Andrie quoted by George Roberts, "Islamic State: Indonesian terrorists discuss reprisal attacks over action against IS, increasing threat to Australians, researcher says", *ABC News*, 15 September 2014, <http://www.abc.net.au/news/2014-09-15/indonesian-terrorists-discuss-attacks-over-is-action/5743076>.

flying to the Middle East to join IS, including by denying them passports. “The government is collecting names of Indonesians who have travelled to Syria and is monitoring their activities”, he said.²⁸

The Government has also placed a ban on IS membership and ideology in Indonesia and announced that Indonesia’s National Counter-Terrorism Agency (BNPT) would lead law enforcement efforts against the extremist group in Indonesia. The government has not placed a similar ban on the al-Nusra Front, however, a concern identified by some terrorism analysts who point out that the bulk of Indonesian fighters have in fact joined al-Nusra rather than IS.²⁹

Converging with the impact of IS and al-Nusra is the release from prison in 2014 of large numbers of Indonesian jihadis, some of whom have been previously involved in bombings against Western targets. In September, Det-88 arrested four Chinese Uighurs in Sulawesi with links to IS, who were reportedly attempting to make contact with MIT leader Santoso.³⁰ These arrests illustrate that aside from Indonesian fighters travelling to the Middle East, foreign Islamists are also travelling to Indonesia to coordinate with Indonesian jihadis. On a more positive note, the arrests also demonstrate the relative effectiveness of Indonesian police and intelligence networks in monitoring the threat.

The “Intermestic” Challenge

President Obama’s September announcement that the US would lead a coalition against IS has added a dangerous new variable into the revival of Salafist extremism in Indonesia. With a Muslim population of around 87%, Indonesian

²⁸ Richard C Paddock and Ben Otto, "Indonesia: Detainees Likely Uighurs Who Planned to Meet With Militant", *The Wall Street Journal*, 15 September 2014, <http://online.wsj.com/articles/indonesia-says-detainees-are-likely-uighurs-who-sought-meeting-with-militant-1410810096>.

²⁹ Peter Alford, "Bashir's terror call sparks exodus to Syrian rival", *The Australian*, September 17, 2014.

³⁰ Paddock and Otto, "Indonesia: Detainees Likely Uighurs Who Planned to Meet With Militant".

governments need to maintain a difficult balancing act between placating the sensitivities of their Muslim constituencies and maintaining Indonesia's image as a moderate Muslim country and vital actor in regional counter-terrorism efforts.

In the past, senior Indonesian policy-makers have been mindful of the potential for local jihadism fuelled by Western-led military interventions in Afghanistan and Iraq to “*merobek*” (to tear) the country apart.³¹ In an attempt to avert a dangerous Huntington-like³² schism pitting the Muslim East against the Christian West, Indonesia's foreign ministry led a deliberate strategy of countering Western media discourse and public opinion equating Islam with terrorism. Under former foreign minister Hassan Wirajuda, for example, it instituted weekly foreign policy breakfasts with the interfaith community and sent religious leaders abroad to places like Australia to understand there were also groups in the West which opposed the Iraq War.³³

Whilst the Jokowi policy platform makes no specific mention of terrorism, it does contend that globalisation is having a dislocating impact on Indonesia's youth, which is in turn, strengthening primordial identities.³⁴ The impact of IS and al-Nusra ideology on Indonesia will be multidimensional with security, economic, religious and foreign policy implications. The succour IS and al-Nusra provide to the local jihadist movement combined with US-led military action will potentially heighten the risk of terrorist attack including against Western targets, harming Indonesia's investment climate. Perhaps most

³¹ Interview with retired senior Indonesian diplomat, Jakarta, 12 October 2012.

³² In 1993, Harvard scholar Samuel Huntington published his 'Clash of Civilizations' thesis which contended that the fundamental source of conflict for humankind would be cultural, i.e. between different civilisations. Samuel P. Huntington, "Clash of Civilizations", *Foreign Affairs*, 72, no. 3 (Summer, 1993): 22-49.

³³ Interview with retired senior Indonesian diplomat, Jakarta, October 12, 2012.

³⁴ Jokowi-Jusuf Kalla 2014, *Jalan Perubahan Untuk Indonesia Yang Berdaulat, Mandiri Dan Berkepribadian: Visi, Misi Dan Program Aksi, Visi, Misi Dan Program Aksi*, 2.

dangerously for the new government, it risks sharpening Indonesia's internal schisms along sectarian lines. Such pressing security challenges highlight the importance of Widodo's choice of defence and foreign affairs ministers, as well as the powerful position of Coordinating Minister for Politics, Legal and Security Affairs (*Menkopolhukam*). Fortunately for Widodo, Vice President Jusuf Kalla has a proven track record in quelling communal conflict.³⁵

Policy Priorities and Opportunities for Australia

The election of a new government in Indonesia heralds both risk and opportunity for Australia-Indonesia relations. On the one hand, rising strategic uncertainties posed by China's maritime territorial claims and the revival of Salafist extremism in Southeast Asia are proving powerful imperatives for closer cooperation between Indonesia and Australia. On the other hand, Widodo has yet to develop any personal investment in maintaining strong bilateral ties with Australia and there is residual anger over the spying revelations according to a Widodo advisor.³⁶ Chairwoman of Jokowi's party vehicle PDI-P Megawati Soekarnoputri, meanwhile, is an ardent defender of the Unitary State (NKRI) and will undoubtedly exert influence over aspects of the government's defence and foreign-policy decision-making. It is said Megawati has not forgotten the loss of East Timor or indeed Australia's role in it. Further intelligence revelations risk doing longer term damage to bilateral relations.

- **Given the advent of a domestic political environment in Indonesia that is potentially less conducive to close bilateral relations, the**

³⁵ Kalla has a record of achievement in government, including conflict resolution. He was instrumental in brokering the 2005 Helsinki Accord which saw the cessation of protracted separatist violence in Aceh. Whilst serving as Coordinating Minister for People's Welfare in the government of Megawati Soekarnoputri, he was similarly instrumental in quelling sectarian violence in Maluku and Central Sulawesi under the Malino II Accords.

³⁶ Confidential interview, Jakarta, 3 September 2014

Australian Government might consider formulating a risk mitigation strategy to allay future tensions.

The new administration in Jakarta will see a shake-up of key portfolios of foreign affairs (*Kemlu*), defence (*Kemhan*), and politics, legal and security affairs (*Kemenkopolkukam*). These are strategic portfolios for Australian security and foreign policy engagement and it will take time for Australian ministers and senior bureaucrats to build rapport with their new counterparts.

- **At the executive and senior bureaucratic level of the Australian Government, the priority should be to build rapport with Indonesia's new president, cabinet and departmental heads.**

Forthcoming policy changes in Jakarta require that Australian policy-makers understand the defence and security platform of the new government and align engagement priorities accordingly. The objectives of Widodo's foreign policy platform reflect Indonesia's attempts to balance an ascendant China through strengthening cooperation in the Indian Ocean theatre. As Indonesia seeks to operationalise its 'maritime axis doctrine', there are obvious opportunities to enhance defence and security cooperation among Indian Ocean littoral states, which also include Australia and India.

- **Australia, India and Indonesia share common democratic values and a commitment to international maritime law. Shared identities and common security goals should be reflected in Australian narratives on the Indian Ocean.**
- **Australian policy-makers might consider how to facilitate closer trilateral cooperation with India and Indonesia in IORA.**
- **The Australian Government's facilitation of new initiatives and enhanced cooperation in the Indian Ocean Naval Symposium**

(IONS), as well as the ASEAN Defence Ministers Meeting Plus (ADMM Plus), converge well with Indonesia's policy emphasis on intensified defence diplomacy and reduction of regional maritime rivalries.

For the defence relationship, the first priority will be to *restore* engagement activities to pre-November 2013 levels. Defence was doing a lot with Indonesia. Providing bilateral defence engagement is fully restored, the issue will be more about recalibrating defence international engagement objectives to suit the shared policy priorities of Australia and the new Indonesian Government.

- **Enhanced maritime surveillance and information sharing; submarine escape and rescue training, visit, board, search and seizure (VBSS) training and defence science and technology germane to Indonesia's maritime geography will be of high interest to Indonesian government agencies.**
- **As Indonesia's Maritime Security Agency (*Bakamla*) coordinates 12 agencies under its command, the Australian Government could promote its maritime safety and security architecture as relevant to Indonesia's requirements.**

Widodo's policy platform signals a restructure of Indonesia's foreign ministry and an emphasis on building skills in strategic research, law of the sea and asset recovery. Australian universities, the private sector and think-tanks in partnership with DFAT are well placed to facilitate the research skills of Indonesia's diplomatic corps and deepen subject matter expertise.

- **Australian Government agencies might give consideration to providing professional training courses to Indonesian defence,**

security, and foreign ministry personnel and whether they can leverage off existing funding mechanisms or indeed devise new ones.

The loss of nearly one hundred Australian lives in previous terrorist attacks in Indonesia ensures Australia retains a fundamental interest in the success of Indonesia's counter-terrorism and de-radicalisation efforts. The *Joint Understanding on a code of conduct between the Republic of Indonesia and Australia*, signed on 28 August 2014 in Bali, has provided for enhanced intelligence exchanges between Indonesia and Australia in face of the IS threat. In addition:

- **There may be lessons learned from Indonesia's deradicalisation programs in the context of managing Australia's growing Islamist threat.**
- **For Defence, the threat posed by IS and the al-Nusra Front in Indonesia may require changes to intelligence targeting and information sharing protocols, and the possible incorporation of new tactics in combined CT exercises with TNI.**

Indonesia's Foreign Policy Challenges and Australia–Indonesia Relations

By Natalie Sambhi

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Introduction

With the election of a new Indonesian president in October comes the prospect of an uncharted foreign policy from the world's fourth most populous country and the largest Muslim democracy. President Joko Widodo (widely known as Jokowi) is expected to concentrate on a domestic agenda that includes addressing uneven wealth distribution, improving health and education standards, tackling poor infrastructure, and stimulating local business. He has mainly left foreign affairs to Retno Marsudi, the former ambassador to the Netherlands who also served as information secretary at the Indonesian Embassy in Canberra from 1990 to 1994. Nevertheless, Widodo faces a number of foreign policy challenges, driven not only by an international environment in flux but also the way in which those challenges affect his domestic agenda.

How Indonesia's foreign policy unfolds is of key interest to Australia. We are yet to know what kind of emphasis Widodo will place on our particular bilateral relationship, relative to other priorities. To understand Australia's place in

Indonesia's worldview, we need to situate that bilateral relationship within Indonesia's broader foreign policy.

This paper serves as a primer on Indonesia's future international outlook, and considers structural features of the international system and, to a lesser degree, the role of individuals such as the foreign minister in shaping Indonesia's foreign policy. The discussion begins with an overview of the past decade of Indonesia's foreign engagement under former President Susilo Bambang Yudhoyono (widely known as SBY). The second section is a lengthier discussion of four main challenges and opportunities facing Indonesia in the international realm: maritime issues, great power relations, Association of Southeast Asian Nations (ASEAN), and economic diplomacy. The third section assesses how the development of Indonesia's foreign policy under Widodo will affect Australia in terms of bilateral relations with Indonesia and opportunities for cooperation on multilateral issues. The conclusion touches on how Marsudi's ministerial role and diplomatic experience will shape and realise Indonesia's foreign policy ambitions.

Indonesia's Foreign Policy under Yudhoyono from 2004 to 2014

Yudhoyono presided over a decade of political stability and strong economic growth. During his tenure, Indonesia was much more assertive on the international scene—often seen as in stark contrast to Yudhoyono's inactivity on economic and social reforms.

Foreign policy under Yudhoyono was characterised by the continuation of long-standing principles such as '*bebas dan aktif*', a free and active foreign policy, in place since Indonesia's independence in 1945. However, Yudhoyono also encouraged high levels diplomatic activity to enhance Indonesia's stature as a 'regional power/global player'—a recurring concept in a number of his

speeches in his ten-year tenure since 2004—as well as the idea of ‘a million friends and zero enemies’.

To make the country a global player, Yudhoyono championed Indonesia’s membership of multilateral groupings, including the East Asia Summit (EAS), the G20, the United Nations, and the Organization of Islamic Cooperation (OIC), and proudly proclaimed such memberships as foreign policy successes in his domestic speeches. At the Asia-Pacific level, Indonesia took a more activist approach within ASEAN, with Yudhoyono’s second-term foreign affairs minister, Marty Natalegawa, spearheading shuttle diplomacy between Southeast Asian states and championing initiatives such as the ‘Treaty of Amity and Cooperation’ in the Indo-Pacific. Although there has not been further discussion of treaty since December 2013, it demonstrated Indonesia’s international leadership aspirations and involvement in foreign affairs at the time.

Another particular feature of Yudhoyono’s tenure was his increasing emphasis on the Islamic and democratic credentials of Indonesia’s post-*reformasi* foreign policy. In addition to its OIC membership, Indonesia showed an interest in matters across the Muslim world, from the Israel–Palestine peace process to Rohingya Muslims in Myanmar. Although Indonesia has limited diplomatic influence in these matters, showing solidarity with Muslim states was an enduring and domestically popular feature of Yudhoyono’s foreign policy. The Bali Democracy Forum (BDF) was a Yudhoyono government initiative established in 2008 to help Indonesia share its experiences with democratisation and draw together Muslim states to discuss their own. Although not a decision-making body (and criticised as being another ‘talk shop’), the BDF further exemplifies Indonesia’s desire to be an influential state in world affairs.

Although Indonesia became a more prominent foreign policy actor under Yudhoyono, the country arguably drew limited diplomatic gains for its efforts.

Despite its global ambitions, the Yudhoyono administration lacked commitment to follow through, as a result of which many of its diplomatic initiatives have not yet come to fruition. For example, Yudhoyono was involved in the Millennium Development Goals panel of the United Nations with British Prime Minister David Cameron and Liberian President Ellen Johnson Sirleaf, but he made lacklustre progress on reducing wealth inequality in his own country. Similarly, the fizzling out of the Treaty of Amity and Cooperation reflects a lack of interest either by member states (which means Indonesia did not solicit enough backers before announcing the treaty) or the Indonesian Government in pursuing the treaty. In other words, being diplomatically active was seen as an end in itself—and possibly the prime foreign affairs legacy of the Yudhoyono presidency.

Foreign Policy Challenges ahead for Indonesia

Turning now to 2014, President Widodo and Vice President Jusuf Kalla have only made nascent pronouncements about Indonesia's future foreign policy in their presidential debates, speeches, and 'vision and mission' (*visi misi*) statements during the election campaign. The 'vision and mission' statement articulates four foreign policy priorities: preserving Indonesia's maritime domain; increasing middle power diplomacy; consolidating both economic and security relationships in the Indo-Pacific (particularly with other ASEAN states); and formulating foreign policy that both involves and reflects the interests of the community as well as reforming the foreign ministry.³⁷ Widodo also unveiled the concept of '*poros maritim dunia*', which aims to make Indonesia the 'world's maritime axis'. Overall, Widodo is expected to be more

³⁷ "Jalan perubahan untuk Indonesia yang berdaulat, mandiri dan berkepribadian: visi misi, dan program aksi", Vision Mission statement of the Jokowi Jusuf Kalla 2014 campaign, May 2014, http://kpu.go.id/koleksigambar/VISI_MISI_Jokowi-JK.pdf, pp. 12–14.

pragmatic than Yudhoyono in his foreign policy approach, electing to commit Indonesia's diplomatic time and resources to grassroots level concerns such as foreign workers.

What follows is a discussion of four important foreign policy areas requiring the Widodo administration's immediate attention. For example, the impact of maritime conflicts on regional stability and the long lead times required to sustain economic and trade cooperation in the Asia-Pacific need to be addressed as a matter of priority. Other global challenges such as climate change require Indonesia's attention but as an introduction to the new administration's foreign policymaking, this paper will focus on the four priority areas listed below.

I. Maritime Issues

Throughout his election campaign and in his inauguration speech, Widodo emphasised the primacy of Indonesia's maritime surrounds as fundamental to the nation's wellbeing and future.³⁸ Maritime conflicts, most notably the rising tensions in the South and East China seas over territorial disputes between China and other states, present Indonesia with diplomatic and security challenges.

China has increasingly exhibited more assertive and aggressive behaviour in the region, but with trade worth approximately US\$5 trillion passing through the South China Sea,³⁹ regional states are concerned that stand-offs between Chinese vessels and those of Southeast Asian nations like Vietnam and the Philippines could disrupt regional peace and prosperity.

³⁸ "Jokowi's Inaugural Speech as Nation's Seventh President," unofficial translation, *The Jakarta Globe*, October 20, 2014, <http://thejakartaglobe.beritasatu.com/news/jokowis-inaugural-speech-nations-seventh-president/>.

³⁹ Council on Foreign Relations, "China's Maritime Disputes," *CFR InfoGuide Presentation* (2013), http://www.cfr.org/asia-and-pacific/chinas-maritime-disputes/p31345#/?cid=otr-marketing_use-china_sea_InfoGuide.

In May this year, the state-owned China National Offshore Oil Corporation, accompanied by 80 ships (including military assets), placed a deep-water oil rig in disputed waters near the Paracel Islands, which Vietnam claimed was located on its continental shelf. The move sparked a number of confrontations, including clashes between Chinese and Vietnamese naval vessels, with one Vietnamese fishing vessel sinking after being rammed by a Chinese one.⁴⁰ In another incident, Chinese Navy vessels blocked the resupply of food and fresh Filipino Marines to the Second Thomas Shoal.⁴¹ Such confrontations risk clashes between international vessels and military action by one or both parties.⁴² They also carry uncertainty as to whether China would use more coercive measures to claim what it sees as its territory.

Along with other Southeast Asian states, Indonesia has urged for these claims to be resolved according to international law, not by force. In 2010, Indonesia issued a letter to the UN Commission on the Limits of the Continental Shelf contesting China's position on the South China Sea and urging China to clarify its claim on part of the Natuna Islands' exclusive economic zone (EEZ) (located in Indonesia's Riau province).⁴³ China has so far ignored the letter,⁴⁴ but there

⁴⁰ Jane Perlez and Keith Bradsher, "In High Seas, China Moves Unilaterally," *The New York Times*, May 9, 2014, <http://www.nytimes.com/2014/05/10/world/asia/in-high-seas-china-moves-unilaterally.html>; Jane Perlez, "Vietnamese Vessel Sinks in Clash Near Oil Rig," *The New York Times*, May 26, 2014, <http://www.nytimes.com/2014/05/27/world/asia/vietnam-boat-sinks-in-clash-near-oil-rig.html>.

⁴¹ Jim Gomez, "Philippine ship slips past Chinese blockade in disputed South China Sea", *The Star*, 29 March 2014, http://www.thestar.com/news/world/2014/03/29/philippine_ship_slips_past_chinese_blockade_in_disputed_south_china_sea.html.

⁴² A Filipino captain said a swerving manoeuvre avoided collision between his resupply ship and Chinese vessels. See "China-Philippines Navy Spat Captured on Camera," *BBC News*, March 30, 2014, <http://www.bbc.com/news/world-asia-26806924>.

⁴³ "Indonesia Wades In," *The Economist*, August 2, 2010, http://www.economist.com/blogs/banyan/2010/08/indonesia_and_south_china_sea.

⁴⁴ Felix K. Chang, "Even Indonesia: Concerns over China's Reach in the South China Sea," E-notes (Philadelphia: Foreign Policy Research Institute, October 2014), <http://www.fpri.org/articles/2014/10/even-indonesia-concerns-over-chinas-reach-south-china-sea>.

seems to be an overlap between an area of Indonesia's Natuna Islands' EEZ and China's claim made under the historic Nine-Dash Line.⁴⁵

However, Indonesia's ability to mediate in these disputes could be undermined by recent developments. In March 2013, a vessel from the Indonesian Ministry of Maritime Affairs and Fisheries encountered a Chinese fishing vessel operating in the Natuna Islands' EEZ. All the Chinese crew were arrested and taken aboard the Indonesian vessel, but the captain was later forced to release them following threats and harassment by an armed Chinese maritime law enforcement vessel.⁴⁶ Subsequent reports suggest that the Chinese vessel tried to jam the transmission system of the Indonesian vessel to block communication with headquarters ashore—an act that, as one analyst has noted, in addition to other coercive measures, might “have proved dangerously escalatory” had the Indonesian captain not released the Chinese prisoners.⁴⁷

A sprawling archipelago, Indonesia lacks the naval power to satisfactorily safeguard its maritime domain. The country's military modernisation program, known as Minimum Essential Force, is in part intended to mitigate this vulnerability. But for now, Widodo and his foreign minister have to employ diplomatic levers to prevent maritime confrontations from escalating into military conflict.

Widodo also has to address maritime issues resulting from illegal activity. Corruption and malpractice among some maritime security forces in the region,

⁴⁵ “Indonesia's military flexes muscle as S. China Sea dispute looms”, *The Jakarta Globe*, 13 March 2014, <http://thejakartaglobe.beritasatu.com/news/indonesia-military-flexes-muscle-s-china-sea-dispute-looms/>.

⁴⁶ Scott Bentley, “Mapping the Nine-Dash Line: Recent Incidents Involving Indonesia in the South China Sea,” *The Strategist*, October 29, 2013, <http://www.aspistrategist.org.au/mapping-the-nine-dash-line-recent-incidents-involving-indonesia-in-the-south-china-sea/>.

⁴⁷ Scott Bentley, “Indonesia's ‘Global Maritime Nexus’: Looming Challenges at Sea for Jokowi's Administration,” *The Strategist*, September 24, 2014, <http://www.aspistrategist.org.au/indonesias-global-maritime-nexus-looming-challenges-at-sea-for-jokowis-administration/>.

coupled with a relatively unmanned and permissive environment, has engendered illegal fishing, fuel smuggling, and people trafficking. Speaking about the ease with which illegal activities like fuel smuggling occur on Indonesia's shores, a spokesperson for Indonesia's Navy, Manahan Simorangkir, said the problem was partly due to the lack of a coast guard, and the 13 institutions left uncoordinated to manage Indonesia's waters.⁴⁸

II. Great Power Relations

The Asia-Pacific region is being increasingly characterised by rising economic growth and strategic rivalry. Aside from negotiating its bilateral relationship with China, Indonesia has to contend with the growing strategic competition between the United States and China as the latter seeks a greater say in the Asia-Pacific order. As mentioned above, skirmishes between China and Southeast Asian states also risk escalating into military confrontation. Thus far, the United States has avoided being dragged into disputes that involve the Philippines, an alliance partner, but this may change should China's behaviour become more aggressive. Although regional security continues to be underwritten by the United States, the Asia-Pacific is witnessing a broad strategic shift with China increasingly challenging the primacy of US power and influence in the region.

As its economic and military clout increases, China is also seeking greater security and economic cooperation with regional states. Indonesia and China have strengthened diplomatic relations: last year, Chinese President Xi Jinping and President Yudhoyono agreed to elevate the bilateral relationship to a

⁴⁸ Manahan Simorangkir, quoted in Dwi Sadmoko, Brian Leonal, and Rieka Rahadiana, "Fuel Smugglers from All Walks of Life Drain Indonesia's Economy," *gulfnews.com*, October 23, 2014, <http://gulfnews.com/business/oil-gas/fuel-smugglers-from-all-walks-of-life-drain-indonesia-s-economy-1.1403239>.

comprehensive strategic partnership that expands and deepens cooperation in a number of areas, including economic and investment cooperation.⁴⁹ Security cooperation has also increased—Indonesia is developing anti-ship missiles with China and broadening military engagement in areas such as counterterrorism training.⁵⁰

At the same, the United States is consolidating its relationships with Asia-Pacific states, particularly in Southeast Asia, as part of its Asia pivot strategy. Building on the 2010 US–Indonesia Comprehensive Partnership, the Obama administration is deepening security and economic cooperation with Indonesia. The United States is also encouraging Indonesia to take a more active role in international affairs, notably in leading and coordinating ASEAN diplomacy, spearheading climate change initiatives, and supporting counterterrorism efforts against radical extremism both at home and abroad.

Indonesia’s growing economic ties with China and other Asia-Pacific states, as well as the heightened strategic tension between regional powers, create another foreign policy challenge for the Widodo administration. With a few brief exceptions in its history, Indonesia has not aligned with any major power bloc, instead following an official policy of ‘non-alignment’. Indonesia’s traditional approach has been to draw larger actors like China and the United States into multilateral groupings to prevent any one power from dominating regional affairs. The Yudhoyono administration stressed that US policies to ‘contain’ China were not conducive to regional harmony, and Natalegawa proposed the Treaty of Amity and Cooperation to build strategic trust in the Indo-Pacific.

⁴⁹ “Indonesia, China Forge Comprehensive Strategic Partnership in Various Fields,” *Antara News*, October 7, 2013, <http://www.antaranews.com/en/news/91035/indonesia-china-forge-comprehensive-strategic-partnership-in-various-field>.

⁵⁰ “Chinese, Indonesian Airborne Troops Conclude Anti-Terrorism Exercise,” *People’s Daily Online* (English edition), November 13, 2013, <http://english.people.com.cn/90786/8454787.html>.

Should the status quo prevail, and both the United States and China continue to deepen relations with regional states, Indonesia can maintain its non-aligned posture. However, should China's behaviour become more aggressive towards Southeast Asian states, especially Indonesia, Widodo will have to walk a fine line between securing Indonesia's strategic interests and maintaining strong economic cooperation with China.

Other complicating factors include recent developments in Japan towards greater militarisation under Prime Minister Shinzo Abe. Japan has also sought to deepen its strategic and economic relationships with Southeast Asia. As one Indonesian diplomat has warned, greater security cooperation between Japan and ASEAN would upset China.⁵¹

III. ASEAN

Despite accusations of being a mere 'talk shop', ASEAN continues to be an important forum to discuss the region's political and security issues forty-seven years since its foundation. With an impressive average annual GDP growth of 6% since 2004 and aggregate GDP comprising 3.3% of the world's total,⁵² ASEAN remit now includes economic integration. The world is taking notice and the United States, China, Japan and India, among others, are knocking on ASEAN's door.

Despite these positive developments, there are challenges ahead for ASEAN. Indonesia, traditionally seen as the de facto leader of ASEAN, needs to encourage unity in light of a more assertive China, ensure effective regionalism,

⁵¹ Ferry Akbar Pasaribu commenting in his personal capacity, "Revisiting Indonesian Foreign Policy," *The Jakarta Post*, June 13, 2014, <http://www.thejakartapost.com/news/2014/06/13/revisiting-indonesian-foreign-policy.html>.

⁵² Giovanni Capannelli, "ASEAN's First 'Myanmar' Summit: Moving Beyond 2015," East Asia Forum (May 11, 2014), <http://www.eastasiaforum.org/2014/05/11/aseans-first-myanmar-summit-moving-beyond-2015/>.

and lead ASEAN towards its goals of economic and strategic integration. Domestic issues within member states like Thailand will test the group's ability to stay focused on multilateral cooperation and external security challenges. Towards this end, in his 'vision and mission' statements, Widodo stated his intentions to consolidate Indonesia's place within ASEAN.

As an example of the need for effective leadership within ASEAN, territorial disputes in the South China Sea have challenged the group's unity; indeed, states are divided on how to best respond as a grouping to China's assertiveness. At the 20th ASEAN Summit held in Phnom Penh, Cambodia, in 2012, member states were divided over including in the summit agenda the respective disputes of the Philippines and Vietnam with China in the South China Sea.⁵³ At the summit's conclusion, a joint communiqué was not issued for the first time in the group's history, with the Philippines accusing Cambodia of blocking the inclusion. Then Natalegawa embarked on a regional tour and was successful in securing a six-point statement on the South China Sea in replacement of the joint communiqué.⁵⁴ Such dissensions prove the need for united positions through fora like ASEAN to reaffirm the importance of encouraging the use of international law and restraint over force in other conclaves such as the ASEAN Defence Ministers Meeting and the EAS.

There are similar challenges in reaching a common position for a maritime code of conduct in the Asia-Pacific. Indonesia can provide strong backing for such initiatives. During his visit to Jakarta in February this year, US Secretary of

⁵³ "ASEAN Nations Fail to Reach Agreement on South China Sea," *BBC News*, July 13, 2014, <http://www.bbc.com/news/world-asia-18825148>.

⁵⁴ Donald K. Emmerson, "Indonesia saves ASEAN's face", *Asia Times Online*, July 24, 2012, http://www.atimes.com/atimes/Southeast_Asia/NG24Ae01.html.

State John Kerry expounded the value his country places on Indonesia's role in promoting the maritime code of conduct.⁵⁵

Indonesian leadership can spearhead unity and diplomatic cooperation within ASEAN in other ways, too. In 2003, as part of the decision to establish an ASEAN Community by 2020, the grouping agreed to form an ASEAN Economic Community (AEC) by 2015—a commitment reaffirmed in 2007.⁵⁶ An economic community would deepen economic integration by transforming “ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital”.⁵⁷ The AEC should be finalised by 2015, although many analysts doubt the deadline will be met.

The AEC is a means to ensure the Asia-Pacific region's prosperity and stability, a key interest for Indonesia. Peter Drysdale writes that income disparities between ASEAN states, particularly with Myanmar, “will be narrowed importantly only through building a more deeply integrated ASEAN economy nested into global markets”.⁵⁸ Nevertheless, deep structural reforms are required. Other commentators note the structural limitations of the ASEAN Secretariat's ability to push the AEC forward, including the lack of financial and intellectual resources: In 2012, the secretariat employed around 300 people, in stark contrast to the European Commission's staff of 34,000.⁵⁹

⁵⁵ John Kerry, “Remarks with Indonesian Foreign Minister Raden Mohammad Marty Muliana Natalegawa” (Jakarta: US Department of State, February 17, 2014), <http://www.state.gov/secretary/remarks/2014/02/221711.htm>.

⁵⁶ Association of Southeast Asian Nations, “ASEAN Economic Community Blueprint” (Jakarta: ASEAN, 2008), <http://www.asean.org/archive/5187-10.pdf>, 5.

⁵⁷ Ibid.

⁵⁸ Peter Drysdale, “Economic Community Key to ASEAN's Centrality,” *East Asia Forum* (May 12, 2014), <http://www.eastasiaforum.org/2014/05/12/economic-community-key-to-aseans-centrality/>.

⁵⁹ Ji Xianbai, “Why the ASEAN Economic Community Will Struggle,” *The Diplomat*, September 24, 2014, <http://thediplomat.com/2014/09/why-the-asean-economic-community-will-struggle/>.

Indonesia's recognised status as an Asia-Pacific leader, plus the economic focus within Widodo's foreign policy, makes the country an appropriate driver to set targets and impel reform in the region. A renewed emphasis on ASEAN's effectiveness could be bolstered by reallocating resources to the secretariat. For Indonesia to spearhead AEC developments, a careful balance needs to be struck between Widodo's intentions to protect local economies (discussed below), while seeking opportunities to consolidate ASEAN and encourage the regional market to grow through further economic integration.

Maintaining Economic Growth and Attracting Foreign Direct Investment

Rizal Sukma, executive director of the Jakarta-based Centre for Strategic and International Studies (CSIS) and foreign policy advisor to the Jokowi Government, emphasises the link between diplomacy and economic development. "You can't eat an international image. The key focus is to use diplomacy for economic benefit".⁶⁰ Economists have identified maintaining Indonesia's economic growth as key to a number of domestic matters such as reducing the gap in income inequality; creating more jobs; and raising the revenue needed for health, education and infrastructure spending. Economic growth is also required to support the Indonesian military's modernisation program, which in turn will help strengthen Indonesia's response to international challenges.

Indonesia has enjoyed high rates of GDP growth of around 6% for the past decade. The Asian Development Bank has noted that Indonesia's economic growth rate of 5.3% in the first half of this year has been the slowest since

⁶⁰ Rizal Sukma, quoted in Joe Cochrane, "Indonesian Leader in Global Spotlight," *The New York Times*, October 21, 2014, <http://www.nytimes.com/2014/10/21/business/international/many-hope-joko-widodo-indonesias-new-leader-will-raise-countrys-regional-stature.html?emc=eta1&r=2>.

2009.⁶¹ Also, to boost its competitiveness, Indonesia has to increase its limited pool of expertise, compared to other countries in the region. Widodo has to lure back foreign investment by implementing microeconomic reforms, including upgrades to infrastructure such as ports to stimulate economic development.⁶²

Keen to move up the value chain, Indonesia must be careful in implementing nationalist economic policies. In January this year, the Indonesian government extended a ban on exporting certain unprocessed mineral ores, hoping to increase the value of the country's exports.⁶³ A significant portion of value of some ores is added during the smelting process, and more smelters are being built in Indonesia by Chinese firms.⁶⁴ Although this has reduced the profits made by multinational mining companies operating in Indonesian mines, economic analysts cite it as a 'short-term pain, long-term gain' move.⁶⁵

While moves towards finalising the AEC will improve regional cohesion, it will be hard for Indonesia to rely just on intra-ASEAN trade. There are, however, a number of opportunities to forge economic ties with other middle powers and emerging economies.

Implications for Australia

The election of Widodo is a generally positive development for Australia–Indonesia relations; during his time as mayor of Surakarta and governor of

⁶¹ Asian Development Bank, "Indonesia: Economy" (Manila: ADB, 2014), <http://www.adb.org/countries/indonesia/economy>.

⁶² Rajiv Biswas, quoted in Gabriel Dominguez, "Jokowi Presidency 'Crucial' for Reshaping Indonesian Economy," *Deutsche Welle*, October 21, 2014, <http://www.dw.de/jokowi-presidency-crucial-for-reshaping-indonesian-economy/a-17723636>.

⁶³ "Mining in Indonesia: Smeltdown," *The Economist*, Jakarta 18, 2014, <http://www.economist.com/news/business/21594260-government-risks-export-slump-boost-metals-processing-industry-smeltdown>.

⁶⁴ Ibid.

⁶⁵ Satria Sambijantoro, "RI's 'Hard Stance' Wins in Mineral Ore Export Ban Policy," *The Jakarta Post*, August 4, 2014, <http://www.thejakartapost.com/news/2014/08/04/ri-s-hard-stance-wins-mineral-ore-export-ban-policy.html>.

Jakarta, Widodo appears to have been guided by a sense of pragmatism, rather than overt nationalism or the need to ‘save face’, as was the case with Yudhoyono. The key for Australia is to understand that the bilateral relationship will not be as high a priority for the Widodo administration as it was for the Yudhoyono administration. As this paper outlines, foreign policy priorities in addition to a pressing domestic agenda will capture most of the Widodo cabinet’s attention. How the relationship plays out will also depend on the extent to which the Widodo administration is reformist or resilient.⁶⁶ A more ambitious foreign policy might foster more opportunities for Australia to work with Indonesia on ASEAN-led cooperation, for example. On the other hand, a more reserved foreign policy might require Australia to be selective about which initiatives it wishes to pursue with Indonesia.

Nevertheless, Australia–Indonesia relations have an important role to play in realising countries’ trade, security and diplomatic goals. Therefore, strengthening existing areas of cooperation while seeking initiatives that prioritise shared interests will be a good start.

One of those common interests is a stable and prosperous Southeast Asia. Indonesia’s role in ASEAN will focus on leading initiatives both within the organisation and responding to external challenges. Australia is best able to cooperate with Indonesia on the external environment, particularly on ASEAN-based security architecture. Continued attendance by the Australian prime minister and other key ministers to fora such as the EAS and ASEAN Defence Ministers Meeting will underscore the centrality of ASEAN in Asia-Pacific multilateralism. Continuing to address key multilateral security and economic

⁶⁶ Peter McCawley, *Joko Widodo’s Indonesia: Possible Future Paths*, Strategy Paper (Barton, ACT: Australian Strategic Policy Institute, September 25, 2014), 33, <https://www.aspi.org.au/publications/joko-widodos-indonesia-possible-future-paths>.

challenges in those fora will achieve the same goal. To this end, Widodo has expressed his keenness to rebuild security ties with Australia and encourage mutually beneficial areas of security cooperation.⁶⁷

Maintaining strong levels of economic growth and reducing wealth inequality in Indonesia will depend on the Widodo administration's ability to implement microeconomic reforms and tackle corruption in Indonesia. Interestingly, Widodo wants to attract Australian investment. He has promised to address grievances from Australian investors on fuel subsidies; bureaucracy reform, licences and permits; infrastructure; and power plants.⁶⁸ Widodo is also keen to build education links, and encourage more Indonesians to study in Australia and for more Australians to travel to parts of Indonesia beyond Bali.⁶⁹

A cautionary note is needed about the potential friction between domestic politics and the bilateral relationship. For one, Australia's domestic policies on border protection and asylum seekers have caused consternation in Jakarta. In early 2014, Australian naval vessels strayed into Indonesian sovereign waters as part of a boat turn back policy.⁷⁰ In the lead-up to his inauguration, Widodo warned that he would take a firm stance on protecting Indonesia's sovereignty, specifically against Australian naval incursions under Operation Sovereign Borders.

There are other causes for diplomatic shocks in the Australia–Indonesia relationship. In 2013, Edward Snowden leaked information alleging that

⁶⁷ John Garnaut and Michael Bachelard, "Joko Widodo's blunt warning to Prime Minister Tony Abbott," *The Sydney Morning Herald*, October 18, 2014, <http://www.smh.com.au/federal-politics/political-news/joko-widodos-blunt-warning-to-prime-minister-tony-abbott-20141017-11719i.html>.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Latika Bourke, "Navy Breached Indonesian Waters Six Times under Operation Sovereign Borders, Review Finds," *ABC News*, February 20, 2014, <http://www.abc.net.au/news/2014-02-19/navy-breached-indonesian-waters-six-times-review-finds/5270478>.

Australia had tapped the mobile phones of President Yudhoyono and his inner circle. Such incidents can damage Australia's standing in the Indonesian public's eye and render Australia a political whipping boy among Indonesian parliamentarians and more nationalistic observers.⁷¹

Conclusion

With a humbler and more grassroots-oriented president like Widodo, it will be interesting to see how Indonesia responds to the challenges to its international aspirations. While interested in foreign policy matters, Widodo is expected to focus on his domestic agenda and delegate foreign policy management to Foreign Minister Marsudi and her advisory team.⁷² This will leave the heavy lifting to Marsudi, an experienced diplomat. Indeed, her previous experience in Canberra as an information officer at the Indonesian Embassy in early 1990s has given her a sense of what to expect from Australia's domestic politics. As the president of the world's fourth most populous country and with a global outlook, Widodo has the next five years to prove he can balance fulfilling his domestic promises and exploring opportunities abroad.

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⁷¹ Sabam Siagian and Endy M. Bayuni, "Revisiting Indo-Oz Defense Treaty Sans Mutual Trust," *The Jakarta Post*, September 9, 2014, <http://www.thejakartapost.com/news/2014/09/09/revisiting-indo-oz-defense-treaty-sans-mutual-trust.html>.

⁷² Aaron L. Connelly, *Indonesian Foreign Policy under President Jokowi* (Sydney: Lowy Institute, October 16, 2014), <http://www.lowyinstitute.org/publications/indonesian-foreign-policy-under-president-jokowi>.

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Engaging Indonesia's Youth

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Introduction

Indonesia, like many developing countries, has a large population of young people. According to Indonesia's National Census of 2010, 62 million of the population was aged 16 to 30 years, representing 26% of the total population.⁷³ More recent data shows that 65% of Indonesia's 250 million population is of working age (15 to 64 years old).⁷⁴ The National Population and Family Planning Board projects that the nation's productive population will peak between 2020 and 2030, potentially yielding a so-called 'demographic dividend' whereby the country's working-age population will be greater than the number of dependent children and the elderly population.⁷⁵ Additionally, the National Election Commission states that first time voters make up 20% of all

⁷³ BPS, "Statistik Pemuda Indonesia 2010," (Jakarta: Badan Pusat Statistik, 2010).

Indonesia's 2009 Law No. 40 defines 'youth' as citizens aged between 16 to 30, but this age range is not used consistently.

⁷⁴ The World Bank, "World Development Indicators: Population Dynamics," (2014), <http://wdi.worldbank.org/table/2.1>.

⁷⁵ BKKBN, "Bonus Demografi Bisa Jadi Ancaman," Badan Kependudukan dan Keluarga Berencana Nasional, <http://www.bkkbn.go.id/ViewBerita.aspx?BeritaID=2064>.

voters.⁷⁶ It is in this context that youth in Indonesia garnered attention before, during, and after the 2014 presidential election campaigns, particularly given young people's visible engagement with the campaigns through social media.

However, as the United Nations Population Fund (UNFPA) states, “[t]he situation for young people in Indonesia is as diverse, promising and complex as the nation itself.”⁷⁷ With this in mind, this paper explores the experiences of youth in Indonesia, and their role in shaping the social and political landscape. Instead of providing a current overview of issues faced by Indonesian youth as UNFPA has already done in its July publication, this paper aims to showcase new and unpublished work by young researchers from the University of Western Australia (UWA), for a closer look at different segments of Indonesian youth.⁷⁸ It begins with a brief overview of young people's role in influencing Indonesia's political history, and subsequently identifies issues faced by young people in relation to the economy, religion and environmental education based on current research. It ends with a discussion of Australia's engagement with Indonesian youth.

Youth and the State: Political engagement in times of crises

Historically, the youth in Indonesia have played a significant role in effecting regime and political changes. The most visible among the group are the educated youth who have been at the frontline during historic moments of regime change. The role they play, however, is mediated by the social and political space available to them at varying times, which in turn shapes their relationship to the state. Generally, the youth have been perceived positively as

⁷⁶ KPU, "Modul 1: Pemilu Untuk Pemula," (Jakarta: Komisi Pemilihan Umum, 2010), 48.

⁷⁷ Nicholas Goodwin and Irma Martam, "Indonesian Youth in the 21st Century," (Jakarta: UNFPA, 2014), vii.

⁷⁸ For UNFPA's publication see *ibid.*

agents of change by incoming regimes, but as a threat to their legitimacy once the new leadership becomes the status quo. Therefore it will be of interest to see whether Joko Widodo (Jokowi) will continue to engage with the youth during his term as he did leading up to his presidential inauguration.

The youths' role in establishing the nation is enshrined in the much-celebrated Youth Pledge of 1928 that drew together a group of young men and women who envisioned an independent 'Indonesia' while still under Dutch rule. Ironically, many of these young activists were from the Dutch educated elite and had spent some time studying overseas in the Netherlands. Subsequently, segments of the youth were instrumental in winning the revolutionary war against the Dutch colonial army between 1945 and 1949 and establishing Indonesia as a sovereign nation state.⁷⁹

Their victory installed Sukarno as the first president in 1945, but by the 1960s a new generation of youth had joined their voices in opposition to Sukarno's ineffective leadership. Their opposition to Sukarno helped legitimize Suharto's New Order regime which came into power in 1966, though their activism was soon perceived as a threat to the newly established regime. Much of the more visible youth activism of this time occurred on university campuses, prompting Suharto to depoliticize universities in the name of stability. Nevertheless, youth activism grew in the decade leading up to Suharto's downfall among the "burgeoning middle class, where confidence and entrepreneurship were valued qualities".⁸⁰

⁷⁹ Manneke Budiman et al., "New Enemy of the State: Youth in Post-New Order Indonesia," in *Panorama: Insights into Asian and European Affairs* (Singapore: Konrad-Adenauer-Stiftung, 2012).

⁸⁰ Lyn Parker and Pamela Nilan, *Adolescents in Contemporary Indonesia*, (Oxon: Routledge, 2013). 28.

The youth were again at the forefront of political change in 1998, when they forced Suharto to resign from the presidency through sustained political demonstrations that were held over many months on university campuses. The economic pressure from the 1997 Asian financial crisis had created the social and political space that enabled the youth to express their political dissatisfaction with the then 32-year-old regime. These student demonstrations occurred in major cities across the archipelago, but it was the media images of demonstrations held in Jakarta by middle class students that stole the national imagination. When four students from Trisakti University, a private tertiary institution, were shot dead by the military, they became martyrs of democracy in the eyes of the public, whereas the hundreds of lower class (young) men and women who were killed in the riots that broke out on the streets in the ensuing days were not.

Once the crisis passed, however, the youth were again perceived as an “enemy of the state”.⁸¹ According to Manneke Budiman et al., the SBY (Susilo Bambang Yudhoyono) administration faced increasing erosion of legitimacy in its second term (2009-2014), due to a decline in public opinion about its lacklustre performance, with the youth once again losing trust in the state. In this context, Budiman et al. argue that the state turned to branding the youth as a threat to both national security and “the dominant moral values that the state claims to safeguard”.⁸²

Nevertheless, the post-Suharto reforms have created public political space, which have shifted the way in which the youth, particularly the educated youth, engage in politics; they can now be seen to work within the confines of existing structures to bring about change. The shift in the nature of youth political

⁸¹ Ibid., 51.

⁸² Budiman et al., "New Enemy of the State: Youth in Post-New Order Indonesia," 53.

engagement was particularly visible during the Jakarta gubernatorial election in September 2012, and in the recent presidential election held in July 2014. The 2012 gubernatorial election campaigns marked the beginning of a highly visible form of youth engagement through social media. During the gubernatorial election, a group of youth from one of Jakarta's largest churches produced a parody of the song 'What makes you beautiful' by the boy band One Direction, which they uploaded onto YouTube.⁸³ The parody was made in support of gubernatorial candidate Joko Widodo (Jokowi) and his running mate Basuki Tjahaya Purnama (Ahok). The YouTube clip went viral and was soon adopted by the candidates as one of their official campaign videos and aired on live television. The youths' efforts culminated in a dancing flash mob on the streets of Jakarta's central district near the iconic Hotel Indonesia roundabout in September 2012. In this way the youth contributed to Jokowi's popularity and the festive feel to the campaigns, as well as creating more space for youth political engagement during non-crisis times.

More recently, the presidential election campaigns of July 2014 saw a surge in the use of social media among youth, particularly urban youth, in expressing their political views. In 2013, Indonesia had the world's second largest number of Facebook users and third largest number of Twitter users, with Jakarta declared the world's Twitter capital.⁸⁴ As the polarizing election came to a head, young people's social media pages became a battleground for election images and music videos. Candidates on both sides of the fence used Facebook and Twitter to engage with its young voters, though the Jokowi camp appeared to

⁸³ The clip was made by Cameo Productions and uploaded to YouTube in August 2012 <https://www.youtube.com/watch?v=f-zR65eXXPc>.

⁸⁴ Waleed Aly, "Welcome to Jakarta, the World's Number One Twitter City," ABC RN, <http://www.abc.net.au/radionational/about/>.

Indonesia-Investments, "Internet in Indonesia: Indonesia's Growing Number of Internet Users," Indonesia-Investments, <http://www.indonesia-investments.com/news/todays-headlines/internet-in-indonesia-indonesias-growing-number-of-internet-users/item776>.

have had the upper hand. Their voters initiated the use of red ‘twibbons’ on their profile pictures that stated (in white letters), “I stand on the right side”, a tactic copied by Prabowo’s young voters within days.⁸⁵ Jokowi and his running mate Jusuf Kalla also produced the election’s most iconic ‘selfie’ where the two peered into the camera as they held up two fingers to symbolize their number on the ballot paper.⁸⁶

Indeed, these are merely passing images from the election. There are also many youth organizations that have made sustained efforts at raising political awareness among youth, such as Provocative Proactive and Pamflet, which this paper has not discussed. But it is clear that there is more space now than in the past for youth to engage politically with the issues faced by their generation. Most likely, the state under Jokowi’s leadership will not push the youth back into a corner as previous leaderships have done once the euphoria of change subsides. Engaging the community in decision-making processes has been a trademark of Jokowi’s leadership style since his days as Mayor of Solo, which he was prior to becoming Governor of Jakarta.⁸⁷ Even so, whether or not the youth can continue to play a role in shaping Indonesia’s political future will be dependent on whether or not they can move beyond “virtual activism” and engage in “real-world politics”.⁸⁸

Notably, the youth who have been most visible on the national scene during times of change have been from the more secular, educated middle and upper

⁸⁵ Ibnu Azis, "I Stand on the Right Side: Tren Di Media Sosial, Aksi Tangkis Kampanye Hitam," *Sidominews* 2014. See <http://sidomi.com/297544/i-stand-on-the-right-side-tren-di-media-sosial-aksi-tangkis-kampanye-hitam/>

⁸⁶ Ananda Teresia, "Jokowi-Jk's Selfie Faces," *Tempo*, 6 July 2014. See <http://en.tempo.co/read/news/2014/07/06/240590828/Jokowi-JKs-Selfie-Faces>

⁸⁷ Rushda Majeed, "Defusing a Volatile City, Igniting Reforms: Joko Widodo and Surakarta, Indonesia 2005-2011," (2012), <http://successfulsocieties.princeton.edu/publications/defusing-volatile-city-igniting-reforms-joko-widodo-and-surakarta-indonesia-2005-2011>.

⁸⁸ Diatyka Widya Permata Yasih and Andi Rahman Alamsyah, "Youth Politics in the Age of Social Media," *Inside Indonesia* Forthcoming.

class segments of the population. Young people's effectiveness in making their voices heard has partly been mediated by their socio-economic background, which in turn influences their access to information as well as university, the Internet, and media spaces. Their central role in these changes thus does not ensure that there will be a sustained commitment among these youth to work towards an Indonesia that is defined by greater levels of social justice.

Sociological research has shown that class structures and values are reproduced, particularly through education, from one generation to the next despite the appearance of change. Narrowing the vast gap between the rich and poor will largely depend on the nature of the new leadership, and whether or not it can engage larger segments of the youth population.

Youth and the economy: The bread and butter issue

Among the broader issues concerning Indonesian youth at present is widespread unemployment and underemployment, both in urban and rural areas. The International Labour Organisation (ILO) indicated that 23% of urban and 33% of rural youth (ages 15 to 24) were unemployed in 2012.⁸⁹ Nilan et al. write that “[t]he current generation of Indonesian youth is the most educated in history” but these educated youth face difficulties transitioning into an economically independent adulthood.⁹⁰ This section will focus on a case study by Thijs Schut from the University of Western Australia. It is based on his ongoing doctoral research on educated youth in central Flores in eastern Indonesia, one of the

⁸⁹ Suzanne Naafs and Ben White (2012), both scholars on Indonesian youth, suggest that these figures do not reflect the further number of youth who are underemployed. Naafs and White also point out that the statistics for youth vary depending on the age range used. For example, Indonesia's Ministry of Youth uses the extended definition of youth as aged between 18 and 35, which they suggest artificially lowers the unemployment rate for youth.

⁹⁰ Pam Nilan et al., "Indonesian Youth Looking Towards the Future," *Journal of Youth Studies* 14, no. 6 (2011): 711.

poorest regions in the country, and aims to illustrate the issues faced by educated youth.⁹¹

Education is conceived as a pathway towards upward mobility by both the government and the public in Flores as it is elsewhere, but the local economy is increasingly unable to absorb educated youth into the workforce. According to Schut, the existence of a surplus of young, educated people in the workforce is relatively new in areas like Flores.⁹² The main employer of educated youth in Flores is the government, which up until recently had no difficulty absorbing the new workforce into its bureaucracy. The move towards decentralization that occurred in the post-reformation era created new opportunities for the youth in Flores as the regional bureaucracy expanded. But after more than a decade of decentralization, the local bureaucracy is now saturated. Schut's fieldwork shows that not only have there been very few new job openings in government agencies since 2012, but that even the waiting lists, for example, at local health clinics for volunteer workers have grown. In May 2014, there were hundreds of young people either waiting for volunteer positions (i.e. unpaid internships), volunteering for no pay, or volunteering while being paid an honorarium that is well below the minimum wage. Most of them were young people with nursing degrees who hope that volunteering will afford them networking opportunities that may, in some cases, lead to paid employment. At the same time, these clinics cannot operate without their volunteers.

In the meantime, Schut notes that another university is being built in the area, which will likely exacerbate the problem of under- and unemployment of

⁹¹ The information in this section is based on an interview with Thijs Schut on 8 October 2014. Some of his preliminary fieldwork observations can be found in the article "Is there a future for educated youth in rural Flores" published in *The Jakarta Post* on 10 October 2014.

⁹² Thijs Schut, "Is There a Future for Educated Youth in Rural Flores?," *The Jakarta Post*, 27 October 2014.

educated youth. In the absence of paid employment, Schut projects that the waiting list for the unpaid positions described above are likely to expand, thus creating a surplus of free or cheap labor and making it even less necessary for the government to create the paid positions required to operate local agencies like the health clinics. Surprisingly, Schut found that the head of the local health department was unaware of the extent of the problem. At the moment, the educated youth whom Schut studied keep themselves occupied with various unpaid or underpaid activities which utilize their skills. He suggests, however, that if the present situation continues and even the volunteer positions become saturated, these youth may become idle.

Schut's case study on educated youth in Flores illustrates that youth unemployment and underemployment is a pressing issue. Without a concerted effort to address the mismatch between education and employment, the 'demographic dividend' may instead turn into a demographic problem. Jokowi has promised much with regards to the creation of jobs and supporting young entrepreneurs, with his aims to develop the agricultural sector, traditional markets, creative industries likely to be relevant to young people in both rural and urban areas. His vocal promises to hold the state accountable in ensuring the financial welfare and health of its citizens will also help ease the strain on communities in supporting young people through their prolonged transition to economic independence. How these promises will affect the youth depend on whether or not he will be able to deliver.

Youth and religion: Piety amid globalization

In a rare large-scale survey of Indonesian secondary students, Nilan et al. found that young people ranked "religious faith" as the third most important element

in their lives.⁹³ The finding reflects the fact that “[r]eligious faith is far more important for everyday life in Indonesia than in many other countries”.⁹⁴

However, the way Indonesian youth perceive Islam is in stark contrast to the public perception in some non-Muslim countries that equates Islam with terrorism. Muslim youth in Indonesia see Islam as a pathway for modernisation and for engaging with a globalising world. This section showcases Hariyadi’s research on university-aged young people’s engagement with Islamic popular culture, with a focus on Islamic films and self-help books.⁹⁵

As popular culture had long been considered a product of the West, the “alliance of Islam with popular culture” since the 2000s took Indonesia by surprise.⁹⁶ According to Hariyadi, many Indonesian Muslim youth feel that global Islamic popular culture offers a fresh alternative to ‘Westernisation’. Muslim young people, like other young people, are at a stage in their lives where they are searching for an identity. At the same time, they are living in a modernizing Indonesia where global influences are increasingly penetrating their lives through popular culture and becoming more easily accessible through the media. Global popular culture is often perceived in non-Western societies broadly as ‘Westernisation’ and more narrowly as ‘Americanisation’. However, as Hariyadi notes, Muslim youth feel that the dominant popular culture emanating from the West does not suit their lifestyle and promotes values that are contrary to their own. They perceive Western popular culture as entertaining, but heavily materialistic and thereby spiritually empty. In contrast, they feel global Islamic popular culture is simultaneously entertaining and

⁹³ Nilan et al., "Indonesian Youth Looking Towards the Future," 715.

⁹⁴ Ibid.

⁹⁵ This section is based on Hariyadi’s (2013) doctoral dissertation and an interview conducted with him on 18 October 2014.

⁹⁶ Hariyadi, "Islamic Popular Culture and the New Identities of Urban Muslim Young People in Indonesia: The Case of Islamic Films and Islamic Self-Help Books" (Doctoral dissertation, University of Western Australia, 2013), 1.

educative, as it offers both material and spiritual content. It is within this context that Hariyadi finds that the current generation of young people in Indonesia enjoys consuming Islamic popular culture.

Hariyadi argues, however, that Muslim youth are not passive consumers of Islamic popular culture and that this culture is diverse. In fact, Islamic popular culture represents a space of ideological contestation between various producers who offer differing interpretations of Islam, some of which are more open and moderate than others. Young people consume Islamic popular culture of varying ideological orientations whilst remaining critical of their choices. They are not blank slates to be written on. Among Islamic films that have been hitting the big screen in the post-Suharto era, most young people find that those which push for a closed, conservative view of Islam are more religiously educational but “boring”.⁹⁷ These films make young people feel as though they are attending a religious sermon. Instead, they find that movies that draw on more moderate interpretations of Islam tend to be more entertaining and aesthetically pleasing.

Furthermore, young people’s interest in Islamic popular culture does not signify that they are closed to non-Islamic popular culture. Even among conservative Muslim youth, Hariyadi found that they were open to enjoying Hollywood and other Western movies, such as *Avatar*, which they deem aesthetically pleasing and perceive as propagating universal values that are not in contradiction with Islam. The more moderate Muslim youth were also quite taken by popular culture from other parts of Asia, such as Japan and especially Korea. In their view, says Hariyadi, Korean and Japanese popular culture present lifestyles that

⁹⁷ Ibid., 61.

overlap with their own Islamic lifestyles. For example, moderate Muslim youth feel that the dating practices presented in Korean films are closer to their own than Hollywood films, which tend to show dating practices that include premarital sexual relations, or conservative Islamic films, which show arranged marriages where the bride and groom meet for the first time at their wedding. In contrast to these two extremes, Muslim youth feel Korean films show dating practices that take the middle road. Thus, being attracted to Islamic popular culture does not preclude Muslim youth from being open to other influences.

Hariyadi's research further shows that the popularity of Islamic self-help books among young people, particularly in the 2000s, illustrates that Muslim youth see Islam as a framework that can help them become 'modern' without losing their identity. Islamic book fairs are usually flooded with a wide range of titles from the self-help genre. Islamic self-help books often use Islamic teachings to present American-style neo-liberal values that emphasise individualism within a capitalist context as long as they do not contradict Islamic values. For example, since Islam does not forbid wealth accumulation, some self-help books outline the importance of values which contribute to work and business success, such as time management, entrepreneurship, and so on. Success and failure are attributed to the individual rather than to the existing social structures. Hariyadi points out that these self-help books may appear highly Islamic, but their content reflects neo-liberal influences and, moreover, their covers often carry Japanese-style *manga* (comic) designs. In more recent years, Hariyadi observes, the Islamic self-help genre appears to be shifting from targeting youth to targeting younger children and young parents.

According to Hariyadi, young people are consuming Islamic popular culture in ways that reflect the changes faced by the present generation. As the Indonesian middle class expands, young people are seeking new ways of living in a

globalising neo-liberal world that will accommodate their Muslim identity. Islamic popular culture offers a middle ground to the youth that is neither radical in its interpretation of Islam, nor accepting of the imposition of Western lifestyles that deny their Muslim identity. Contrary to public perception in the West, Indonesia's youth demonstrate that Islamic identity is dynamic and cosmopolitan.

Hariyadi notes that these developments also come at a time when the elite, particularly the political elite, seem to have failed to offer guidance to young people. According to Hariyadi, the participants in his research feel that, regardless of their religion, the ruling elite see young people as a source of problems instead of a source of creativity and creators of a “dynamic economy”.

Jokowi has repeatedly stated his commitment to developing Indonesia's creative industry. He first made this statement during the second presidential debate held on June 15, 2014, and it was this statement that saw Jokowi's opponent in the election, Prabowo Subianto, make a dramatic gesture of rising from his chair to hug Jokowi as he indicated support for this commitment because his own son works in the creative industry as a fashion designer. Jokowi has clearly expressed his interest in developing the creative potential of Indonesia's youth and has demonstrated this interest in the way he engages with young people, notably through social media.

It will thus be important for Australia and others to tap into this creative potential. Policies designed to engage with young Indonesians would need to go beyond the traditional framework of focusing on tertiary education. It is important to engage with young Indonesians through soft power diplomacy to ensure that their (Islamic) cosmopolitan outlook is favorable towards Australia.

Youth and environment

Indonesian youth also demonstrate their creativity in the way they engage with the environment. This section outlines the preliminary findings of Kelsie Prabawa-Sear's ongoing research on environmental education in Indonesia.⁹⁸

While her fieldwork was conducted at two main sites, Yogyakarta and Surabaya, this paper will only discuss preliminary findings from the latter where environmental education has had more success.

Prabawa-Sear found that the environmental education implemented in schools in Surabaya is “really hands on action learning—very little theory and a lot of practical learning”. Her observations run contrary to the prevailing assumption that Indonesian secondary education is focused on impractical rote learning. The results of the action-focused learning were obvious. Prabawa-Sear found that young people were “really inventive” as there were “no rules about what you can or cannot do”. In some places young people had designed ways to effectively capture water that they use to wash their hands and feet as part of an Islamic ritual before prayer, and recycling this water for their school or community's vegetable gardens. In other places, water left over from air-conditioning systems were used for the same purpose. At another high school in West Surabaya, Prabawa-Sear found that the students were very proud of their efforts to clean their school environment and eager to show her around the grounds. The area around the school used to be a major dumping ground for waste and thus a breeding ground for mosquitoes. While the work was not yet complete at the time of her visit, Prabawa-Sear found that the area bore little

⁹⁸ This section is based on an interview with Kelsie Prabawa-Sear that was conducted on 19 October 2014.

resemblance to what it used to be. There was not a single piece of litter on the ground and students often stayed after school to clean the grounds and work on their recycling efforts. Prabawa-Sear notes that, in addition to improving the environment that they live in, these efforts are also beneficial to the community more broadly as they ensure that young people engage in healthy activities.

According to Prabawa-Sear, there are two main reasons for the success of environmental education in Surabaya. Firstly, it has come about through a partnership between Tunas Hijau, a Surabaya based organization, and Millennium Kids, an organization based in Surabaya's sister city Perth, Australia. Tunas Hijau began by sending five young people to Australia in March 1999. The two organizations have maintained cross cultural exchanges on environmental education since, partly sponsored by Australian government agencies as well as Indonesian corporations and agencies. There are currently 1,500 schools in Surabaya that are involved in the environmental education program that was initially set up by Millennium Kids and currently run by Tunas Hijau. Secondly, participants in these programs cited the strong and committed leadership of Surabaya's popular Mayor Tri Rismaharini as instrumental in the success of the city's environmental education. Rismaharini has a graduate degree in city planning and she is the first female mayor who was elected through the direct regional elections that were implemented after 1998. Rismaharini has been highly supportive of the environmental education programs.

The projects implemented through Tunas Hijau have, in fact, been more successful than the government's efforts to implement environmental education. The government-sponsored programs tend to be focused on the acquisition of knowledge for examination purposes and there is a perception among bureaucrats that environmental education requires large amounts of money for

building infrastructure. In contrast, Prabawa-Sear found that the programs that were successful were based on projects that had tangible, practical outcomes. When Prabawa-Sear asked the young people participating in her research whether or not the hard work and the heat from the tropical sun put them off from implementing their environmental projects, they said that none of that mattered as long as Surabaya became “green”. Young people had a very positive view regarding community engagement and the opportunity to participate in effecting change. Similarly, teachers reported that the time taken to implement projects was not an impediment to their educational curriculum as long as these projects are integrated in to it.

Having seen the success of environmental education in Surabaya, Prabawa-Sear feels that it is important to frame cross-cultural exchange as a two-way process. The prevailing perception, Prabawa-Sear states, is that “Australia needs to help and train Indonesia”, but this comes at the cost of overlooking opportunities where “Australian teachers and kids can learn from Indonesia”. There needs to be a shift in the way bilateral exchanges are perceived and implemented such that both sides learn from each other.

Australian engagement with Indonesian youth

Currently there are several valuable programs that foster people-to-people links between Australian and Indonesian youth. The Department of Foreign Affairs and Trade (DFAT) have educational programs at the school level (BRIDGE Program, Schools Exchange Small Grants Program) and tertiary level (Australia Awards, New Colombo Plan, Australian Studies Program), as well as the Australia-Indonesia Youth Exchange Program (AIYEP) targeting 21 to 25-year-olds. Apart from DFAT, the Australian Consortium for ‘In-Country’ Indonesian Studies (ACICS) arranges study abroad programs for mainly undergraduate students.

These programs, however, do not capture the full potential of people-to-people links for various reasons. The Australia Awards program, for example, incorrectly assumes that placing people within physical proximity of each other will naturally produce people-to-people links. It focuses on bringing Australians to Indonesia and Indonesians to Australia, yet it does not provide any deliberate opportunities for networking among the award recipients or with host country nationals. Indonesian students, for example, often do not develop meaningful relationships with locals while living in Australia even though they may develop some links, possibly due to cultural barriers and a general lack of interest among Australians towards Indonesians.⁹⁹ In contrast, the American Fulbright programs purposefully integrate networking opportunities and publicity support into their programs, and maintain an alumni association with a closed online database.¹⁰⁰ The money being invested into various scholarship programs would yield greater returns via the deliberate creation of networking opportunities for Australian and Indonesian recipients and alumni, as well as those from other countries. These opportunities can also be created both in Australia and overseas through consular offices. These social networks can add prestige to the scholarship programs and further attract high calibre individuals.

Secondly, these programs tend to frame Australia-Indonesia exchanges through a dichotomous view of bilateral relations. They measure success through building capacity among ‘Australians’ and ‘Indonesians’ with the assumption that these two categories of people are perpetually distinct from one another. In fact, Monika Winarnita’s research on Australian citizens of mixed Australian and Indonesian descent show that Australian-Indonesian youth have a high level

⁹⁹ Jemma Purdey, "Scholarships and Connections: Australia, Indonesia and Papua New Guinea (No. 46)," in *Working Papers Series*, ed. Robert Kenny (Melbourne: Alfred Deakin Research Institute, 2014).

¹⁰⁰ See the website for Australian-American Fulbright Commission:
<http://www.fulbright.com.au/scholarships/scholarships-2?id=243>

of bicultural knowledge and skills that are underutilized in Australia's efforts to engage in soft power diplomacy towards Indonesia.¹⁰¹ Ironically, while some Australian youth of Indonesian descent or of mixed Australian and Indonesian descent participate in the existing programs, those who already have a high level of bicultural skills do not, and are thereby precluded from the networking circles of these programs which focus on fostering bicultural skills that are yet to be developed.

It is within this context that several Australian youth founded the Australia Indonesia Youth Association (AIYA). According to Arjuna Dibley, he and a few others founded AIYA upon noticing that there were "returnees on both sides who were not speaking to each other—Indonesians in Australia returning to Indonesia and vice versa."¹⁰² There was no structured way for those two communities to interact and network with each other, across programs, or the wider community of youth who may be interested in Australia-Indonesia relations. AIYA was founded in 2011 and there was immediate and strong interest in it, particularly among Australian youth, and the organization grew rapidly across the Australia, including Perth. Dibley notes that "eight of the nine people who have sat on the National Executive have studied Indonesian language and/or politics formally at university—including five of whom participated in an ACICIS program—demonstrating the importance of formal study as a key pathway for sustained engagement." It is also important to note that as many as three out of the seven Australian members of the National Executive committee have ties with Indonesia that began in childhood. Two of

¹⁰¹ Monika Winarnita and Danau Tanu, "The Missing Link: Australian-Indonesian Youth in Australia, Cultural Performance and Intercultural Hyphenated Identity," in *Making Connections: People-to-People Exchange "Soft Power" Diplomacy in Australia's Engagement with Indonesia*, ed. Antje Missbach and Jemma Purdey (Berlin: Regiospectra, Forthcoming 2015).

¹⁰² Based on an interview conducted with Arjuna Dibley, President and Co-Founder of AIYA, on 14 October 2014.

them (including Dibley) had spent several years growing up in Indonesia during their primary school years, while another is of Indonesian descent. The fact that nearly half of the National Executive of the youth initiative have childhood ties to Indonesia attests to the importance of building cultural capacity from a young age, as well as of incorporating Australian youth of Indonesian and mixed descent into bilateral youth programs and strategies for soft power diplomacy.

Conclusion

One theme that comes through strongly across the disparate topics covered in this paper is the enthusiasm and creative energy of young people. Arjuna Dibley who founded AIYA remarks that the rapid growth of their organization and others of a similar nature shows that “the notion of youth is a powerful one”. According to Dibley, the strong sense of motivation found among young people means that, “If you engage this section of the population, there’s a high yield.”

Dibley further points out that those who have a high stake in the near future—labeled by the Government as the ‘Asian Century’—are the youth and therefore it “makes sense to engage that group”. In fact, UNFPA states that participation is a “basic right for young people” and that young people should be allowed to participate in a “genuine manner” so that they can “trust their ability to play a productive role”.¹⁰³ Thus it would be beneficial for countries engaging with Indonesian youth to seek the input of their own youth, as well as Indonesia’s, in designing policy. In Australia’s case, it needs to seriously consider AIYA’s policy recommendations.¹⁰⁴

¹⁰³ Goodwin and Martam, "Indonesian Youth in the 21st Century," vii.

¹⁰⁴ AIYA, "Submission to the "Australia in the Asian Century White Paper", "(Australia-Indonesia Youth Association, 2012).

"Response to the *Australia in the Asian Century White Paper*," (Australia-Indonesia Youth Association, 2013).

In addition to the recommendations that have been included in previous sections, it is also important to engage a wide range of academics in policy-making. Australia possibly has one of the largest concentrations of expert knowledge about Indonesia outside of Indonesia, even among postgraduate students as showcased above. However, this high level of knowledge among academic experts is not reflected in the media or the general public.¹⁰⁵ Most academic researchers do not publish their research for policy-makers or the public due to several reasons: lack of time, lack of incentive, and lack of skill in writing for policy-makers and the public. In the case of Indonesian postgraduate students who conduct research about Indonesia in Australia there is usually the added language barrier. While some research may find its way to the public through non-profit publication outlets such as *Inside Indonesia* or *The Conversation* and commercial media, most languish in dissertation repositories.¹⁰⁶ Therefore it is important to be more deliberate about engaging researchers, providing training for writing policy papers, and providing incentives to publish in genres other than academic journals. The initiative to support the establishment of the Australia-Indonesia Centre based at Monash University is valuable, but the effort to engage academics needs to be broader.

A majority of Indonesian citizens voted for Jokowi in July 2014 because he has shown that he engages the community in policy-making processes. It is for this same reason that he has attracted the attention of the international community, as this approach promises a better future for Indonesia. In light of this, it would

"Submission to the 'Towards 2025: Australia's Indonesia Strategy in the Asian Century'," (Australia-Indonesia Youth Association, 2013).

See AIYA's website for policy recommendations: <http://www.aiya.org.au/about/policy/>

¹⁰⁵ Alex Oliver, "The Lowy Institute Poll 2013. Australia and the World: Public Opinion and Foreign Policy," (Lowy Institute, 2013).

¹⁰⁶ Disclosure: The author is Commissioning Editor for *Inside Indonesia*.

be wise for Australia to also engage its stakeholders, including its youth, in making policies related to its soft power diplomacy with Indonesia.

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Indonesia's Foreign Policy under Widodo: Continuity or Nuanced Change?

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Introduction

Without much foreign policy experience, President Joko 'Jokowi' Widodo was considered reserved on Indonesia's foreign affairs in the lead-up to the presidential election. However, the joint 'Vision and Mission' (*visi misi*) statements of the Jokowi-Jusuf Kalla team, submitted to the General Elections Commission (*Komisi Pemilihan Umum*), tell a different story. Indeed, the 41-page document emphasises "how the foreign-affairs sector can contribute to the *Trisakti* vision"¹⁰⁷ of revitalising Indonesia's political, economic and cultural identity, not only as an 'archipelagic state' (*negara kepulauan*) but also as a

¹⁰⁷ Despite the praise being lauded upon the inauguration of Indonesia's first female Foreign Minister, many questioned the rationale behind Retno Marsudi's appointment to the helm given the Widodo Administration's ambitions of projecting Indonesia as a powerful 'maritime state'. As Indonesia's ambassador to the Netherlands and The Hague in her previous appointment, Retno's track record did not seem to have much to do with the maritime sector or the Asia Pacific Region. See Hasyim Widhiarto and Bagus B.T. Saragih, "Retno Still to Learn the Ropes, No Clear Vision Yet," *The Jakarta Post*, October 28, 2014, <http://www.thejakartapost.com/news/2014/10/28/retno-still-learn-ropes-no-clear-vision-yet.html>.

‘maritime state’ (*negara maritime*), while adhering to the long-standing principle of a ‘free and active’ (*bebas dan aktif*) foreign policy.¹⁰⁸

The concept of a ‘maritime state’ has since received wide attention from commentators and media as the key focus of the Widodo Government’s foreign policy.¹⁰⁹ Rizal Sukma, executive director of the Jakarta-based Center for Strategic and International Studies and foreign policy advisor to the Widodo Government, calls the concept of a maritime state a new doctrine that would further elevate Indonesia’s current position in world politics as the ‘world’s maritime axis’ (*poros maritim dunia*).¹¹⁰ It is apparent that this concept clearly capitalises on Indonesia’s geographically strategic location between the Indian and Pacific oceans. The centrality of Indonesia within the regional architecture of the Indo-Pacific is thus crucial to the maritime axis concept, and indicates Indonesia’s growing regional ambitions.

Prominent Indonesian scholars Suryo A.B. and Lelly Andriasanti have tried to distinguish between the concepts of an ‘archipelagic state’ and ‘maritime state’. Citing the doctrine of *Wawasan Nusantara* (*Wasantara*, also known as “The Archipelagic Concept”), which derives its legitimacy from the United Nations Convention on the Law of the Sea 1982, Suryo claims the focus on a ‘maritime

¹⁰⁸ A strong Sukarnoist influence can be seen in the prominence of the concept of *Trisakti* (emphasis on self-determination in politics (*berdaulat dalam politik*); self-reliance within the economy (*berdikari dalam ekonomi*); and a strong national culture (*kepribadian dalam kebudayaan*)) in the framework of the vision and mission statement of the Jokowi-Jusuf Kalla team. This speaks volumes of the increasing importance of the ideology of President Widodo’s party—Indonesian Democratic Party of Struggle (PDI-P)—in the nation’s foreign policy. It is also evident of the firmer stance that the new Widodo Administration will likely take particularly in the aspect of maritime sovereignty. See “Vision Mission,” *Jalan Perubahan untuk Indonesia yang Berdaulat, Mandiri dan Berkepribadian: Visi Misi, dan Program Aksi* (Jakarta: Jokowi-Jusuf Kalla, 2014).

¹⁰⁹ *Ibid.*, 6. Point 6 of the mission statement states: “The realization of Indonesia as a maritime nation that is independent, progressive, strong and one based upon national interests” [author’s translation]. The original statement reads: “*mewujudkan Indonesia menjadi Negara maritime yang mandiri, maju, kuat, dan berbasiskan kepentingan nasional*”.

¹¹⁰ See “Pengamat: Jokowi Telah Lahirkan Doktrin Baru Politik Luar Negeri Indonesia,” *Tribunnews.com*, June 24, 2014, <http://www.tribunnews.com/pemilu-2014/2014/06/24/pengamat-jokowi-telah-lahirkan-doktrin-baru-politik-luar-negeri-indonesia>.

state' shows Indonesia is reprioritising its maritime environment and sea lanes over a traditional land-centric focus.¹¹¹ On the other hand, Andriasanti sees the 'maritime state' as a geographic construct subordinate to the 'archipelagic state', but stresses the development of Indonesia's sea and maritime power above all.¹¹² This change of focus from the land to the sea would imply that Indonesia's military posture is likely to gravitate towards developing naval power, though the details of how such a transition will proceed is not yet known. There have been stated plans to boost Indonesia's defense spending from 0.8% to 1.5%. Although the decision to choose Ryamizard Ryacudu as defence minister is largely seen as a compromise choice, it is telling that the new government's choice for Coordinating Minister for Security, Tedjo Edy Purdijatno is a navy man. In a recent interview Tedjo mentioned of the special attention Indonesia will be paying to the maritime security sector, specifically in the formation of a new coastguard force.¹¹³

What does the primacy of a 'maritime state' mean for the 'big picture' of foreign policy under the Widodo presidency and for Indonesia's global image? How, and to what extent, will it affect Indonesia's relations with other nations?

¹¹¹ See Suryo, A.B., "Geopolitik Maritim Indonesia," *Tim Ahli Sekans Jokowi: Jalan Kemandirian Bangsa* (Gramedia Pustaka Utama, 2014), 173–34. *Wansantara*, a geostrategic concept that was first initiated in 1957 and gained traction in the early 1990s was based largely on the Djuanda Declaration of 1957 and Law No.4/1960 on Indonesian waters. It contends that Indonesia should be perceived geographically as a single, autonomous archipelagic state with prescribed baselines around all Indonesia's islands and enclosed waters within the island chains. The domestic legislation also expanded Indonesia's overall territory by about 2.5 fold, from 2,027,087 sq km to 5,193,250 sq km. As such, there is a tendency to consider sea lanes rather than land demarcations as borders. The declaration was ignored by maritime states and Indonesia did not choose to enforce it. In its latest interpretation, the legal principle of the archipelagic state was claimed by Indonesia under the August 1996 Act No. 6 of the United Nations Convention on the Law of the Sea following Indonesia's submission of its designated Archipelagic Sea Lanes.

¹¹² Lelly Andriasanti, "Politik Luar Negeri Indonesia di Bawah Jokowi" (Jakarta: Megawati Institute, July 4, 2014), <http://www.megawatiinstitute.org/megawati-institut/artikel/260-politik-luar-negeri-indonesia-di-bawah-jokowi.html>.

¹¹³ See Kanupriya Kapoor and Randy Fabi, "Indonesia to create new coastguard, boost defense spending" in *Reuters*, November 13, 2014, <http://www.reuters.com/article/2014/11/13/us-indonesia-security-idUSKCN0IX10220141113>.

And to what extent will Widodo continue with the foreign policies of his predecessor, President Susilo Bambang Yudhoyono?

Awidya Santikajaya expects to see an “ideological and substantial foreign policy change”¹¹⁴ under the Widodo Government over the next five years—a change from the long-standing tendency of Indonesian politics to strive for ‘consensus’ that usually results in a ‘middle way’. He also cites inherent structural limitations of the *reformasi* political system that restricts Indonesia’s abilities to project its influence more prominently in global affairs.¹¹⁵ Peter McCawley argues that foreign policy will probably not be a top priority for the Widodo presidency, at least in its early years, with domestic issues carrying greater weight and urgency. McCawley says an inward-looking ‘resilience path’ will be the more popular option for now, rather than an outward-looking ‘reform path’ littered with substantial obstacles.¹¹⁶

The Widodo Government has a lot of opposition to contend with. With an obstreperous majority opposition coalition to manage in Parliament, and a policy platform that requires introducing unpopular reforms to the fuel subsidy system, much of Widodo’s focus will be on remedying and consolidating his domestic power base. Nonetheless, with several major international summits (APEC in Beijing; East Asia Summit in Nay Pyi Taw, Myanmar; and G20 in Brisbane) to attend soon after taking office in October, Widodo must put forth clear foreign policy guidelines that will indicate how different they will be from precedents set by Yudhoyono.

¹¹⁴ Awidya Santikajaya, “Indonesia: Foreign Policy under Jokowi and Prabowo,” *The Diplomat*, June 5, 2014, <http://thediplomat.com/2014/06/indonesia-foreign-policy-under-jokowi-and-prabowo/>.

¹¹⁵ Awidya Santikajaya, “Indonesia as an Emerging Power,” *GREAT Insights* 3, no. 4 (European Centre for Development Policy Management, April 2014).

¹¹⁶ Peter McCawley, “Joko Widodo’s Indonesia: Possible Future Paths,” *The Strategist* (Barton, ACT: Australian Strategic Policy Institute, September 25, 2014), <http://www.aspistrategist.org.au/joko-widodos-indonesia-possible-future-paths/>.

Yudhoyono's Foreign Policy Legacy

Under Yudhoyono, who was Indonesia's first directly elected president since *reformasi*, foreign policy took on a more internationalist focus beyond the usual confines of its region, particularly during his second term. Making foreign policy a highly personal endeavour, Yudhoyono sought to project Indonesia beyond the regional architecture of the Asia-Pacific and, in particular, the confines of the Association of Southeast Asian Nations (ASEAN).¹¹⁷ This was assisted by the growing perception of Indonesia as a middle power on the rise.¹¹⁸ Adhering to the mantra of maintaining "a thousand friends and zero enemies" early in his second term, Yudhoyono strategically and consciously avoided contentious issues, such as disputes in the South China, that could jeopardise Indonesia's interests or escalate regional tensions, while embracing a middle power leadership role.¹¹⁹ Indonesia's ambiguous stance allowed Indonesia to remain free from being entangled in disputes that may not be congenial towards cultivating ties with bigger powers in the region such as China. Yet at the same time Indonesia cultivated strong ties with the United States while projecting its own standing within the Muslim world.

¹¹⁷ See Emirza Adi Syailendra, "Indonesia's Post-Election Foreign Policy: New Directions?" *RSIS Commentaries* No. 113/2014 (Singapore: S. Rajaratnam School of International Studies, June 13, 2014), <http://www.rsis.edu.sg/rsis-publication/idss/indonesias-post-election-foreign-policy-new-directions/#.VCUKPk1xmM8>.

¹¹⁸ Middle powers have been described as states that have "sufficient strength and authority to stand on their own without the need of help from others". They are also looked upon as "medium-sized states with the capacity and willingness to employ proactive diplomacy with global visions". See Kevin Rudd, "Leading, Not Following: The Renewal of Australian Middle Power Diplomacy," *The Sydney Papers* 19, no. 1 (Summer 2007). See also Kim Sung-han, "Global Governance and Middle Powers: South Korea's Role in the G20" (Council on Foreign Relations, February 2013), <http://www.cfr.org/south-korea/global-governance-middle-powers-south-koreas-role-g20/p30062>.

¹¹⁹ See Susilo Bambang Yudhoyono, "SBY's Inaugural Speech: The Text," *Jakarta Globe*, October 20, 2009, <http://www.thejakartaglobe.com/archive/sbys-inaugural-speech-the-text/>. On the aspirations of Indonesia's role as a middle power, see Santo Darmosumarto, "Indonesia: A New 'Middle-Power,'" *The Jakarta Post*, October 30, 2009, <http://www.thejakartapost.com/news/2009/10/30/indonesia-a-new-middle-power039.html>.

Despite Indonesia's long-standing preference for neutrality and non-interference in the affairs of other nations, the country has a growing role as an advocate of human rights and democracy throughout the region.¹²⁰ Indonesia's active historic role and interests within ASEAN as *primus inter pares* ("first among equals") took on a new significance as it enhanced its engagement in other regional bodies such as the East Asia Summit (EAS) and G20. Indonesia co-chaired a UN panel setting the development agenda for the post-2015 Millennium Development Goals and initiated the 'Bali Concord II' as chair of ASEAN in 2011. More recently however, Indonesia's participation and leadership in ASEAN has been less than enthusiastic,¹²¹ due to the evolving geopolitics of the ASEAN region and the particularly contentious chairmanship of ASEAN under Cambodia in 2012.¹²² Several divergent views on how Indonesia should approach ASEAN have emerged along with Indonesia's growing global profile; specifically, Rizal Sukma promotes a 'post-ASEAN' foreign policy.¹²³

Another salient aspect of Yudhoyono's foreign policy was the projection of Indonesia's newfound confidence from democratic gains at home and its conception of human rights.¹²⁴ The Bali Democracy Forum, established in 2008,

¹²⁰ Indonesia's new-found presence and confidence on the world-stage allows it to be assertive in the projection of aspects of its foreign policy. However this may not run contrary to the non-interference concept because Indonesia's projection has largely been symbolic and obliging.

¹²¹ Donald E. Weatherbee, "Southeast Asia and ASEAN Running in Place," *Southeast Asian Affairs* 2012 (2012): 4–5. Weatherbee argued that the 'Bali Concord III' did not go beyond the norms of an "ASEAN talk shop," staying within the safe boundaries of polite and platitudinous officialdom.

¹²² See Rodolfo C. Severino, "Cambodia Faces Tests with 2012 ASEAN Chairmanship," *Jakarta Globe*, February 22, 2012, <http://www.thejakartaglobe.com/archive/cambodia-faces-tests-with-2012-ASEAN-chairmanship/>.

¹²³ See Rizal Sukma, "Indonesia Needs a Post-ASEAN Foreign Policy," *The Jakarta Post*, June 30, 2009, <http://www.thejakartapost.com/news/2009/06/30/indonesia-needs-a-postASEAN-foreign-policy.html>.

¹²⁴ For a good summary of Indonesia's newfound confidence and assertion in foreign policy, see Ted Piccone and Bimo Yusman, "Indonesian Foreign Policy: 'A Million Friends and Zero Enemies,'" *The Diplomat*, February 14, 2014, <http://thediplomat.com/2014/02/indonesian-foreign-policy-a-million-friends-and-zero-enemies/?allpages=yes>. In terms of human rights, Indonesia has actively supported the establishment of the ASEAN Intergovernmental Commission on Human Rights.

is a key medium through which Indonesia promotes its democratic ideals in the Asia-Pacific region.¹²⁵ Indonesia's projection of democratic ideals in ASEAN, however, distanced non-democratic ASEAN member-states such as Cambodia, Laos, Myanmar and Vietnam (known collectively as CLMV), while receiving a lukewarm reaction from other ASEAN member-states.¹²⁶ Under Yudhoyono, Indonesia took an active role on issues in the Muslim world, both within and outside of ASEAN. For example, Indonesia was proactive in seeking to halt conflict between the Arakan Buddhists and Rohingya Muslims in Myanmar.¹²⁷ Indonesia also expressed its concerns over the Syrian and Egyptian crises, but Yudhoyono limited himself to making strong statements because of his country's commitment to non-alignment.¹²⁸ Clearly, while Indonesia's voice in both the international community and the Muslim world had grown markedly under Yudhoyono, its leadership role in regional bodies like ASEAN needs to be revived by Widodo.¹²⁹

Yudhoyono took a strong interest in managing the country's foreign affairs, sometimes clashing with Foreign Minister Marty Natalegawa. Their differences

¹²⁵ See http://bdf.kemlu.go.id/index.php?option=com_content&view=article&id=445&Itemid=106&lang=en. As of date, four Bali Democracy Forums have been conducted, the latest being in 2011.

¹²⁶ Shortly after the Burmese crackdown on the Saffron Revolution in 2007, Yudhoyono sent General (ret'd) Agus Widjojo to cajole the Burmese Junta into accepting a democratic transition based on a model similar to Indonesia's experiences.

¹²⁷ See Margareth S. Aritonang and Bagus B.T. Saragih, "RI Ready to Fight for Rohingya," *The Jakarta Post*, July 31, 2012, <http://www.thejakartapost.com/news/2012/07/31/ri-ready-fight-rohingya.html>.

¹²⁸ See "Editorial: RI's Activism on Syria," *The Jakarta Post*, January 9, 2013, <http://www.thejakartapost.com/news/2013/01/09/editorial-ri-s-activism-syria.html>. See also Teddy Kurniawan and Fitri, "SBY Leads Chorus of Dismay over Egypt," *Jakarta Globe*, July 30, 2013, <http://thejakartaglobe.beritasatu.com/news/sby-leads-chorus-of-dismay-over-egypt/199059/>.

¹²⁹ See Ralf Emmers, "Indonesia's Role in ASEAN: A Case of Incomplete and Sectoral Leadership," *The Pacific Review* 27, no. 4 (2014): 543–62. One way Widodo can revive the relevancy of ASEAN is via the resuscitation of Indonesia's commitment as 'big brother' and honest broker amongst the member states that had largely been neglected under the latter part of the Yudhoyono Administration. It must also be said that the integrity of ASEAN solidarity had been compromised lately in part to the corridor of rivalry between the United States and China. This pattern is set to persist. Given this new geostrategic consideration, collective ASEAN solidarity may still very much be a cornerstone of Widodo's foreign policy objectives particularly in the protection of its own maritime interests in the South China Sea. However, it is not likely to be the only cornerstone.

on foreign policy issues spilled into the public sphere over issues like Indonesia's stance on the trans-boundary haze issue, the stationing of US Marines in northern Australia, asylum seekers, and the Free Papua Movement. On the other hand, Yudhoyono championed closer relationships and strategic partnerships with several middle power countries deemed non-threatening to Indonesia, particularly South Korea.¹³⁰

Yudhoyono elevated Indonesia to a more prominent role on the world stage, while enhancing his own profile as an international statesman. His distinctive contribution to Indonesia's foreign policy goes far beyond the regional architecture. Yudhoyono's foreign policy clearly took into account the geopolitics of the region, most conspicuously the US pivot to Asia and a rising China. It would be surprising if Widodo does not build on Yudhoyono's foreign policy legacy and successes, though to what extent the new government will succeed in doing so remains uncertain.

Potential Foreign Policy Challenges and Opportunities for Widodo

Widodo is Indonesia's first elected president from outside Indonesia's traditional ruling oligarchy. His humble background as a furniture entrepreneur did hold him back from his political ambitions when running for political office as mayor of Surakarta, governor of Jakarta and now, president of Indonesia.¹³¹ His rapid rise onto the national scene as a popular figure and political upstart was seen as a threat to the power of the country's elite. The Widodo team has already had to face the challenges posed by the abolishment of a decade-long

¹³⁰ See JP/Desy Nurhayati and Novan Iman Santosa, "South Korea's Lee Myung-bak Honored," *The Jakarta Post*, November 9, 2012, <http://www.thejakartapost.com/news/2012/11/09/south-korea-s-lee-myung-bak-honored.html>. In particular, President Lee Myung-Bak had described the relationship with Indonesia as "heartfelt".

¹³¹ Marcus Mietzner, "Jokowi: Rise of a Polite Populist," *Inside Indonesia* 116 (Apr-Jun 2014), <http://www.insideindonesia.org/feature-editions/jokowi-rise-of-a-polite-populist>.

direct local election process (*Pemilihan Kepala Daerah (Pilkada)*).¹³² Widodo won the intense presidential election by a small margin, with much of his support coming from volunteers.¹³³ This did not stop the opposition Merah-Putih Coalition, led by Prabowo Subianto, from setting up roadblocks¹³⁴ in protest before Widodo's inauguration as the Indonesian president. Similarly, balancing the national budget is proving to be a challenge for the Widodo Government, particularly in negotiations over fuel subsidy reforms.¹³⁵

A proactive foreign policy of the type demonstrated in Yudhoyono's second term may pose further challenges for Widodo, given his relative inexperience in foreign affairs and the likely political rivalries within and between his government and the bureaucracy. Amid modifications to the Widodo Cabinet reducing the number of ministries, deputies and political positions within, the Ministry of Foreign Affairs remains the only ministry with a representative deputy (following Widodo's own preferences). In addition, several older ministries received new designations, including the Ministry of Marine Affairs

¹³² Jonathan Chen and Adhi Priamarizki, "Abolishing Indonesia's Direct Local Elections: Missing the Forest for the Trees?" *RSIS Commentaries* C014187 (Singapore: S. Rajaratnam School of International Studies, September 23, 2014), <http://www.rsis.edu.sg/wp-content/uploads/2014/09/CO14187.pdf>. See also Joe Cochrane, "Parliament in Jakarta Rolls Back Election Rights," *The New York Times*, September 25, 2014.

¹³³ "Unsung Heroes," *Tempo.co*, July 29, 2014, <http://en.tempo.co/read/news/2014/07/29/080596291/Unsung-Heroes>.

¹³⁴ See Jonathan Chen and Keoni Indrabayu Marzuki, "MD3 Laws in Indonesia: Sword of Damocles over the Jokowi Presidency?" *RSIS Commentaries* CO14208 (Singapore: S. Rajaratnam School of International Studies, October 21, 2014), <http://www.rsis.edu.sg/wp-content/uploads/2014/10/CO14208.pdf>.

¹³⁵ See Reuters and JG, "2015 Budget Enough for Jokowi's 'Basic Government Operations,'" *Jakarta Globe*, September 28, 2014, <http://jakartaglobe.beritasatu.com/business/2015-budget-enough-jokowis-basic-government-operations/>. Requests for a transition budget jointly formulated with Yudhoyono's government were rebuffed. For a good summary of the potential challenges Widodo faced even before his inauguration, see Ulla Fiona and Francis E. Hutchinson, "Crossing the River While Avoiding the Stones: Jokowi's Run-up to the Presidency," *ISEAS Perspective* 49/2014 (Singapore: Institute of Southeast Asian Studies, September 29, 2014), http://www.iseas.edu.sg/documents/publication/ISEAS_Perspective_2014_49.pdf.

and Fisheries (*Kementerian Kelautan dan Perikanan*) which is currently named the Ministry of Maritime Affairs (*Kementerian Kemaritiman*).¹³⁶

Coupled with a strong intent to capitalise on Indonesia's 'middle power' status and reassess its priorities by re-designating sea lanes as the country's political and geostrategic axis, Widodo is signalling significant foreign policy changes that will invariably affect relations with other countries. Refocusing foreign policy directives towards Indonesia's strategic role as a 'maritime state' and a 'middle power' will also expand the 'state-centric' prism in several sectors. This includes increasing Indonesia's role in the master plan for South-South and Triangular Cooperation (*Kerjasama Selatan-Selatan dan Triangular*) and the Indian Ocean Rim Association; strengthening ASEAN Centrality and gaining a more prominent role in the Organization of Islamic Cooperation;¹³⁷ and actively participating in conflict resolution, peacekeeping and peace-building.¹³⁸

Widodo may abandon Yudhoyono's bilateral foreign policy initiatives, and revert to a more traditional multilateral approach (regional and global) and consolidate Indonesia's leadership role within ASEAN. While the Yudhoyono Administration may have prided itself on establishing very close bilateral relationships with similar 'middle power' nations such as South Korea during the era of President Lee Myung-bak, Widodo may not have the same personal

¹³⁶ Agus Dwi Darmawan, "Racikan Kabinet Presiden Ketujuh," *katadata*, September 16, 2014, <http://katadata.co.id/infografik/2014/09/16/racikan-kabinet-presiden-ketujuh>.

¹³⁷ See "Vision Mission." Widodo had also indicated during his campaign an interest in setting up an embassy in the Palestine. See Jay Waluyo, "Jokowi Diminta Prioritaskan Palestina dalam Program Politik Internasional," *Jurnal Parlemen*, September 18, 2014, <http://www.jurnalparlemen.com/view/8289/jokowi-diminta-prioritaskan-palestina-dalam-program-politik-internasional.html>.

¹³⁸ For more on the master plan for South-South and Triangular cooperation (KSST), launched during Yudhoyono's second term, slated for 2011 to 2025, see "Indonesia Preparing Master Plan for South-South Cooperation," *Antaraneews.com*, June 15, 2014, <http://www.antaraneews.com/en/news/82861/indonesia-preparing-master-plan-for-south-south-cooperation>. See also "Vision Mission," 13.

inclinations. Foreign policy matters may fall primarily on the shoulders of the Foreign Minister.

China

Indonesia has been watching China's rise and growing strength in the region with considerable interest while maintaining a rather ambiguous stance. While Indonesia's relationship with China has indeed improved since resumption of diplomatic relations in 1990, it has not moved beyond the merely pragmatic. Daniel Novotny notes that compared to other major powers such as the United States, attitudes towards China have been ambivalent.¹³⁹ Christine Susanna Tjhin says Indonesia's long-standing relations with China have been "productive and pragmatic but not yet a strategic partnership".¹⁴⁰ The seeming lack of warmth between the two nations is partly explained by history and partly by the current circumstances. Franklin B. Weinstein had noted back in the late 1970s that Indonesian leaders' deep-rooted antipathy towards 'Chineseness' was often a stumbling block to cultivating close relations.¹⁴¹

This perception has not changed much with the rise of China in recent years. On the negative side, China's rise is seen primarily in terms of economic competition and military threats. Indonesia is concerned with an influx of cheap Chinese-made goods into Indonesian markets that could gradually

¹³⁹ See Daniel Novotny, *Torn between America and China: Elite Perceptions and Indonesian Foreign Policy* (Singapore: Institute of Southeast Asian Studies, 2010), 200–28.

¹⁴⁰ See Christine Susanna Tjhin, "Indonesia's Relations with China: Productive and Pragmatic, But Not Yet a Strategic Partnership," *China Report* 48, no. 3 (2012): 303–15, doi: 10.1177/0009445512462303.

¹⁴¹ See Franklin B. Weinstein, "Indonesian Foreign Policy and the Dilemma of Dependence: From Sukarno to Soeharto," *Foreign Affairs* (April 1977). The term *Chineseness* apparently referred more to the innate Chinese character and Chinese nationalism rather than Maoist ideology, although the Communist Party of China was not seen in a flattering light even in recent years. This can be attributed to China being seen as an inherently aggressive and expansionist power.

develop into a dependency relationship.¹⁴² The military threat is centred on uncertainty surrounding China's claims in the waters off the Natuna Islands in the South China Sea (Indonesia claims Natuna Islands as its own).¹⁴³ The Indonesian military is not optimistic about China's rise. The commander-in-chief of Indonesia's armed forces has not been enamoured with China's posturing, particularly by putting areas of the Natuna Islands on official Chinese maps. The mood among the Indonesian military has also been described as "dismayed" with China's actions.¹⁴⁴ Commodore Fahu Zaini, assistant deputy to the chief security minister for defence strategic doctrine, said that China had claimed the seas surrounding the Natuna Islands as its territorial waters, which are officially "related to the territorial zone of the Unitary Republic of Indonesia".¹⁴⁵ It is still uncertain whether China's growing assertiveness poses a direct military threat to Indonesia's security, with hostilities softening perceptibly over the years. China's recent actions of instituting the nine dash lines within proximity of the Natuna Islands have heightened security tensions, raising the need for a strategic reassessment by Indonesia.¹⁴⁶

¹⁴² This was probably to do with the prevailing "Pretty Maiden Analogy" popularised in the 1970s describing Indonesia as a land of great economic and geopolitic importance amid a hostile and exploitative world.

¹⁴³ Beijing's disputed claims over the South China Sea had raised concerns in Indonesia as early as 1995 when an Indonesian Defence White Paper warned against China's growing clout in the region. See Indonesian Ministry of Defence and Security, "The Policy of the State Defence and Security of the Republic of Indonesia," White Paper (Jakarta: Ministry of Defence and Security, August 17, 1995), 4–5.

¹⁴⁴ See Moeldoko, "China's Dismaying New Claims in the South China Sea," *The Wall Street Journal*, April 24, 2014, <http://online.wsj.com/news/articles/SB10001424052702304279904579515692835172248>. In addition, the Natunas Islands are also prized for its rich oil resources, with the untapped gasfields in East Natuna being one of the world's largest. See Andrew R.C. Marshall, "Remote, Gas-Rich Islands on Indonesia's South China Sea Frontline," *Jakarta Globe*, August 26, 2014, <http://thejakartaglobe.beritasatu.com/news/remote-gas-rich-islands-indonesias-south-china-sea-frontline/>.

¹⁴⁵ See "China Includes Part of Natuna Waters in its Map," *Antaranews.com*, March 13, 2014, <http://www.antaranews.com/en/news/93178/china-includes-part-of-natuna-waters-in-its-map>.

¹⁴⁶ See Greta Nabbs-Keller, "Is Indonesia Shifting its South China Sea Policy?" *The Lowy Interpreter* (blog), April 16, 2014, <http://www.loyyinterpreter.org/post/2014/04/16/Indonesia-Natuna-shift-south->

On the positive side, Indonesia's economy has greatly benefited from China's rise. From 2006 to 2011, Indonesian exports to China increased from 3.8% to 11.5%. Meanwhile, Indonesia reduced its exports to other markets such as the European Union and the United States.¹⁴⁷ The economic and material benefits to Indonesia from China's growing economy are evident for all to see.¹⁴⁸ The growing demand for energy and raw materials in China has increased investments and trade between both countries. China became a net importer of coal in 2007 and Indonesia emerged as its primary supplier. China invested US\$1.9 billion into Bumi Resources, Indonesia's largest coal producing company.¹⁴⁹ By 2011 approximately 1,000 Chinese enterprises had invested in Indonesia—amounting to a total of US\$592.2 million up from a 2003 figure of US\$29.8 million.¹⁵⁰ The highlight of China's charm offensive in Indonesia under Yudhoyono came in 2013 when President Xi Jinping became the first ever foreign leader to address the Indonesian Parliament. A currency swap agreement worth US\$16 billion was signed, and China promised to upgrade its commitment to ASEAN, with Indonesia as a 'big brother' of the region, from a 'golden decade' to a 'diamond decade'.¹⁵¹ Yudhoyono nullified the notorious Cabinet Presidium Circular (1967) obliging Indonesian government agencies to use the terms *Tiongkok* or *Tionghua* to describe ethnic Chinese individuals

china-sea-policy.aspx. See also Philip Bowring, "Indonesia Draws a Line in the Sea," *Asia Sentinel*, April 29, 2014, <http://www.asiasentinel.com/politics/indonesia-draws-line-sea/>.

¹⁴⁷ See International Monetary Fund, *Direction of International Trade Statistics Yearbook 2012* (Washington, DC: International Monetary Fund, 2012).

¹⁴⁸ See Zhao Hong, "China-Indonesia Economic Relations: Challenges and Prospects," *ISEAS Perspectives* 42 (Singapore: Institute of Southeast Asian Studies, July 4, 2013), http://www.iseas.edu.sg/documents/publication/iseas_perspective_2013_42_china_indonesia_economic_relations.pdf.

¹⁴⁹ See Anthony Deutsch, Amy Kazmin, and Leslie Hook, "Asia Giants' Scrabble [sic] for Coal Reaches Indonesia," *Financial Times* (Chinese ed.), September 9, 2010, <http://www.ftchinese.com/story/001034547/en/?print=y>.

¹⁵⁰ Ministry of Commerce of China, *2011 Statistical Bulletin of China's Outward Investment* (Beijing: Ministry of Commerce of the People's Republic of China, 2011).

¹⁵¹ See "Li Shares Thoughts on China-ASEAN Cooperation," *mysinchew.com*, October 8, 2013, <http://www.mysinchew.com/node/92424>.

instead of the derogatory *Cina*—a gesture welcomed by both Indonesian Chinese and China.¹⁵²

Despite inherent reservations, Yudhoyono had engaged China to a significant degree, at least in economic and trade dealings. China appears confident that Indonesia's China policy will continue under Widodo, so will Indonesia's commitment to the EAS and the previous policy of "a million friends and zero enemies".¹⁵³ The two countries are slated to increase trade and investments to US\$800 million by 2015, according to the Comprehensive Strategic Partnership signed during President Xi's visit. This reflects Yeremia Lalisang's observation that Widodo's vision of Indonesia as the "world's maritime axis" ties in with China's plan of building a "New Maritime Silk Road."¹⁵⁴ A further sign of cooperation are the maritime-based sister-cities planned between the Chinese city of Qingdao in Shandong province and the Indonesian city of Makassar in South Sulawesi.¹⁵⁵

Some observers say the newly elected president needs to tread carefully in handling relations with China, and is seen as a "test" of foreign policy

¹⁵² *Cina* is seen as a derogatory term referring to the Chinese residing in Indonesia often with negative connotations of being greedy, unclean, lazy, weak and even immoral. *Tionghok/Tionghua* is a neutral term which simply refers to the Chinese community without the added stereotypes. By issuing the decree at this point in time, Yudhoyono sought to improve relations between the indigenous and Indonesian Chinese populations, promoting cordial relations with Beijing and foremost of all, be remembered as the president who abolished the official use of the term. See Leo Suryadinata, "An End to Discrimination for China and the Chinese in Indonesia?" *ISEAS Perspective* 26 (Singapore: Institute of Southeast Asian Studies, April 25, 2014), http://www.iseas.edu.sg/documents/publication/ISEAS_Perspective_2014_26-An_End_to_Discrimination_Chinese_in_Indonesia.pdf.

¹⁵³ Li Guo Zhang, "Indonesia's New Administration Will Continue Existing Policy of Building Strong Partnership with China," *China Economic Net*, July 22, 2014.

¹⁵⁴ See Yeremia Lalisang, "President-Elect Jokowi and Indonesia-China Relations," *The Establishment Post*, August 1, 2014, <http://www.establishmentpost.com/jokowi-indonesia-china-relations/>.

¹⁵⁵ See Natalia Santi, "Indonesia, Qingdao to Initiate Maritime Cooperation," *Tempo.co*, April 27, 2014, http://en.tempo.co/read/news/2014/04/27/056573507/Indonesia-Qingdao-to-Initiate-Maritime-Cooperation?utm_source=Daily+News+on+the+Southeast+Asian+Region+-+28+April+2014&utm_campaign=Info+Alert+20140428&utm_medium=email.

acumen.¹⁵⁶ Widodo will have to balance his desire “to show that he’s his own man” with the need to open up greater economic opportunities by cooperating with China. This is typical of the conflicting stances characteristic of Indonesia’s relations with China. Widodo’s administration looks like it will not deviate much from this ambivalent and cautious approach, understanding the need for greater investment and cooperation, yet inevitably wary of China’s growing strategic assertions in the South China Sea. China is likewise keen to engage with Indonesia on economic matters. So far, Chinese diplomat Wang Jiarui made overtures when he visited Widodo in mid-September, inviting him during the APEC Summit in Beijing to meet with President Xi.¹⁵⁷ Under an overall policy shift in maritime affairs and security issues, nevertheless, Widodo may adopt a firmer stance on Indonesia’s sovereignty (*kedaulatan*) if China chooses to aggressively assert its claim in areas along the nine-dash line that fall under what is considered Indonesia’s sovereign territory.¹⁵⁸

¹⁵⁶ See David Tweed, “China Test Looms for Widodo as Indonesia Faces Xi’s Campaign,” *Bloomberg*, August 5, 2014, <http://www.bloomberg.com/news/2014-08-04/china-test-looms-for-widodo-as-indonesia-faces-xi-s-sea-campaign.html>.

¹⁵⁷ See Luqman Rimadi, “Kirim Utusan, Presiden China Ucapkan Selamat Kepada Jokowi,” *Liputan6.com*, September 15, 2014, <http://indonesia-baru.liputan6.com/read/2105654/kirim-utusan-presiden-china-ucapkan-selamat-kepada-jokowi>.

¹⁵⁸ Jokowi’s foreign policy so far has been big on issues of sovereignty, largely influenced by the doctrines of *Trisakti*. Nonetheless, it does not mean that Indonesia’s approach to China will neither be cautious nor ambivalent because Indonesia is both suspicious of China’s intentions yet understands the need for Chinese investment. In this instance, the singular aspect of foreign diplomacy in Indonesia that may appear more conspicuous will be that of a stronger stance against the potential infringement of Indonesia’s sovereignty – be it land, air or in particular, the sea. Recent Indonesian attitudes towards sovereignty issues are telling of its more hardline position. See Steve Creedy, “Australia-bound plane intercepted by Indonesia en route to G20” in *The Australian*, November 4, 2014, <http://www.theaustralian.com.au/business/in-depth/australiabound-plane-intercepted-by-indonesia-en-route-to-g20/story-fnpebfc-1227111952745>. See also Karamjit Kaur, “Singapore aircraft intercepted by Indonesian air force released” in *The Straits Times*, October 29, 2014, <http://www.straitstimes.com/news/singapore/transport/story/singapore-aircraft-intercepted-indonesian-air-force-released-20141029>.

Japan

Indonesia-Japan relations are on an upward trajectory and Indonesia views Japan as a benign Asian power.¹⁵⁹ Rebounding from a low point of the anti-Japan Malari riots in 1974 a day after Japanese Prime Minister Kakuei Tanaka arrived in Indonesia for a state visit, Indonesia no longer sees Japan as a direct threat but increasingly as a “countervailing power to China’s military might”.¹⁶⁰ Attitudes towards Japan have taken a significant detour since the hostilities of World War II.¹⁶¹ Previous suspicions of Japan’s politically motivated economic agenda in Southeast Asia have faded in the shadow of China’s assertiveness in the region. Despite the fact that Japan has been gradually moving away from pacifism to a more assertive military posture, Indonesia has never been more receptive of Japan.

Through a few sensible measures, Japan has successfully repositioned its post-WWII belligerent image by “trying to appear as unthreatening as possible.”¹⁶² Formal relations were established with Indonesia following the 1951 San Francisco Treaty regarding war reparations. Japan became a source of much-needed economic aid during the turbulent years of Sukarno’s rule which has continued today. In addition, Japan showed its commitment to the region by joining the Treaty of Amity and Cooperation and the Zone of Peace, Freedom and Neutrality in 2004. An alliance with the United States has kept Japan’s

¹⁵⁹ See Novotny, *Torn between America and China*. 271–79.

¹⁶⁰ See Mak Joon Num and Hamzah Bin Ahmad, “The External Maritime Dimension of ASEAN Security,” *Journal of Strategic Studies* 18, no. 3 (1995): 123–46.

¹⁶¹ Even so, elite perceptions of Japan have generally been seen in a positive light despite the wartime atrocities it committed during World War II. Many viewed the Japanese invasion and adventurism in Southeast Asia primarily as an attempt to free them from the yoke of their colonial masters. See Novotny, *Torn between America and China*. 275.

¹⁶² See Sebastian Moffett, et al. “Marching on to a New Role,” *Far Eastern Economic Review* (January 15, 2004).

military and political adventurism in check.¹⁶³ Furthermore, Japan has been giving official development assistance (ODA) to Indonesia since the late 1960s.¹⁶⁴ Indeed, Indonesia has been the biggest beneficiary of Japan's ODA among ASEAN countries in recent years.¹⁶⁵ Yudhoyono maintained strong economic ties with Japan, including signing the Indonesia-Japan Economic Partnership in 2006 and the Metropolitan Priority Area project.¹⁶⁶ Indonesia would continue to benefit from maintaining and expanding strong relations and cooperation with Japan not only in economic matters but also in politics and security, primarily in the area of maritime security and the promotion of related international rules and laws.¹⁶⁷ In a recent meeting with the new Indonesian Foreign Minister at the 2014 Asian Pacific Economic Cooperation forum in Beijing, Japan's Foreign Minister Fumio Kishida followed up on its earlier pledge to bolster cooperation in maritime security by focussing on the importance of settling disputes based on the principle of the international rule of law.¹⁶⁸

¹⁶³ See Lam Peng-Er, "Trading Places?: The Leading Goose & Ascending Dragon." *Comparative Connections* 4, no. 1 Japan-Southeast Asia Relations (Washington, DC: Center for Strategic and International Studies, April 2002), http://csis.org/files/media/csis/pubs/0201qjapan_seasia.pdf.

¹⁶⁴ See "Welcome to Official Development Assistance (ODA) from Japan to Indonesia Website," Official Development Assistance from Japan to Indonesia, <http://www.id.emb-japan.go.jp/oda/en/>.

¹⁶⁵ See Bachtiar Alam, *Japan's ODA to Indonesia: Statistical Data*, No. 1/2001 (Jakarta: The Center for Japanese Studies, University of Indonesia, 2001), 17–24. See also Nobuyuki Takahashi, "The Scandal of Japanese Aid to Indonesia," *Asiatimes Online*, August 2, 2002, <http://www.atimes.com/atimes/Japan/DH02Dh01.html>.

¹⁶⁶ See Susilo Bambang Yudhoyono, "Responding to Global Challenges and Strengthening Indonesia-Japan Relations," Presidential lecture delivered to the National Graduate Institute for Policy Studies (GRIPS) (Tokyo: June 17, 2011), http://www.grips.ac.jp/docs/img/2011_News/513_3/Presidential_Lecture.pdf.

¹⁶⁷ See "SBY, Fukuda Expect Stronger RI-Japan Relations," *The Jakarta Post*, September 1, 2014, <http://www.thejakartapost.com/news/2014/09/01/sby-fukuda-expect-stronger-ri-japan-relations.html>. See also "Kishida, Indonesia's Jokowi Seek Enhanced Security, Economic Ties" in *The Japan Times*, August 12, 2014, <http://www.japantimes.co.jp/news/2014/08/12/national/kishida-indonesias-jokowi-seek-enhanced-security-economic-ties/#.VGb4wzSUESo>.

¹⁶⁸ See "Japan, Indonesia Agree to Bolster Maritime Security Cooperation" in *Kyodo News*, November 8, 2014, <https://english.kyodonews.jp/news/2014/11/321351.html>.

Will Widodo's administration deviate from the existing trajectory set by Yudhoyono? As a counterweight to the growing uncertainty involving the rise of China, amicable Indonesia-Japan relations can act as a bulwark and an "indirect psychological insurance" in the form of an additional bargaining chip.¹⁶⁹ Japan can be a partner and ally as Indonesia endeavours to become a mediator between China and Southeast Asia over sovereignty issues in the South China Sea.¹⁷⁰ Nonetheless, at a time when China-Japan relations have reached an antagonistic high, a closer partnership with Japan may compromise Indonesia's relations with China, hindering Indonesia's ambitions to become the 'world's maritime axis'. While Indonesia and Japan enjoy an overlapping interest in maritime security and the protection of their sovereignty over the South China Sea and East China Sea respectively, Indonesia will have to tread carefully in this relationship when considering China.

India

Indonesia's affinity with India has not always been the strongest, yet it has received a boost in light of recent geopolitical developments. A treaty of friendship was signed in 1951 between both countries, setting the foundation of relations in the future.¹⁷¹ The relationship strengthened when President Sukarno and Indian Prime Minister Jawaharlal Nehru, among others, came together to form the Non-Aligned Movement in 1961. India and Indonesia share some common political features: both are salient examples of democracy and decentralisation. Although deeply religious countries, both have remained

¹⁶⁹ See Daniel Novotny, *Torn between America and China*. 279.

¹⁷⁰ See Tadao Onaga, "Indonesia Ready to Mediate Sovereignty Disputes in the South China Sea," *The Asahi Shimbun*, August 12, 2014, http://ajw.asahi.com/article/asia/around_asia/AJ201408120038. See also Clint Richards, "Joko Looks to Japan to Boost Indonesia's Regional Influence," *The Diplomat*, August 12, 2014, <http://thediplomat.com/2014/08/joko-looks-to-japan-to-boost-indonesias-regional-influence/>.

¹⁷¹ See "Treaty of friendship between India and The Republic of Indonesia" (Jakarta: March 3, 1951), <http://www.commonlii.org/in/other/treaties/INTSer/1951/7.html>.

committed to secularism as a democratic principle.¹⁷² Increasingly, Indonesia views India as a non-threatening power located strategically in the South Asian subcontinent and crucial as a possible counterbalance to “the overwhelming influence of Northeast Asia—China in particular”.¹⁷³

Trade exchanges and economic cooperation between Indonesia and India have not been noteworthy, though President Yudhoyono and Indian Prime Minister Manmohan Singh signed a bilateral strategic partnership agreement in November 2005. The results of the agreement have been more than satisfactory with total bilateral trade surpassing US\$12 billion.¹⁷⁴ There are plans to follow up with a comprehensive economic cooperation agreement after a joint study group presents its results. Indeed, overall trade relations between Indonesia and India show great growth potential.¹⁷⁵

On the security front, Indonesia and India are expanding their engagement. With the signing of the India-Indonesia Strategic Partnership Agreement in 2005, Indonesia resumed its defence engagement with India in all branches of the armed forces. Military-to-military cooperation usually revolves around counterterrorism and counter-insurgency efforts.¹⁷⁶ Given that both countries

¹⁷² See Navrekha Sharma, “Why Indonesia is Important to India,” *IDSA Issue Brief* (New Delhi: Institute for Defence Studies and Analyses, January 20, 2011).

¹⁷³ See Landry Haryo Subianto, “ASEAN and the East Asian Co-operation: Searching for a Balanced Relationship,” *The Indonesian Quarterly* XXXI, no. 1 (1st Quarter 2003), 9–10.

¹⁷⁴ See Rahul Mishra, “India and Indonesia: Trade and Investment Complementarities,” *IDSA Issue Brief* (New Delhi: Institute for Defence Studies and Analyses, January 25, 2011).

¹⁷⁵ See Ardyan Mohamad, “DPD Ingin Indonesia-India Perkuat Hubungan Dagang,” *merdeka.com*, August 23, 2014, <http://www.merdeka.com/uang/dpd-ingin-indonesia-india-perkuat-hubungan-dagang.html>.

¹⁷⁶ See Ristian Atriandi Supriyanto, “India-Indonesia Defence Cooperation: Back on Track?” *RSIS Commentaries* No. 103/2013 (Singapore: S. Rajaratnam School of International Studies, May 29, 2013).

share common littoral boundaries on the Indian Ocean, India and Indonesia are keen to counter China's footprints in Myanmar.¹⁷⁷

Under the 'world's maritime axis' concept, which shifts Indonesia's geostrategic focus on the Indo-Pacific, continued positive engagement with India by Widodo will give Indonesia an additional counterweight to the growing influence of China.¹⁷⁸

Singapore

By virtue of their proximity, Singapore-Indonesia relations have been described as being "subject to large fluctuations, shifting between periods of tension and relatively close cooperation".¹⁷⁹ The marked asymmetries between the two countries—in population and wealth per capita—have been commonly cited as the defining characteristic of the relationship. However, Singapore is also anxious about the rising assertiveness of the Chinese giant against the backdrop of a US pivot to the Asia-Pacific— a concern that may potentially compromise the solidarity of the regional architecture.¹⁸⁰ Indonesia and Singapore are turning to the solidarity and centrality of the ASEAN framework as a de facto defence against China, while building on multifaceted and complex bilateral relations. For example, in a recent statement made during the ASEAN Summit in Nay Pyi Daw in Myanmar, Singapore Prime Minister Lee Hsien Loong stressed that ASEAN should maintain its centrality and respond in a decisive

¹⁷⁷ See Pankaj K. Jha, "India-Indonesia: Towards Strategic Convergence," *IDSA Comment* (New Delhi: Institute for Defence Studies and Analyses, January 24, 2011), http://www.idsa.in/idsacomments/IndiaIndonesiaTowardsStrategicConvergence_pkjha_240111.

¹⁷⁸ See Leonard C. Sebastian and Emirza Adi Syailendra, "Jokowi's "Look West" Foreign Policy: Expanding Indonesia's Sphere of Influence?" in *RSIS Commentaries* CO14207 (Singapore: S. Rajaratnam School of International Studies, October 21, 2014). <http://www.rsis.edu.sg/wp-content/uploads/2014/10/CO14207.pdf>.

¹⁷⁹ See Natasha Hamilton-Hart, "Indonesia and Singapore: Structure, Politics and Interests," *Contemporary Southeast Asia*, Vol. 31, No. 2, August 2009, 249–71.

¹⁸⁰ See Bilahari Kausikan, "The Dynamics of Size and the Burden of History," *The Straits Times*, October 3, 2014, <http://news.asiaone.com/news/asian-opinions/dynamics-size-and-burden-history>.

and coordinated manner to geopolitical developments in the region such as maritime disputes in the South China Sea and cooperation on counter-terrorism.¹⁸¹

Bilateral relations with Singapore under successive presidents since *reformasi* in 1998 are seen as “acerbic exchanges and occasionally obstructive policies, interspersed with declarations of cooperative intent and ongoing close relations in many functional areas”.¹⁸² The most recent highlight of such dissension came earlier this year with the fiasco over the renaming of an Indonesian frigate KRI *Usman Harun*, and the trans-boundary haze disputes.¹⁸³ Indonesia reopened historic wounds and raised lapsed memories of confrontation—Usman and Harun are controversial figures in Singapore seen as perpetrators of violence but hailed in Indonesia as national heroes.¹⁸⁴ The trans-boundary haze dispute demonstrates a perennial bilateral sticking point. Pollutant Standards Index (PSI) readings reached an all-time high of 401 last year and Singapore became one of the hardest hit nations after Malaysia to suffer from effects of the

¹⁸¹ See Dylan Loh, “ASEAN Must Respond in Decisive, Coordinated Way to Regional Issues” in *Channel NewsAsia*, November 12, 2014, <http://www.channelnewsasia.com/news/asiapacific/asean-must-respond-in/1468054.html>.

¹⁸² See Hamilton-Hart, “Indonesia and Singapore: Structure, Politics and Interests.”

¹⁸³ On the Usman-Harun issue, see Yvonne Guo, “Singapore and Indonesia: An Uneasy Coexistence?” *The Diplomat*, February 15, 2014, <http://thediplomat.com/2014/02/singapore-and-indonesia-an-uneasy-coexistence/>. On the transboundary haze issue surrounding Singapore-Indonesia ties, see Ng Jing Ying, “Transboundary Haze: Singapore Seeks Indonesia’s Cooperation on ASEAN Agreement,” *todayonline.com*, May 10, 2014, <http://www.todayonline.com/singapore/transboundary-haze-singapore-seeks-indonesias-cooperation-ASEAN-agreement>.

¹⁸⁴ Usman Mohamed Ali and Harun Said were two Indonesian marines involved in the Macdonald House bombing that occurred on 10 March 1965 during the period of the Indonesia-Malaysia Confrontation. The bombing of the 10-storey MacDonald House was the most serious spate of bombings in Singapore, killing three people and injuring thirty-three others. Both Usman and Harun were caught within four days of the bombing and were tried for murder and hanged three years later in 1968 despite pleas from Indonesia to free them. The hanging of the marines affected relations between Indonesia and Singapore. It was not until 1973 that the event reached a closure with Singapore’s then Prime Minister Lee Kuan Yew placing flowers on the graves of the executed marines. For a quick update of the Indonesian frigate KRI *Usman-Harun* saga with Singapore see Leonard C. Sebastian, “The Usman-Harun Issue: Some Thoughts for Indonesia to Ponder,” *RSIS Commentaries* No. 029/2014 (Singapore: S. Rajaratnam School of International Studies, February 12, 2014), <http://dr.ntu.edu.sg/bitstream/handle/10220/19905/RSIS0292014.pdf?sequence=1>.

Indonesian forest fires.¹⁸⁵ The two matters were eventually dealt with sensitively by both sides despite initial outbursts of strong rhetoric. Nonetheless, they are a reminder of the fragile state of affairs between the two countries.

Under Yudhoyono, relations with Singapore under were generally cordial and positive despite the brief periods in between that consisted of curt exchanges during disagreements. Close defence ties between the Indonesia and Singapore resumed, and reached a high mark towards the end of Yudhoyono's term when he was invited to Singapore to be conferred the Order of Temasek (First Class), acknowledging his contributions to building regional cooperation and stability.¹⁸⁶ Stronger ties were reaffirmed as a further milestone was achieved with the signing of the second maritime boundary treaty delineating the territorial seas in the eastern part of the Straits of Singapore.¹⁸⁷ This solid foundation of diplomacy sets a good tone for the Widodo presidency's engagement with Singapore. Widodo himself is no stranger to the island nation of Singapore. As governor of Jakarta, he had on various occasions consulted with the authorities in Singapore on the development and management of the mass rapid transit project in Jakarta.¹⁸⁸ Widodo's younger son is studying his International Baccalaureate at a Singapore school.¹⁸⁹ Given these close personal

¹⁸⁵ See "Singapore haze hits record high from Indonesia fires," *bbc.com*, June 21, 2013, <http://www.bbc.com/news/world-asia-22998592>.

¹⁸⁶ See Zakir Hussain, "Indonesia's President Yudhoyono Awarded Order of Temasek by Singapore," *The Straits Times*, September 3, 2014, <http://www.straitstimes.com/news/asia/south-east-asia/story/indonesias-president-yudhoyono-awarded-order-temasek-singapore-20140#sthash.qjzdRIPI.dpuf>. Apparently, only 11 people have received the prestigious award, including Queen Elizabeth II, Prince Norodom Sihanouk, President Gamal Abdul Nasser, and President Ferdinand Marcos, since it was instituted in 1962. In 2014, President Soeharto also received the same award.

¹⁸⁷ See Saifullah Ismail, "Singapore and Indonesia Sign 'Milestone' Maritime Treaty," *channelnewsasia.com*, September 3, 2014, <http://www.channelnewsasia.com/news/singapore/singapore-and-indonesia/1344564.html>.

¹⁸⁸ See Sita W. Dewi, "Jokowi Seeks Advice from Singapore," *The Jakarta Post*, April 2, 2013, <http://www.thejakartapost.com/news/2013/04/02/jokowi-seeks-advice-singapore.html>.

¹⁸⁹ See Wahyudi Soeriaatmadja, "Jokowi's Low-Key Wife, 3 Kids Give Moral Support," *The Straits Times*, June 29, 2014, <http://www.stasiareport.com/the-big-story/asia-report/indonesia/story/jokowis-low-key-wife-3-kids-give-moral-support-20140629>.

connections Widodo has with the island nation, Indonesia and Singapore are well-poised for a closer partnership.

Conclusion: Can the Widodo Administration Fully Project its Foreign Policy?

Despite his relative inexperience, Widodo possesses a formidable team of foreign policy experts and security advisors in his inner circle, including Rizal Sukma and defence experts from the University of Indonesia, Andi Wijajanto and Edy Prasetyono.¹⁹⁰ Efforts to fully capitalise on outward, reform-minded policies in Widodo's first term may be stymied by internal power plays within Parliament, and externally by the geopolitical realities of the region. Internally, the Widodo administration faces an unprecedented challenge from a largely disruptive parliamentary opposition that may spill into foreign affairs. A Law on Legislative Bodies (MD3) threatens to undermine the scope and capacity of Widodo's intended policies.¹⁹¹ In particular, one of the clauses of the newly implemented MD3 Law known as the "packet system" requires the vote of two-thirds majority in parliament for legislative matters. This particular clause alone certainly disadvantages the Widodo Coalition in parliament, given the current one-third minority coalition. If MD3 goes unhindered, the House in particular

¹⁹⁰ See Sita W. Dewi and Margareth Aritonang, "Understanding Jokowi's Inner Circle," *news.asiaone.com*, July 5, 2014, <http://news.asiaone.com/news/asia/understanding-jokowis-inner-circle>. Andi Wijanjanto is now serving as Cabinet Secretary of the Widodo's Administration. For a more comprehensive summary of the notable figures and advisors behind the Widodo Administration see Aaron Connelly, "Indonesian Foreign Policy Under President Jokowi" in *Lowly Institute Publications*, October 16, 2014, http://m.lowlyinstitute.org/files/indonesian-foreign-policy-under-president-jokowi_0.pdf.

¹⁹¹ In order to prevent power from being centralized only at the top following *reformasi*, there had been a concerted effort to shift the locus of power away from the executive to the legislative. This had resulted in the legislative or Indonesia's Lower House (*Dewan Perwakilan Rakyat*) gaining considerable clout especially in area of oversight. While it served its purpose in checking the power of the executive, this power shift had also led to abuses. See Jonathan Chen and Keoni Indrabayu Marzuki *ibid*.

will have overwhelming supervisory, legislative and budgetary powers.¹⁹²

Although the implications of MD3 are still not fully evident, the law is slated to affect Indonesia's foreign policy ambitions in more ways than one, now that politicians themselves are furnished with new diplomatic duties. Widodo will have to think of ways to limit the development of extraneous bureaucratic red tape that may compromise the realisation of his policies. When implementing his grand narrative of a 'world maritime axis', the Widodo Administration may have to consider the ecological dimension of such an endeavour in light of the threat of rising sea levels due to climate change.¹⁹³

Externally, the continued rise of an assertive China will undoubtedly create less room for Indonesia's foreign policy and diplomatic efforts to manoeuvre.

Indonesia has always relied on its "*mendayung antara dua karang*" (rowing between two reefs)¹⁹⁴ stance, but it may need to rethink this strategy.

Strengthening ties with other neighbouring powers such as India and Singapore is a good start. It is also imperative that Indonesia exercises greater leadership in ASEAN, particularly in reinvigorating ASEAN centrality amid geopolitical trends that threaten to undermine the archipelago's integrity.¹⁹⁵

Indonesia's first female foreign minister Retno Marsudi, recently expressed intentions of eschewing Yudhoyono's 'thousand friends' policy for a less

¹⁹² See Djoko Susilo, "It's Going to be a Bumpy Ride for Jokowi," *The Straits Times*, October 3, 2014, <http://www.straitstimes.com/the-big-story/asia-report/indonesia/story/its-going-be-bumpy-ride-jokowi-20141003>.

¹⁹³ See Erwida Maulia, "Rising Seas Threaten Jokowi's Maritime Plan" in *Jakarta Globe*, November 11, 2014, <http://thejakartaglobe.beritasatu.com/news/rising-seas-threaten-jokowis-maritime-plan/>.

¹⁹⁴ Such a foreign policy stance emerged in Indonesia at the dawn of the Cold War era under the leadership of Prime Minister Mohammad Hatta who first broached the concept in 1948. The future direction that Indonesia's diplomacy henceforth took was to avoid the major conflicts of the day by not taking sides between the superpowers in the form of a 'free and active' foreign policy. In practice such a policy stance had been qualified by clear indicators in the past, most conspicuously in the Non-Aligned Movement of 1955.

¹⁹⁵ See Awidya Santikajaya, "East Asia Summit: ASEAN's Centrality and the Challenges Ahead," *The Jakarta Post*, October 29, 2010, <http://www.thejakartapost.com/news/2010/10/29/east-asia-summit-ASEAN%E2%80%99s-centrality-and-challenges-ahead.html>.

aggrandized, down-to-earth ‘pro-people policy’.¹⁹⁶ According to Retno, a ‘pro-people policy’ means a more humanistic foreign policy that includes for example, protecting Indonesia’s own citizens overseas. It also includes being more active in public diplomacy by requiring Indonesian diplomats to perform Widodo-style ‘blusukan’ (impromptu visits to the constituents by state officials). It remains to be seen whether this stated goal of the new foreign minister represents will run tangent to the ‘maritime axis’ ambitions of the Widodo himself.

Overall, these two tasks of offsetting both internal and external threats are not unattainable. The Widodo administration already has a good strategy that aims to make Indonesia the ‘world’s maritime axis’. Such a paradigm shift is essential for a breakthrough in Indonesia’s efforts to become a credible global middle power and a key leader in the region. Indonesia’s foreign policy may only see nuanced changes in the short term. However, if pursued to its fullest extent, projecting Indonesia as the ‘world’s maritime axis’ bodes well in the long term for a country emerging as a serious middle power and diplomatic intermediary.

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¹⁹⁶ See “‘Thousand Friends’ Policy No More Under Retno” in *Jakarta Globe*, October 30, 2014, <http://thejakartaglobe.beritasatu.com/news/thousand-friends-policy-retno/>.

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Archipelago of Potential: Prospects and Challenges in Australia – Indonesia economic engagement

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Introduction

During his first visit to Jakarta as Australian Prime Minister in October 2013, Tony Abbott singled out Indonesia as Australia's most important bilateral relationship, on account of "its size, proximity and potential"¹⁹⁷. This, however, is not reflected in the two countries' bilateral trade and investment relationship. Indonesia is only Australia's 12th largest trading partner and 11th largest export market, and 19th largest investment destination.¹⁹⁸ Likewise, Australia ranks as Indonesia's 9th largest import source and 10th export destination.¹⁹⁹ The Australian and Indonesian Governments, business and academic communities agree the bilateral economic relationship is not living up to its full potential.

From an Australian business perspective, it is easy to overlook Indonesia and focus on the larger, highly-developed North Asian economies. Australia's success selling iron ore to support China's economic growth certainly attracts the bulk of Australia's economic attention. This year, Australia made big strides in its economic diplomacy with countries in North Asia, signing free trade deals with Korea in April, Japan in July and China in November. Public views are similar: Australians consistently rank China and Japan as their country's 'top friends' in Asia and few rank trade and investment as significant policy priorities in Australia – Indonesia relations.²⁰⁰

But Indonesia is an emerging economic powerhouse that offers Australian exporters and investors a wealth of opportunities. Its GDP is nearing US\$1 trillion, making it by far the largest economy in Southeast Asia, and it is projected to be the world's seventh largest economy by 2030. Over the past 10 years, average annual GDP growth has been more than 5.8 per cent, helping to reduce poverty levels. With a population of almost 250 million, Indonesia now

¹⁹⁷ The Hon Tony Abbott MP, Prime Minister of Australia "Building an Indonesia-Australia Relationship for the 21st Century", (speech, Jakarta, 1 October 2013), <https://www.pm.gov.au/media/2013-10-01/building-indonesia-australia-relationship-21st-century>.

¹⁹⁸ Australian Department of Foreign Affairs and Trade (DFAT), "Australia and Foreign Investment", accessed 10 November 2014, <http://www.dfat.gov.au/trade/investment/australias-investment.html>.

¹⁹⁹ DFAT, "Indonesia Fact Sheet", accessed 31 October 2014, <http://www.dfat.gov.au/geo/fs/indo.pdf>. <http://www.dfat.gov.au/geo/>.

²⁰⁰ Lowy Institute Poll, 2014, accessed 13 November 2014, <http://www.lowyinstitute.org/publications/lowy-institute-poll-2014>.

boasts the world's third-fastest growing consumer market and a rapidly-growing middle class²⁰¹ (currently around 45 million²⁰²).

Indonesia does, however, face many domestic economic challenges, such as poor infrastructure, declining foreign investment, a weak manufacturing sector and a heavy dependence on commodity exports, expensive fuel subsidies, corruption and excessive red tape. Its new president, Joko Widodo (popularly known as “Jokowi”) has outlined an ambitious program of reforms to overhaul, restructure and reinvigorate the Indonesian economy.

This paper outlines some of the opportunities and challenges facing the Indonesian economy and Widodo Government's reform program. We discuss ways to remove barriers to bilateral trade and investment, to help grow the economic ties between Australia and Indonesia. A bilateral free trade agreement (FTA) has been touted as a positive way forward, but negotiations for such an agreement, the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), stalled in 2013. We will look at how IA-CEPA might build on the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), and highlight some other avenues for removing trade and investment barriers. Also examined is agriculture, a sector where there is much potential to expand trade and investment ties between Australia and Indonesia.

Indonesia's Economy: Opportunities & Challenges

Indonesia is entering not only a new political and social era, but a new era of economic opportunity too. Its president, Joko Widodo, who took office on 20 October 2014, presides over an archipelago brimming with economic potential.

Indonesia has enjoyed average annual real Gross Domestic Product (GDP) growth of 5.9 per cent²⁰³ and, despite some challenges, continues to attract

²⁰¹ Austrade, “Indonesia: Market Overview”, accessed 13 November 2014,

<http://www.austrade.gov.au/Export/Export-Markets/Countries/Indonesia/Market-profile#.VGntSUuKhFI>

²⁰² DFAT, “Indonesia Country Brief”, accessed 13 November 2014,

https://www.dfat.gov.au/geo/indonesia/indonesia_brief.html.

²⁰³ World Trade Organization, “Trade Policy Review of Indonesia: Report by the Secretariat,” (WT/TPR/S/278/Rev.1) 16 July 2013.

foreign investment from major countries in Asia and elsewhere. Economic growth has reduced poverty, with the World Bank estimating that the national poverty rate fell from 23.4 per cent to 12.5 per cent between 1999 and 2011. However, the poverty reduction rate is slowing, with around 65 million people still living dangerously close to the poverty line.²⁰⁴ Business consulting firms share a positive outlook on Indonesia's economic prospects and growth potential as a market for consumer products:

- McKinsey & Company estimate Indonesia will be the world's seventh largest economy by 2030 and will have 135 million middle-class consumers.²⁰⁵
- Boston Consulting Group (BCG) projects that Indonesia will have 141 million "MACs" (middle-class and affluent consumers) by 2020, with MACs on the island of Java alone numbering more than the whole population of Thailand.²⁰⁶

Indonesia's youth are a notable feature of its new economic era. Millions of young Indonesians will enter the job market every year until 2030. The population of working-age Indonesians will grow more rapidly than the dependent population, freeing up economic resources for investment, consumption and a greater quality of life. To reap the economic benefits of this "demographic dividend", Indonesia will have to create more jobs and pursue effective labour, health and education policies that promote worker productivity: McKinsey estimates productivity must grow 60 per cent faster than it did between 2000 and 2010.²⁰⁷ Higher sustained growth is also needed,

²⁰⁴ "Reducing extreme poverty in Indonesia," World Bank Briefs, 22 October 2014, <http://www.worldbank.org/en/country/indonesia/brief/reducing-extreme-poverty-in-indonesia>.

²⁰⁵ "The Archipelago Economy: Unleashing Indonesia's Potential," McKinsey Global Institute, September 2012, http://www.mckinsey.com/~media/McKinsey/dotcom/Insights%20and%20pubs/MGI/Research/Productivity%20Competitiveness%20and%20Growth/The%20archipelago%20economy/MGI_Unleashing_Indonesia_potential_Full_report.ashx.

²⁰⁶ "Asia's Next Big Opportunity: Indonesia's Rising Middle-Class and Affluent Consumers," The Boston Consulting Group, March 2013, https://www.bcgperspectives.com/Images/Asias_Next_Big_Opportunity_Mar_2013_tcm80-128797.pdf.

²⁰⁷ "The Archipelago Economy: Unleashing Indonesia's Potential," McKinsey Global Institute, September 2012, http://www.mckinsey.com/~media/McKinsey/dotcom/Insights%20and%20pubs/MGI/Research/Productivity%20Competitiveness%20and%20Growth/The%20archipelago%20economy/MGI_Unleashing_Indonesia_potential_Full_report.ashx.

as GDP growth rates of under 6 per cent are simply not enough to provide sufficient jobs for Indonesia's youth.

Obviously, Indonesia's economic growth will depend on the new Widodo Government's ability to develop and implement good economic policies to address internal challenges, of which there are many. Indonesia must make more progress in eradicating corruption and tackling the bureaucratic inefficiencies that cripple the country's competitiveness. The country performs poorly on the World Bank's *Ease of Doing Business Index*: in 2014 Indonesia's rank was 120, 4 points lower than in 2013. This places it below its neighbours Singapore and Malaysia.²⁰⁸ Likewise, it ranks very low (175) in terms of the ease of starting a new business; posing a serious challenge to the development of small and medium-sized enterprises. Corruption is ubiquitous, with Indonesia ranking 107 out of 175 in Transparency International's *Corruption Perceptions Index*.²⁰⁹

Indonesia's current economic success is linked precariously to China's resource demands. Mining has been a key industry driving Indonesia's economy for the past decade, making significant contributions to GDP, exports, tax revenue, employment and regional development.²¹⁰ Much like Australia, Indonesia's mining industry faces falling demand from China. Weak Chinese demand for nickel, coal and tin was blamed for Indonesia's GDP growth slipping to 5 per cent in the third quarter of 2014, its slowest in five years.²¹¹ China aside, Indonesia's own nationalist policies threaten the viability of its mining industry. New foreign direct investment in the industry has been discouraged by government regulations requiring divestment by foreign companies and banning the export of unprocessed minerals.

Thus, Indonesia's economy presents equally large opportunities and challenges. On the one hand, it has consistent GDP growth, a growing middle-class,

²⁰⁸ World Bank Group, "Doing Business 2014 – Economy Rankings," accessed 27 October 2014, <http://www.doingbusiness.org/rankings>.

²⁰⁹ Transparency International, "2014 Corruption Perception Index," accessed 11 November 2014, <http://www.transparency.org/cpi2014/results>.

²¹⁰ "Challenging times ahead for the Indonesian mining sector," PwC, February 2014, http://www.pwc.com/id/en/media/challenging_times_ahead_for_the_indonesian_mining_sector.jhtml.

²¹¹ Ben Otto, "Indonesia Economy Tests New President as Growth Slows," *The Wall Street Journal*, 5 November 2014, <http://online.wsj.com/articles/indonesia-economy-grows-at-slowest-pace-in-five-years-1415166907>.

favourable demographics and it is rich in resources. On the other, the country faces significant internal problems such as corruption, an inefficient bureaucracy, government policies that discourage direct investment and a mining industry too dependent on China. Into this mix comes a new president with a can-do, pragmatic attitude and a willingness to address Indonesia's most difficult economic problems.

Taking Stock of Widodo's Economic Ambitions

A successful businessman, President Widodo's stated economic objectives include the ambitious tasks of increasing GDP growth to 7 per cent and reducing Indonesia's fuel subsidies, which currently gouges out roughly 18 per cent of the national budget. Achieving this GDP growth goal will require, amongst other things, growth in exports and significant improvements in labour productivity; necessitating policies that educate the workforce and improve its health, increase agricultural productivity, strengthen the manufacturing sector and improve infrastructure.²¹² The resources for these policy pathways, especially those improving health and education, are to be found in freeing up the portion of the budget currently spent on fuel subsidies. If Widodo can successfully wean Indonesia off fuel subsidies, he has a greater chance of transforming Indonesia's economy.

How do the President's policy objectives match up with the reforms needed? Will they take advantage of Indonesia's youthful population? The most comprehensive overview of Widodo's policy intentions arrived just a month before the presidential election. In May 2014, Widodo and his running mate, and now Vice-President, Jusuf Kalla, submitted their "Vision-Mission and Action Program" (*Visi-Misi dan Program Aksi*) to the General Elections Commission (*KPU*). In it, they outlined their basic policy goals across all spheres including foreign policy, education, defence, and economics.

According to the Jakarta Post's English-language translation of the *visi-misi* statement, Widodo's intended reforms as they relate to the economy are:²¹³

²¹² Ibid.

²¹³ Margareth S. Aritonang and Rendi A. Witular, "Widodo-Kalla hawkish on economic policies," *The Jakarta Post*, 21 May 2014, <http://www.thejakartapost.com/news/2014/05/21/Widodo-kalla-hawkish-economic-policies.html>.

Increasing productivity and competitiveness:

- Construct 2000km of new roads.
- Develop 10 new airports and 10 new seaports.
- Provide a streamlined, one-stop service for the processing of investments and business licenses with a completion target of 15 days.
- Set up development and infrastructure banks.
- Build regional science and technology parks, academies and vocational schools.

Economic independence and development of domestic sectors:

- Set up a bank for farmers and small businesses.
- Open one million hectares of rice paddies outside Java.
- Cut energy imports by promoting exploration at home.
- Construct gas pipelines.
- Prioritise use of coal and gas to generate electricity.
- Protect existing agricultural land.
- Expand irrigation networks for rice fields.
- Achieve a financial inclusion ratio target of 50 per cent.
- Target a tax ratio of 16 per cent.
- Restrict the sale of national banks to foreign investors.
- Increase research in agriculture and industry.

Other economy-related points listed elsewhere in the document:

- Reduce the impact of globalisation, regional economic integration, and free trade.
- Push regional administrations to cut their overhead costs and allocate more for public services.
- Increase educational and training quality through the Smart Indonesia program, with 12 years of compulsory and free education.
- Issue a government regulation in lieu of law (Perppu) to replace Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) with a new energy management system.
- Revise the Oil and Gas Law to prioritise the development of national capacity and provide legal certainty for businesses.

The *visi-misi* statement highlights Widodo's commitment to providing education and vocational training for young Indonesians. And his track record of delivering practical services to the people during his tenure as mayor of Solo and governor of Jakarta indicates he will put similar effort into providing healthcare and quality education services to Indonesians at the national level. These are precisely the kind of practical policies that will help Indonesia reap the benefits of its "demographic bonus", by increasing the productivity of the millions of young Indonesians joining the workforce each year. If Widodo can indeed undertake these initiatives, it should create the right policy environment for Indonesia to become the world's seventh-largest economy by 2030.

Drawing on his business background, Widodo promises to streamline processes for business and investment licenses. Reducing the cumbersome bureaucracy that gets in the way of obtaining business licenses will encourage the growth of small and medium-sized enterprises in Indonesia, in turn creating more jobs.

Although his policy stance is generally pro-business, Widodo's *visi-misi* statement reveals he does lean towards economic nationalism, a feature of Indonesia's past economic policies. Indeed, economic nationalism is deeply rooted in the country's national identity as a former Dutch colony. Indonesians share the view that the Dutch grew rich by exploiting Indonesia's national resources, while Indonesia was left impoverished.²¹⁴ Immediately following the country's independence President Sukarno nationalised Dutch companies and confiscated foreign-owned property and assets. These nationalist sentiments remain alive in Indonesia today and manifest themselves in policies designed to protect Indonesian businesses from foreign competition and develop Indonesian-owned industries.

The Widodo Government is unlikely to diverge far from this policy trend. Indicative of this are the President's pledges in his *visi-misi* statement to restrict the sale of national banks to foreign investors and to cut energy imports in favour of domestic exploration. And his newly-appointed Energy and Mineral Resources Minister, Sudirman Said, has already made it clear the government will maintain Indonesia's controversial ban on exporting unprocessed minerals.

²¹⁴ Stephen Greenville, "How to manage economic nationalism in Indonesia," *The Interpreter*, Lowy Institute, 3 June 2014, <http://www.lowyinterpreter.org/post/2014/06/03/Indonesia-economic-nationalism.aspx?COLLCC=1537672964&>.

Widodo's plan to build ports, roads, and other much-needed infrastructure will require significant foreign investment. Chronic under-development and under-investment in infrastructure has been a major bottleneck for Indonesia's economic growth.²¹⁵ Indonesia recognises this and is, for example, working with countries like the Netherlands to develop maritime infrastructure.²¹⁶ The need for infrastructure development presents opportunities to Australian contractors with experience in delivering large-scale projects, such as in Australia's northwest for the mining industry.

Encouragingly, in November 2014 President Widodo signalled his intentions to improve Indonesia's business and investment climate, implement tax reforms and cut fuel subsidies during his speeches at the APEC Economic Leaders' Meeting in Beijing and at the G20 Leaders' Summit in Brisbane. At the APEC meeting, he urged fellow members to invest in Indonesia, highlighting the need for infrastructure development, whilst acknowledging the problems investors faced in Indonesia. At the later G20 Summit, Widodo confirmed his commitment to cut fuel subsidies, which will free up money to fund infrastructure projects. These official statements should reassure investors in the short-term, but will need to be followed up relatively quickly with concrete policy reforms. There are already signs that the president will push hard for these reforms, with Widodo announcing a 30 per cent price increase for subsidised fuel on 17 November 2014.

Trade and Investment: A Weak Link in Australia-Indonesia Relations

Australia and Indonesia's economic ties, whilst not insignificant, are nowhere near as strong as they should be for such close neighbours, especially given the size, strong economic performance and relative complementarity of the two economies. As noted earlier, Indonesia is only Australia's 12th largest trading partner. In contrast, tiny New Zealand is Australia's sixth largest trading partner and third largest investment destination, thanks largely to a

²¹⁵ Shiro Armstrong and Sjamsu Rahardja, "Survey of Recent Developments", *Bulletin of Indonesian Economic Studies* 50:1 (2014): 22.

²¹⁶ "Indonesia, Netherlands Agree to Build Maritime Ties," *Antara News*, 5 November 2014, <http://www.antaranews.com/en/news/96421/indonesia-netherlands-agree-to-build-maritime-ties>.

comprehensive, long-standing bilateral free trade agreement (FTA). Malaysia, which has around one-tenth the population and less than half the GDP of Indonesia, is Australia's seventh largest trading partner.²¹⁷

A bilateral FTA between Australia and Indonesia has been advocated for some time as a good way to grow the trade and investment relationship. Back in July 2007, the Australian and Indonesian Governments agreed to conduct a joint feasibility study on the merits of a bilateral FTA. Released in July 2009, the study found that, given the complementarities between the two countries' economies, a comprehensive and ambitious FTA covering goods, services and investment "could improve trade and investment links, deepen bilateral and regional economic integration and provide positive outcomes in key agricultural and manufacturing sectors of importance to both Australia and Indonesia"²¹⁸, providing "significant opportunities" for business and exporters. It showed that, to achieve the greatest possible gains, all tariffs, non-tariff barriers, and barriers to bilateral services trade should be eliminated, as should be the widest possible range of barriers to Australian investment in Indonesia.²¹⁹

On the basis of the study's findings, negotiations for a bilateral FTA, the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), commenced in September 2012. However, little progress was made before tensions in bilateral relations, coupled with the Australian and Indonesian electoral cycles, effectively put the negotiations on ice.

Now that bilateral relations are improving and Australia has completed a trifecta of FTAs (with Korea, Japan and most recently China), the Abbott Government has indicated its interest in reviving the IA-CEPA negotiations. In speech to the Australia-Indonesia Business Council on 4 December, Australian Foreign Minister Julie Bishop said that "in 2015, as President Widodo's new cabinet settles in, we will seek to reinvigorate these [IA-CEPA] negotiations".²²⁰

²¹⁷ DFAT, "Australia's Trade at a Glance", accessed 29 October 2014, <http://www.dfat.gov.au/trade/australias-trade-at-a-glance/index.html>.

²¹⁸ Australian Department of Foreign Affairs and Trade and Indonesian Ministry of Trade, "Australia-Indonesia Free Trade Agreement Joint Feasibility Study", April 2009, http://www.dfat.gov.au/fta/iacepa/aus-indon_fta_jfs.pdf.

²¹⁹ Ibid

²²⁰ The Hon Julie Bishop MP, Australian Minister for Foreign Affairs, "Address to Australia-Indonesia Business Council", (speech, Melbourne, 4 December 2014), http://foreignminister.gov.au/speeches/Pages/2014/jb_sp_141204.aspx

Following Widodo's election, the consensus seems to be that it is up to Indonesia when negotiations resume and at what pace. In the next section, we discuss the short-term prospects for restarting IA-CEPA negotiations. And we look at other avenues for enhancing Australia's economic ties with Indonesia, including an existing trade agreement, AANZFTA.

Growing Economic Ties through AANZFTA:

Australia already has a free trade agreement in place with Indonesia, albeit a regional one. The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) is Australia's largest and first multi-country FTA. Signed in 2009, it encompasses Australia, Indonesia and 10 other countries (Brunei, Cambodia, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam), a population of over 650 million and a combined GDP of over US\$4 trillion²²¹. To date, it is ASEAN's most comprehensive trade agreement, covering trade in goods and services, investment, intellectual property, electronic commerce, the temporary movement of business people, competition and economic cooperation. AANZFTA's provisions applied to Australia from 1 January 2010²²² and to Indonesia from 10 January 2012.²²³

AANZFTA has significantly liberalised trade in goods between Australia, Indonesia and its other member countries:

- Applied tariffs have been set ("bound") at existing low levels, so that they cannot be increased to levels permitted by the World Trade Organization (WTO) agreements.
- Countries have agreed to eliminate tariffs by 2025 on between 85.2 per cent and 100 per cent of products.²²⁴
- In the case of Australia, tariffs have been eliminated on 96.5 per cent of products imported from Indonesia and other AANZFTA

²²¹ DFAT, "ASEAN-Australia-New Zealand Free Trade Agreement", accessed 31 October 2014, <http://www.dfat.gov.au/fta/aanzfta/>.

²²² DFAT "Overview and Key Outcomes of the ASEAN-Australia-New Zealand Free Trade Agreement", accessed 29 October 2014, http://www.dfat.gov.au/fta/aanzfta/aanzfta_overview_and_outcomes.html

²²³ DFAT, "ASEAN-Australia-New Zealand FTA: Indonesia Entry Into Force", accessed 29 October 2014, <https://www.dfat.gov.au/fta/aanzfta/AANZFTA-Indonesia-entry-into-force.html>.

²²⁴ These commitments are on "tariff lines", i.e. products as defined in tariff schedules.

countries. Tariffs on 100 per cent of products will be eliminated by 2020.²²⁵

- AANZFTA provides regional, flexible rules of origin (criteria used to determine a product's country of origin), an important outcome in today's world of global value chains. These rules allow for regional accumulation,²²⁶ whereby producers in one member country may use input materials from another member country without losing preferential treatment.

AANZFTA's outcomes on trade in services are more modest, but improve certainty and transparency for service providers. Many are 'WTO-plus', going beyond countries' commitments in the WTO General Agreement on Trade in Services. The main outcomes are:

- Existing levels of market openness have been bound (guaranteed) in some sectors, such as professional services, construction services, financial services, mining-related services, education and telecommunications.
- Disciplines on domestic regulation have been imposed (including specific disciplines for financial and telecommunications services).
- Certain legal protections for investment are guaranteed.²²⁷

Other notable features of AANZFTA include:

- Improved post-establishment legal protections for investors.
- Commitments and regulatory disciplines to improve the temporary entry of business people, professionals and skilled workers.
- A comprehensive economic cooperation work program of capacity-building and technical assistance to help ASEAN countries implement the agreement.²²⁸

Importantly, AANZFTA is a "living agreement". It contains a number of built-in agendas and review mechanisms covering areas such as services, investment

²²⁵ DFAT, "AANZFTA Fact Sheets", accessed 31 October 2014, http://www.dfat.gov.au/fta/aanzfta/factsheets/fact_sheets.pdf.

²²⁶ Ibid.

²²⁷ DFAT, "Overview and Key Outcomes of the ASEAN-Australia-New Zealand Free Trade Agreement", accessed 29 October 2014, http://www.dfat.gov.au/fta/aanzfta/aanzfta_overview_and_outcomes.html.

²²⁸ Ibid.

and non-tariff barriers.²²⁹ This means that AANZFTA has the potential to further liberalise trade and investment flows between its member countries, including Indonesia and Australia.

AANZFTA and Indonesia

Indonesian exports and investors face few and relatively low barriers in the Australian market, with Australia having one of the world's most open economies.²³⁰ While Indonesia's economy is not as open, AANZFTA has removed many impediments to trade and investment, particularly with respect to tariffs:

- Indonesia has eliminated tariffs on 78 per cent of products (tariff lines), up from 11 per cent, and agreed to eliminate tariffs on 92 per cent of products by 2015 and 94 per cent by 2025. These commitments cover Australian exports such as wheat (our largest export to Indonesia), breeding animals, crude petroleum, beef, aluminium, cotton, gold, pharmaceuticals, butter, most cheeses, most seafoods, pigments and preparations and most copper and lead products.
- Indonesia will reduce tariffs on a range of other products, so that by 2025 only 3.3 per cent of tariffs will be over 5 per cent.²³¹

Indonesia has taken steps towards opening up its services sectors, including banking and insurance, construction, education and legal services. For instance:

- Foreign lawyers are permitted to work in Indonesian law firms (although Indonesia has placed limits on numbers).
- Foreign equity limits have been raised for joint ventures in construction services and for educational institutions established with a local partner.²³²

²²⁹ Ibid.

²³⁰ World Trade Organization (WTO), "Trade Policy Review of Australia: Report by the Secretariat", WT/TPR/S/244, 1 March 2011, accessed at http://www.wto.org/english/tratop_e/tp_r_e/tp344_e.htm.

²³¹ DFAT, "ASEAN-Australia-New Zealand FTA: Indonesia Entry Into Force", accessed 29 October 2014, <https://www.dfat.gov.au/fta/aanzfta/AANZFTA-Indonesia-entry-into-force.html>.

²³² DFAT, "ASEAN-Australia-New Zealand FTA: Indonesia Entry Into Force", accessed 29 October 2014, <https://www.dfat.gov.au/fta/aanzfta/AANZFTA-Indonesia-entry-into-force.html>.

It is much too early to assess AANZFTA's impact on Australia and Indonesia's economic relationship, as the agreement's provisions have applied to Indonesia since only January 2012. The full impact of an FTA on trade and investment flows takes several years to be realised as exporters and investors gear up to take advantage of new market opportunities. In 2012-13, Australia's exports of primary products to Indonesia grew by 9.7 per cent, exports of manufactures fell by 11.5 per cent and exports of services grew by 4.5 per cent. As for Indonesia's exports to Australia, primary products fell by 4.1 per cent, manufactures grew by 21.4 per cent and services by 10.6 per cent.²³³

Remaining Barriers to Trade and Investment

Despite the above improvements, impediments still exist to trade and investment flows between Australia and Indonesia. Detailed information is provided in the joint feasibility study and in the Indonesia-Australia Business Partnership Group's comprehensive position paper on IA-CEPA.²³⁴

Australian goods and services exporters and investors face barriers across a range of areas. Major goods exports such as sugar, rice, wine and spirits were excluded from Indonesia's tariff reductions under AANZFTA and are subject to high tariffs. Other exports confront significant non-tariff barriers such as import quotas, import licensing requirements, complex and overlapping regulations and procedures, complicated standards and certification processes and excessive labelling requirements.²³⁵ For example:

- Wine and spirits face tariffs of up to 170 per cent.
- Sugar, Australia's second-largest export to Indonesia in 2013 is highly regulated by the Indonesian Government, with long-standing measures in place covering production, prices and trade. Australian sugar exports face tariffs of Rp 550/kg (for raw cane sugar) and Rp 790/kg (for other sugars), as well as other restrictions such as import licensing.²³⁶
- Live cattle, Australia's third-largest export to Indonesia in 2013, is subject to a low tariff (currently 5 per cent, to be reduced to 2.5 per cent

²³³ DFAT, "Australia's Trade with East Asia 2013", October 2014, https://www.dfat.gov.au/publications/stats-pubs/trade_eastasia.html.

²³⁴ Indonesia-Australia Business Partnership Group, "Position Paper on Considerations Towards the Indonesia-Australia Comprehensive Economic Partnership Agreement", 31 October 2012.

²³⁵ Ibid.

²³⁶ USDA Foreign Agricultural Service, "Indonesia Sugar Annual Report 2014", 14 April 2014.

by 2025),²³⁷ but also to import permits based on a reference price system.²³⁸

In many instances, these trade barriers form part of a deliberate Indonesian strategy to boost self-sufficiency, develop and protect local industry.

Australian services exporters face barriers in many sectors of the Indonesian market, including in education, legal, accountancy, construction and architecture services and telecommunications. For instance:

- Indonesia limits foreign direct investment in higher education to 49 per cent and requires Australian investors to partner with a local institution.
- Australian law firms cannot establish offices in Indonesia.
- Australian accountancy firms are only able to operate in Indonesia via a cooperation agreement with an Indonesian accountancy firm. Indonesian citizenship is required to practise as a licensed accountant.²³⁹

Australian investment in Indonesia has been curtailed by impediments such as foreign equity limits, complex business, labour and bankruptcy regulations and infrastructure limitations.²⁴⁰

From Indonesia's perspective, while its exporters and investors confront significantly fewer barriers, Australia currently imposes low tariffs on important Indonesian exports such as textiles, clothing and footwear, consumer and furniture products and passenger motor vehicles. These and all other Australian tariffs will be eliminated in 2020 (under AANZFTA). Indonesian service providers experience difficulties obtaining relevant licenses in Australia and in

²³⁷ Indonesia has eliminated the tariff on live pure-bred breeding cattle. DFAT, "ASEAN-Australia-New Zealand FTA: Indonesia Entry Into Force", accessed 5 November 2014, <https://www.dfat.gov.au/fta/aanzfta/AANZFTA-Indonesia-entry-into-force.html>.

²³⁸ The Indonesian Government releases import permits each quarter, with the number determined by how close the price of beef is to an 'affordable' reference price. Matt Brann, "Indonesia's Beef Price Still High Despite Import Surge", *ABC Rural News*, 3 April 2014, accessed 5 November 2014, <http://www.abc.net.au/news/2014-04-03/indonesian-beef-price-high-despite-imports/5362870>.

²³⁹ Australian Department of Foreign Affairs and Trade and Indonesian Ministry of Trade, "Australia-Indonesia Free Trade Agreement Joint Feasibility Study", April 2009, http://www.dfat.gov.au/fta/iacepa/aus-indon_fta_ifs.pdf.

²⁴⁰ Ibid.

securing temporary employment opportunities in Australia.²⁴¹ And Indonesian investors in Australia face a screening threshold of \$248 million.²⁴²

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

A bilateral FTA between Australia and Indonesia should address these remaining barriers to trade and investment and accelerate the tariff elimination commitments made in AANZFTA. Indeed, AANZFTA is envisaged by the Australian Government to be a “platform” for the negotiation of bilateral FTAs with ASEAN countries, to achieve “AANZFTA-plus outcomes”.²⁴³ To date, Australia has concluded a bilateral FTA with Malaysia (the Malaysia-Australia Free Trade Agreement, MAFTA), which took effect in January 2013.²⁴⁴

MAFTA provides a good model for IA-CEPA, and for that matter any other future Australian FTAs with ASEAN countries. It improves on AANZFTA’s market access for goods and services by cutting or eliminating a wider range of tariffs, addressing specific non-tariff barriers to trade, guaranteeing Australian investors the right to majority ownership in companies across a wide range of services sectors in Malaysia, improving the temporary movement of business people and reducing other barriers to bilateral trade. Also, it contains a significant economic development component, providing a program of economic and technical cooperation projects in agriculture, automotives, tourism, clean coal technology and electronic commerce.²⁴⁵

It is envisaged IA-CEPA will be comprehensive in scope, covering trade in goods and services, investment, movement of natural persons, electronic commerce, competition policy, government procurement, intellectual property rights, environment and labour and other new relevant new and emerging

²⁴¹ Ibid.

²⁴² Foreign Investment Review Board (FIRB), “Monetary Thresholds”, accessed 2 December 2014, http://www.firb.gov.au/content/monetary_thresholds/monetary_thresholds.asp.

²⁴³ DFAT, “Overview and Key Outcomes of the ASEAN-Australia-New Zealand Free Trade Agreement”, accessed 6 November 2014, http://www.dfat.gov.au/fta/aanzfta/aanzfta_overview_and_outcomes.html.

²⁴⁴ MAFTA negotiations were originally launched in April 2005 but were suspended in 2006 while AANZFTA negotiations were underway. Formal MAFTA negotiations resumed in August 2009 and the agreement was signed in May 2012. DFAT, “Malaysia-Australia Free Trade Agreement”, accessed 6 November 2014, <https://www.dfat.gov.au/fta/mafta/>.

²⁴⁵ DFAT, “Malaysia-Australia Free Trade Agreement”, accessed 6 November 2014, <https://www.dfat.gov.au/fta/mafta/>.

issues.²⁴⁶ Like MAFTA, capacity-building and economic cooperation will be an important feature, as noted by the Australian and Indonesian Governments in their joint feasibility study. For instance, cooperation will likely be strengthened in customs services, sanitary and phytosanitary measures, technical regulations and standards and trade and investment promotion.²⁴⁷

Before stalling, two rounds of IA-CEPA negotiations were held, the last in July 2013. The negotiations' guiding principles, objectives and organisation were agreed, a number of procedural matters finalised, economic cooperation and stakeholder engagement discussed and an agricultural pilot project launched to improve beef cattle production in Indonesia.²⁴⁸

The Way Forward

A WTO-consistent, AANZFTA-plus bilateral trade agreement covering goods, services and investment would deepen, strengthen and expand trade, investment and economic cooperation between Australia and Indonesia; if AANZFTA is the cake, IA-CEPA would be the icing. More broadly, a bilateral FTA would be positive for the overall bilateral relationship. It would help improve each country's understanding of the other and signal the importance placed on the bilateral relationship.

It will likely be a few months before the Widodo Government is in a position to restart IA-CEPA negotiations. As it settles in, the government's focus will be on the president's ambitious domestic economic agenda. But export growth and foreign investment are needed to help achieve the President's GDP growth goal and build the roads, ports, railways and other key infrastructure outlined in his *visi-misi* statement. And Indonesia is falling behind in the race to conclude FTAs. Most of Indonesia's FTAs are ASEAN-negotiated agreements, like AANZFTA. It has just two bilateral FTAs, with Japan (Indonesia's largest investor) and Pakistan, of which only the former has been implemented.

²⁴⁶ "Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA): Guiding Principles, Objectives and Organisation of Negotiations", 27 March 2013, <https://www.dfat.gov.au/fta/iacepa/ia-cepa-guiding-principles.html>.

²⁴⁷ Australian Department of Foreign Affairs and Trade and Indonesian Ministry of Trade, "Australia-Indonesia Free Trade Agreement Joint Feasibility Study", April 2009, http://www.dfat.gov.au/fta/iacepa/aus-indon_fta_jfs.pdf.

²⁴⁸ DFAT, "Indonesia-Australia Comprehensive Economic Partnership Agreement Negotiations", accessed 6 November 2014, <https://www.dfat.gov.au/fta/iacepa/>.

Concluding an FTA with a developed neighbouring country such as Australia should be an easy decision for the Widodo Government.

Once they restart, the IA-CEPA negotiations should be conducted at a pace with which Indonesia is comfortable. As a minority coalition government, the Widodo Government will not want to risk political backlash over an FTA with Australia. The Indonesian public's attitude towards FTAs is generally negative, with the ASEAN-China FTA seen to have prompted a flood of Chinese imports.²⁴⁹ And, as discussed above, economic nationalism is strong in Indonesia. In recent years, government regulations on investment, imports and exports have been designed to manage trade, not liberalise it, and to protect domestic producers.²⁵⁰

Although the conclusion of IA-CEPA may be some time away, there are other avenues available for addressing trade and investment barriers in the meantime. These include AANZFTA, bilateral mechanisms and initiatives, APEC, RCEP and the WTO.

AANZFTA, as outlined above, contains a built-in review mechanism, which could be used to further reduce tariff and non-tariff barriers to trade and investment flows between its members, including Australia and Indonesia.

Bilateral mechanisms and initiatives can be designed to help resolve specific issues and irritants. A good example is the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector, an initiative designed help prevent a recurrence of tensions and disruptions in the bilateral live cattle trade (discussed later in this paper). The partnership, which first met in April 2014, brings together government and industry to strengthen bilateral business, trade and investment ties across the red meat and cattle sector, develop Indonesia's cattle sector, and foster greater dialogue, cooperation and understanding.²⁵¹

²⁴⁹ Yose Rizal Damuri, "Trade Policy in Swing: Indonesia's Attitude to Liberalisation and the TPP", *East Asia Forum*, 19 March 2014, <http://www.eastasiaforum.org/2014/03/19/trade-policy-in-swing-indonesias-attitude-to-liberalisation-and-the-tpp/>.

²⁵⁰ Shiro Armstrong and Sjamsu Rahardja, "Survey of Recent Developments", *Bulletin of Indonesian Economic Studies* 50:1 (2014): 15.

²⁵¹ Official Communiqué of the First Meeting of the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector, 17 April 2014, <http://www.agriculture.gov.au/about/media-centre/communiques/indonesia-australia-food-security>.

APEC (the Asia-Pacific Economic Cooperation forum) is an important, although perhaps unfashionable, regional vehicle for promoting economic growth, cooperation, trade and investment. Its extensive activities cover trade and investment liberalisation, business facilitation and economic and technical cooperation. Strong business engagement is one of APEC's strengths and the forum has an active APEC Business Advisory Council.

APEC's 21 members²⁵² have reached the only tariff-cutting multilateral arrangement in 17 years, agreeing in 2012 to reduce tariffs to 5 per cent or less on a list of 54 environmental goods by the end of 2015.²⁵³ (This list provides the basis for the WTO's Environmental Goods Agreement negotiations, launched in July 2014).²⁵⁴ APEC's long-term vision of a Free Trade Area of the Asia-Pacific (FTAAP) was given fresh impetus by APEC Leaders at their November 2014 meeting in Beijing, after they agreed to a two-year study on FTAAP.

In addition to its formal agenda, APEC's busy schedule of meetings provides opportunities for bilateral trade and investment issues to be discussed on the sidelines by government ministers, officials and business representatives. Both Australia and Indonesia are active members and worked closely together during Indonesia's APEC host year in 2013.

The Regional Comprehensive Economic Partnership (RCEP) negotiations offer Australia and Indonesia another means to address trade and investment barriers, and improve on AANZFTA's market access commitments. While the Trans-Pacific Partnership (TPP) negotiations have captured the world's attention, RCEP negotiations have been quietly bubbling along. Launched in November 2012, RCEP is an ASEAN-led proposal for a regional free trade area, with its 16 participants comprising ASEAN and ASEAN's FTA partners, Australia, China, India, Japan, Korea and New Zealand. Together, these countries account

²⁵² Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taiwan, Thailand, the United States and Vietnam.

²⁵³ APEC Committee on Trade and Investment media release, "APEC Opening Environmental Goods Market", 21 August 2014, http://www.apec.org/Press/News-Releases/2014/0820_EG.aspx.

²⁵⁴ World Trade Organization, "Azevêdo Welcomes Launch of Plurilateral Environmental Goods Negotiations", 8 July 2014, http://www.wto.org/english/news_e/news14_e/envir_08jul14_e.htm.

for nearly half of the world's population, almost 30 per cent of global GDP and around a quarter of global exports.²⁵⁵

RCEP's goal is to deepen economic integration and untangle the web of FTAs between its parties. It will cover trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues (including new and emerging issues affecting business). RCEP aims to eliminate progressively tariff and non-tariff barriers on goods, restrictions and discriminatory measures on services and to create a "liberal, facilitative and competitive investment environment".²⁵⁶

To date, five negotiating rounds have been held, with a sixth scheduled for December 2014. The parties aim to complete negotiations by the end of 2015²⁵⁷, but it appears unlikely this timetable will be met.

Although its Doha Round of trade negotiations seems permanently stalled, the WTO has other avenues for addressing barriers to trade and investment:

- As noted earlier, negotiations are underway between 14 WTO members, including Australia, to liberalise trade in environmental goods. While Indonesia is not a participant, the negotiations are open to any WTO member to join.²⁵⁸
- Negotiations to update the WTO Information Technology Agreement (ITA), which liberalises trade in IT products, have begun. The focus is on expanding product coverage, increasing membership and addressing non-tariff barriers. WITA's 75 participants include both Australia and Indonesia.²⁵⁹
- The WTO's Trade Policy Review Mechanism provides a forum for highlighting trade and investment barriers. The trade policies and

²⁵⁵ DFAT, "Regional Comprehensive Economic Partnership Negotiations", accessed 7 November 2014, <http://www.dfat.gov.au/fta/rcep/>.

²⁵⁶ "Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership", 31 July 2013, <http://www.asean.org/images/2012/documents/Guiding%20Principles%20and%20Objectives%20for%20Negotiating%20the%20Regional%20Comprehensive%20Economic%20Partnership.pdf>.

²⁵⁷ DFAT, "Regional Comprehensive Economic Partnership Negotiations", accessed 7 November 2014, <http://www.dfat.gov.au/fta/rcep/>.

²⁵⁸ World Trade Organization, "Azevêdo Welcomes Launch of Plurilateral Environmental Goods Negotiations", 8 July 2014, http://www.wto.org/english/news_e/news14_e/envir_08jul14_e.htm.

²⁵⁹ DFAT, "Information Technology Agreement (ITA)", accessed 7 November 2014, http://www.dfat.gov.au/trade/negotiations/info_tech.html.

practices of individual WTO members are reviewed regularly and rigorously by both the WTO Secretariat and fellow members. Members are permitted to ask detailed questions of the member under review about the latter's trade and investment policies and practices.

Although Indonesia is not a participant, this paper would not be complete without discussing the Trans Pacific Partnership (TPP) regional trade agreement negotiations. The 12 negotiating parties, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam, account for 38 per cent of global GDP, 11 per cent of the world's population and 25 per cent of world trade.²⁶⁰

Like RCEP, the TPP is designed to address traditional and new barriers to trade and investment and promote economic integration. However, it is intended to be a "platinum standard"²⁶¹ trade liberalisation agreement, one significantly more ambitious in scope and depth than RCEP and AANZFTA. And it appears that the TPP members are getting close to a basic deal; according to Australian Trade Minister Andrew Robb, they are "within reach of the finish line".²⁶²

For Indonesia, TPP membership seems a distant possibility. The current members intend the grouping to expand over time to include other Asia-Pacific economies²⁶³, but want to complete the agreement first.²⁶⁴ While countries such as Korea, Taiwan and the Philippines are keen to join, the previous Indonesian Government (led by President Yudhoyono) did not seem to share their

²⁶⁰ DFAT, "Trans-Pacific Partnership Agreement", accessed 7 November 2014, <http://www.dfat.gov.au/fta/tpp>.

²⁶¹ Peter Varghese AO, Secretary of the Australian Department of Foreign Affairs and Trade, "Speech to the Committee for Economic Development of Australia", (Perth, 20 May 2013_, <http://www.dfat.gov.au/media/speeches/departmen/130520-ceda.html>.

²⁶² The Hon Andrew Robb AO MP, Australian Minister for Trade and Investment, (comments made at the concluding press conference of the Trans-Pacific Partnership (TPP) Agreement Ministerial Meeting, Sydney, 28 October 28, 2014), <http://www.andrewrobb.com.au/Media/Speeches/tabid/73/articleType/ArticleView/articleId/1742/categoryId/1/Andrew-Robb--TRANS-PACIFIC-PARTNERSHIP-TPP-AGREEMENT-MINISTERIAL-MEETING--CONCLUDING-PRESS-CONFERENCE-SYDNEY.aspx>.

²⁶³ DFAT, "Trans-Pacific Partnership Agreement", accessed 8 November 2014 <http://www.dfat.gov.au/fta/tpp>.

²⁶⁴ In a media release on Korea's interest in the TPP, United State Trade Representative Michael Froman said "the possible entry of any new country would be expected to occur after the negotiations among the current members are concluded". Office of the United States Trade Representative, "Statement by US Trade Representative Michael Froman on Korea's Announcement Regarding the Trans-Pacific Partnership", 29 November 2013, <http://www.ustr.gov/about-us/press-office/press-releases/2013/November/Froman-statement-TPP-Korea>.

enthusiasm²⁶⁵, preferring the less ambitious RCEP. Major economic and trade policy reforms would be required for Indonesia to meet the TPP's high, WTO-plus standards. But if the TPP members manage to conclude a deal, this might kindle Indonesia's interest in the TPP. And a bilateral FTA with Australia would be a good stepping-stone to eventual TPP membership.

Using Agriculture to Build Australia – Indonesia Bilateral Ties

Agriculture, already an important component of trade between Australia and Indonesia, is a sector with much promise for deepening bilateral relations across trade, investment and economic cooperation. Australia is well-poised to meet growing Indonesian demand for agricultural products, as well as to provide the services, investment and technical expertise needed by Indonesia to develop its agricultural sector. In turn, Indonesian investors have shown some interest in investing in Australia's agricultural sector. As a result of our research, we have decided to focus on two important areas of the bilateral agricultural trade: wheat and live cattle.

Wheat

Indonesia is the largest and fastest-growing market for Australian wheat, with Australian exports of wheat growing by 38 per cent between 2008 and 2013.²⁶⁶ In 2012, Australia accounted for 71 per cent of Indonesia's wheat imports²⁶⁷ and in 2013 Indonesia purchased \$1.2 billion worth of Australian wheat.²⁶⁸ The Indonesian noodle and baked goods industries are the main end-users, with Australian wheat used mostly for noodle production. Fuelled by a growing middle-class, westernisation of Indonesian diets and economic growth, Indonesia's consumption of wheat-based products is growing rapidly and its

²⁶⁵ Yose Rizal Damuri, "Trade Policy in Swing: Indonesia's Attitude to Liberalisation and the TPP", *East Asia Forum*, 19 March 2014, <http://www.eastasiaforum.org/2014/03/19/trade-policy-in-swing-indonesias-attitude-to-liberalisation-and-the-tpp/>.

²⁶⁶ DFAT, Australia's Trade with East Asia, 2013, http://www.dfat.gov.au/publications/stats-pubs/trade_eastasia.html.

²⁶⁷ Jake Lloyd-Smith, "Indonesians Buying Bread to Spur Wheat Imports Like Egypt's," *Bloomberg*, 5 March 2014, <http://www.bloomberg.com/news/2014-03-05/indonesians-buying-bread-to-spur-wheat-imports-on-egyptian-scale.html>.

²⁶⁸ DFAT, "Indonesia: Economic Country Factsheet," accessed 20 October 2014, <http://www.dfat.gov.au/geo/fs/indo.pdf>.

wheat imports will continue to climb.²⁶⁹ Rabobank expects Indonesia will need to import around 10 million tonnes of wheat per year over the next five years to keep up with consumption.²⁷⁰ And the Australian Export Grains Innovation Centre predicts Indonesia will be the largest wheat-importing country globally in the future.²⁷¹

Australia has a competitive advantage over other wheat exporters (namely Canada and the United States), due its close proximity to Indonesian ports and preferential treatment under AANZFTA (tariffs on wheat are bound at zero). However, Australian wheat exports could still face non-tariff barriers such as port restrictions and quotas. In 2012, for instance, Indonesia placed an additional tariff on wheat flour imports to defend its milling industry from a surge of surplus wheat flour imported from Turkey²⁷² (Imports of wheat grain are not subject to import duties, protecting Indonesia's milling industry).

While IA-CEPA could eliminate Indonesian trade barriers such as import quotas, a more effective opportunity to expand Australia's wheat trade with Indonesia exists. Growth in baked goods consumption in Indonesia far outstrips growth in noodle consumption, but Indonesia's baked goods producers prefer US and Canadian wheat over Australian wheat.²⁷³ According to the AEGIC, Indonesian buyers have indicated they would buy more wheat from Australia if it had the same baking qualities as US and Canadian wheat.²⁷⁴ The challenge for Australian wheat producers is to seize this opportunity and grow the varieties of wheat that Indonesian buyers demand.

²⁶⁹ Rabobank, The Wheat Opportunity: Growing Indonesian Consumption Driving Imports and Investment, Rabobank Industry Note #426, Rabobank Nederland, February 2014.

²⁷⁰ "Rabobank: Indonesia to Establish Itself as a Top 3 Global Wheat Importer in Next Five Years." Rabobank Nederland, 4 March 2014, https://www.rabobank.com/en/press/search/2014/20140304_Rabobank_Indonesia_to_establish_itself_as_a_top_3_global_wheat_importer_in_next_five_years.html.

²⁷¹ Australian Export Grains Innovation Centre (AEGIC), "Understanding our Grain Markets, Positioning for the Future".

²⁷² AEGIC, "Indonesian wheat flour quotas may impact Aussie exports", 24 June 2014, <http://www.aegic.org.au/media/news/2014/06/indonesian-wheat-flour-quotas-may-impact-aussie-exports.aspx>.

²⁷³ Rabobank, The Wheat Opportunity: Growing Indonesian Consumption Driving Imports and Investment, Rabobank Industry Note #426, Rabobank Nederland, February 2014.

²⁷⁴ AEGIC, "Indonesia Hungry for More Australian Wheat", 1 March 2013, <http://www.aegic.org.au/media/news/2013/03/indonesia-hungry-for-more-australian-wheat.aspx>.

Live Cattle Exports

Like wheat, Indonesia is Australia's largest export market for live cattle. Live animal exports represent a \$300 million trade with Indonesia;²⁷⁵ in 2013-14 the country purchased 624,749 head of cattle and accounted for 55 per cent of total Australian live cattle exports.²⁷⁶ Darwin, Townsville, and Fremantle are the top three ports of embarkation for Australian cattle, boarding over 700,000 head of cattle for export.²⁷⁷ Live cattle exports under AANZFTA face a tariff of 5 per cent until 2025, when it will be lowered to 2.5 per cent. Demand for meat in Indonesia is predicted to continue to rise, presenting a market opportunity for Australian cattle farmers.

Live animal exports have created tensions in Australia-Indonesia relations and had significant domestic economic consequences in both countries. In 2011, the Australia Government under Prime Minister Julia Gillard imposed a six-month moratorium on all live exports, following public outcry over animal welfare issues. Indonesia was not consulted before the ban was put in place, undermining Australia's reputation as a reliable trading partner. The ban not only hurt Australia's domestic cattle industry, but increased the overall price of protein Indonesia's food economy.

Australia's exports of live cattle eventually resumed, but in 2012 Indonesia placed a cap on live cattle imports without consulting Australia. This move shocked the Australian cattle industry, which pressured the Australian Government to take legal action against Indonesia, claiming this non-tariff barrier violated AANZFTA. Indonesia's decision to cap cattle imports had domestic repercussions, increasing the price of beef and other foods.

The live export trade has since stabilised, with Australian exports increasing from \$174 million to \$461 million between 2012-13 and 2013-14.²⁷⁸ As its middle-class expands, Indonesia will continue to grow as a market for Australian cattle. While AANZFTA has secured a low Indonesian tariff on live

²⁷⁵ Ibid.

²⁷⁶ "Australian Livestock Export Industry Statistical Review 2013-14," Meat & Livestock Australia, September 2014, <http://www.mla.com.au/Prices-and-markets/Trends-and-analysis/Beef/Live-exports>.

²⁷⁷ Ibid.

²⁷⁸ "Australian Livestock Export Industry Statistical Review 2013-14," Meat & Livestock Australia, September 2014, <http://www.mla.com.au/Prices-and-markets/Trends-and-analysis/Beef/Live-exports>.

cattle imports from Australia, a bilateral FTA could prevent the imposition of non-tariff barriers like import and export bans. And the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector should help rebuild trust and promote greater dialogue in this important trading relationship.

Through commercial diplomacy efforts, such as the Red Meat and Cattle Sector partnership, Australia can reassert itself as a reliable trade partner. Building stronger ‘business to business’ relationships with Indonesia will be essential. Equally important, Australian businesses and policymakers might develop strategies to attract Indonesian investment in Australian agriculture. Such investments would position Indonesia to benefit financially from the success of Australian agriculture.

Agricultural Research Cooperation

President Widodo’s stated policy objective of increasing agricultural productivity through research (see his *visi-misi* statement above) offers Australia further opportunities to engage in capacity-building and research cooperation with Indonesia. The Australian Centre for International Agricultural Research (ACIAR) has provided agricultural research support to Indonesia for over 30 years.²⁷⁹ Building on this, agricultural science departments at Australian and Indonesian universities could develop cooperative research programs focussed on improving agricultural productivity. Such programs would enhance ‘people to people’ ties between Australia and Indonesia and be the type of cooperation that the Widodo Government would likely support: practical solutions that ultimately help ordinary Indonesians and their businesses. As noted above, IA-CEPA is expected to have a substantial economic cooperation component and an agricultural pilot project is already underway, so a bilateral FTA would be a good vehicle for expanding research cooperation in agriculture.

²⁷⁹ Australian Centre for International Agricultural Research (ACIAR), accessed 20 November 2014, <http://aciar.gov.au/country/Indonesia>.

Summary

Opportunities:

- Indonesia represents a growing market for Australian wheat and live cattle exports, with demand expected to rise.
- Australia has a competitive advantage over other wheat and live cattle exporters due to its proximity to Indonesia and preferential AANZFTA tariff rates.
- Further engagement with Indonesia in the field of agricultural research, where there will likely be policy support from the Widodo Government.

Challenges/Risks:

- History of tension over live cattle exports may encourage Indonesia to look to other exporting countries.
- Indonesia could impose non-tariff barriers on live cattle imports in an effort to protect and value-add to its domestic cattle industry.
- Indonesia's preference to develop self-sufficiency in agriculture - it sees "food security" as "food self-sufficiency," rather than securing food from reliable trade partners.²⁸⁰

Recommendations:

- Australian companies looking to do business with Indonesia learn more about Indonesia's relationship-based business culture and practices.
- Australian agricultural producers work closely with Indonesian food processors, such as flour millers, to ensure they are well-positioned to meet changing dietary patterns in Indonesia.
- Australian state and federal governments continue to pursue strategies to attract Indonesian investment, particularly in the agriculture sector. This way, Indonesia has more of a stake in Australia's agricultural success.
- Australian states with large agricultural sectors, such as Western Australia, maintain an official presence in Jakarta, to promote investment opportunities and build rapport with Indonesian customers.

²⁸⁰ "Position Paper: On Considerations Towards the Indonesia – Australia Comprehensive Economic Partnership Agreement," Indonesia – Australia Business Partnership Group (IA-BPG), 31 October 2012.

- Continued development of exchanges, visits and research cooperation programs to strengthen “people to people” and “business to business” ties in the agricultural sector.

Conclusion

The outlook for Indonesia’s economy is positive if the Widodo Government can implement the right policies needed to take advantage of the country’s demographic dividend, create a business-friendly environment, attract investment, reduce corruption, and eliminate budget-draining fuel subsidies. But Widodo’s reforms may be complicated by domestic political realities. Reforming policies such as fuel subsidies will generate opposition and could hurt Widodo’s popularity. Economic nationalism and protectionism will likely continue to be tempting policy options in sectors like mining.

Indonesia’s status as an emerging economic powerhouse, coupled with a regional trade agreement, AANZFTA, provides ample scope for Australia to grow its economic ties with its most important neighbour. Australian businesses and investors would do well to take a closer, more long-term look at the huge market opportunities on their doorstep. Agriculture is one of several sectors with considerable potential in terms of both trade and investment, given Indonesia’s burgeoning demand for agricultural products, its growing middle class and President Widodo’s policy objective of improving agricultural productivity.

A comprehensive, forward-looking bilateral trade agreement that builds on AANZFTA would help Australia and Indonesia’s economic relationship achieve its full potential. Encouragingly, the Abbott Government has indicated its desire to restart IA-CEPA negotiations in 2015. At this point in time, it is unclear when the Widodo Government will be ready to sit down at the negotiating table with Australia; given the president’s ambitious economic reform agenda will likely keep his administration busy at first, it may be several months. In the meantime, there are other avenues for addressing trade and investment barriers, including AANZFTA, bilateral mechanisms and initiatives, regional forums and negotiations such as APEC, RCEP and multilateral organisations such as the WTO.

Profiles of Selected Ministers in President Joko Widodo's Working Cabinet

Sofyan Djalil

Coordinating Economic Minister

Sofyan Djalil is a bureaucrat and businessman, born in Perlak in the Aceh province of Sumatra. He previously held ministerial-level positions during the administration of President Susilo Bambang Yudhono (SBY); as minister of communications and information technology (2004-2007), and minister of state-owned enterprises (2007-2009).²⁸¹ Additionally, he is listed as a member of the board of commissioners at a Jakarta brokerage firm, Trimegah Securities.

Sofyan has a Bachelor of Laws from the University of Indonesia (1984), later travelling to the United States and earning a master's degree from the Graduate School of Arts and Sciences at Tufts University in Massachusetts (1989), and a Master of Arts in Law and Diplomacy (1991). He later earned a PhD in international financial and capital market law from the Fletcher School of Law and Diplomacy, also at Tufts (1993).

In 2012, Sofyan was interviewed by Indonesia's Corruption Eradication Commission, (KPK) during an investigation into a graft case. It involved the misuse of a procurement budget allocated to implementing a new customer information system at a state-owned power company.²⁸²

Political analysts, identifying him as an experienced technocrat who may be able to push President Widodo's ambitious reform agenda, have generally welcomed Sofyan's appointment as coordinating economic minister.^{283 284}

²⁸¹ "Indonesia's New Ministers," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/indonesias-new-ministers/>.

²⁸² Ibid.

²⁸³ Yenni Kwok, "Indonesia's New President Appoints a Cabinet of Compromise," *Time*, 27 October 2014, <http://time.com/3540622/jokowi-cabinet-compromise-joko-widodo/>.

²⁸⁴ "Indonesia's New Cabinet Sparks Mixed Reaction," *BBC News Asia*, 27 October 2014, <http://www.bbc.com/news/world-asia-29782675>.



Image Credit:
Wikipedia

Rahmat Gobel

Trade Minister

Rahmat Gobel has many years of experience as a businessman and heir to the business conglomerate Gobel Group; founded by his father Thayeb Mohammad Gobel. In 1970, Gobel Group formed a joint venture with the Japanese electronics company, Panasonic Corporation, creating PT Panasonic Gobel Indonesia.²⁸⁵ Before his appointment as minister, Rahmat served as the Chairman of PT Panasonic Gobel Indonesia, where he was known for his “tough management style.”²⁸⁶

Rahmat is very active in Indonesia’s business and economic policymaking communities, as a member of the Indonesian Chamber of Commerce and Industry, or KADIN, having served with them as vice chairman of the board of advisors.²⁸⁷ He is also a member of the board of commissioners for the agribusiness company PT Smart Tbk and likewise PT Indosat Tbk and PT Visi Media Asia Tbk (VIVA).²⁸⁸ Former President SBY appointed him as a member of the National Innovation Committee.²⁸⁹

In 1987, Rahmat graduated from Chuo University in Japan with a Bachelor of Science in International Trade.²⁹⁰ In 2002, he was awarded an Honorary Doctorate Degree from Takushoku University in Tokyo, Japan.

Rahmat is closely associated with the opposition Golkar Party chairman and former presidential candidate Aburizal Bakrie who, like Rahmat, is a successful

²⁸⁵ “Profile of Rachmat Gobel,” *Forbes*, accessed 27 October 2014, <http://www.forbes.com/profile/rachmat-gobel/>.

²⁸⁶ “Jokowi Pins Reform Hopes on Economic Team,” *The Jakarta Post*, 27 October 2014, <http://www.thejakartapost.com/news/2014/10/27/jokowi-pins-reform-hopes-economic-team.html>.

²⁸⁷ Ibid.

²⁸⁸ “Board of Commissioners,” SMART Agribusiness & Food, accessed 27 October 2014, http://www.smart-tbk.com/about_organisation.php?id=BC.

²⁸⁹ “Profile of Rachmat Gobel,” *Forbes*, accessed 27 October 2014, <http://www.forbes.com/profile/rachmat-gobel/>.

²⁹⁰ Ibid.

indigenous businessman (*pribumi*).²⁹¹ Analysts are divided over the political motivations behind President Widodo's appointment of Rahmat as trade minister. Pointing to Rahmat's association with Bakrie, it seems that his appointment could be President Widodo's attempt to reduce opposition from within Golkar while staying true to his promise not to appoint ministers from the opposition.²⁹²

Through both his business and academic background, Rahmat has strong ties to Japan, Indonesia's top trading partner. He is also Chairman of the Indonesia-Japan Friendship Association (PPIJ).²⁹³ Rahmat takes office at a time where Indonesia is becoming an increasingly important investment hub in Southeast Asia for Japanese companies, having overtaken Thailand in 2013 as the top ASEAN destination for Japanese foreign direct investment (FDI).²⁹⁴



Image Credit: Ministry of Finance, Republic of Indonesia

Bambang Brodjonegoro

Finance Minister

Bambang's background is primarily in academia, trained in Indonesia and in the United States. He previously served as deputy finance minister during President SBY's second term (2009-2014).

Bambang earned his bachelor's degree in economics from the University of Indonesia, where he was later a professor and faculty dean.²⁹⁵ He studied in the United States at the University of Illinois at Urbana-Champaign, where he earned his Masters of Urban Planning and a PhD in regional planning.^{296 297}

²⁹¹ "Australian experts say Indonesia's new cabinet is weak despite businessmen chosen for agriculture and trade portfolios," *ABC*, 27 October 2014, <http://www.abc.net.au/news/2014-10-27/indonesian-cabinet-trade-and-ag/5843402>.

²⁹² Ibid

²⁹³ Board of Commissioners," SMART Agribusiness & Food, accessed 27 October 2014, http://www.smart-tbk.com/about_organisation.php?id=BC.

²⁹⁴ Merger Market Group, *Spotlight Asia: Kroll Quarterly M&A Newsletter*, 24 October 2014, <http://mergermarketgroup.com/wp-content/uploads/2014/10/Kroll-Newsletter-Issue-9-English-Final.pdf>.

²⁹⁵ "Indonesia's New Ministers," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/indonesias-new-ministers/>.

²⁹⁶ Ibid.

He was a senior researcher for the Laboratory of Economics and Development studies at the University of Indonesia, and he has been vice president of the Association of Indonesia Bachelors of Economics (ISEI) since 2003.

Bambang's previous involvement in fiscal policymaking and his credentials as a professional economist make him well poised to serve as minister.²⁹⁸ His previous time spent as a deputy minister means he is familiar with the ministry and those in the investment community are familiar with him, bringing some continuity over from SBY's administration.²⁹⁹



Image Credit:
Wikipedia

Sudirman Said

Energy and Mineral Resources Minister

Sudirman Said is the president director of PT Pindad (Persero), a state-owned weapons manufacturer. He also held a deputy president director position with a local energy and resources contractor, PT Petrosea in 2013 and was tipped to become director of Indonesia's large state-owned petroleum company, Pertamina in 2008.³⁰⁰

Sudirman graduated from the State Accounting Academy (STAN) in 1981. He earned an MBA from George Washington University in Washington, DC

²⁹⁷ Agus Suhana, Rieka Rahadiana, and Neil Chatterjee, "Indonesia's Widodo Picks Old Hands For New Cabinet," *Bloomberg*, 27 October 2014, <http://www.bloomberg.com/news/2014-10-26/widodo-picks-brodjonegoro-for-finance-chief-in-indonesia-cabinet.html>.

²⁹⁸ Winarno Zain, "Is Jokowi's economic team tough enough?" *The Jakarta Post*, 28 October 2014, <http://www.thejakartapost.com/news/2014/10/28/is-jokowi-s-economic-team-tough-enough.html>.

²⁹⁹ Agus Suhana, Rieka Rahadiana, and Neil Chatterjee, "Indonesia's Widodo Picks Old Hands For New Cabinet," *Bloomberg*, 27 October 2014, <http://www.bloomberg.com/news/2014-10-26/widodo-picks-brodjonegoro-for-finance-chief-in-indonesia-cabinet.html>.

³⁰⁰ "Indonesia's New Ministers," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/indonesias-new-ministers/>.

(1994), focusing on human resources management and organisational behavior and development.³⁰¹

His reputation as a corruption fighter began when cofounded the Indonesian Society for Transparency (MTI), a not-for-profit supporting anti-corruption efforts.^{302 303} Later, MTI was involved in the formation of the Corruption Eradication Commission (KPK).³⁰⁴

It is understood that Sudirman was selected for this cabinet position because of his background in anticorruption, with the expectation he will use his experience to clean up the Ministry of Energy and Mineral Resources – a bureaucracy known for its entrenched graft and corruption.³⁰⁵ The previous energy and minerals minister, Jero Wacik was named as a suspect by the KPK in a September 2014 graft case involving the illegal acquisition of \$840,000 through the extortion of mining companies.³⁰⁶

Along with the task of cleaning up his ministry and re-building its public image, Sudirman also faces the challenge of Indonesia's rising energy demand and lack of refineries to meet it, as well as the country's need to reduce costly fuel subsidies.³⁰⁷ Sudirman has publicly stated he will continue Indonesia's ban on unprocessed mineral exports, even as mining companies retaliate with lawsuits.³⁰⁸

³⁰¹ "Board of Directors," PT Pindad (Persero), accessed 4 November 2014, <http://www.pindad.com/board-of-director>.

³⁰² Retno Ayuningtyas, "Sudirman Pledges to Fight Corruption at Energy Ministry," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/sudirman-pledges-fight-corruption-energy-ministry/>.

³⁰³ "Factbox: Who's who among Indonesia's new cabinet ministers," Reuters, 26 October 2014, <http://www.reuters.com/article/2014/10/26/us-indonesia-politics-factbox-idUSKBN0IF0EK20141026>.

³⁰⁴ "Sudirman Pledges to Fight Corruption at Energy Ministry," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/sudirman-pledges-fight-corruption-energy-ministry/>.

³⁰⁵ Ina Parlina and Hasyim Widhiarto, "New energy, mineral minister Sudirman appointed for anti-graft stance," *The Jakarta Post*, 26 October 2014, <http://www.thejakartapost.com/news/2014/10/26/new-energy-mineral-minister-sudirman-appointed-anti-graft-stance.html>.

³⁰⁶ Transparency International Indonesia, *Indonesia's Oil Minister Named Corruption Suspect*, 4 September 2014, <http://www.ti.or.id/en/index.php/news/2014/09/04/indonesias-oil-minister-named-corruption-suspect>.

³⁰⁷ Ina Parlina and Hasyim Widhiarto, "New energy, mineral minister Sudirman appointed for anti-graft stance," *The Jakarta Post*, 26 October 2014, <http://www.thejakartapost.com/news/2014/10/26/new-energy-mineral-minister-sudirman-appointed-anti-graft-stance.html>.

³⁰⁸ Raras Cahyafitri, "Sudirman to retain export ban despite legal challenge," *The Jakarta Post*, 29 October 2014, <http://www.thejakartapost.com/news/2014/10/29/sudirman-retain-export-ban-despite-legal-challenge.html>.



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Ministry of Foreign
Affairs, Republic of
Indonesia

Retno Marsudi

Foreign Minister

Retno Marsudi is Indonesia's first female foreign minister. A career diplomat, she previously served as Indonesia's ambassador to the Netherlands, a diplomatic posting she has held since 2012.

Her diplomatic career began after her graduation from Gadjah Mada University in Yogyakarta with a degree in international relations in 1985. She joined Indonesia's diplomatic corps and quickly climbed the ranks, starting in the ministry's Bureau of Analysis and Evaluation for ASEAN Partnerships.³⁰⁹ Additionally, she has a Master of Laws from The Hague University of Applied Sciences.

Retno served at the Indonesian embassy in Canberra, Australia in the early 1990's as an information officer.³¹⁰ During her time in Canberra, Indonesia's embassy experienced protests in response to the 1991 Santa Cruz massacre committed by Indonesian troops in Timor-Leste.³¹¹

A European-track diplomat, Retno served as Ambassador to Norway and Iceland (2005-2008), afterwards returning to Jakarta to serve at the ministry's Director General for the Americas and Europe. While based in The Hague, Retno led negotiations between Indonesia and the European Union.³¹²

³⁰⁹ "Indonesia's New Ministers," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/indonesias-new-ministers/>.

³¹⁰ Andrea Booth, "What does the new Indonesian government mean for Australia and ASEAN?" *SBS*, <http://www.sbs.com.au/news/article/2014/10/28/what-does-new-indonesian-government-mean-australia-and-asean>.

³¹¹ Ibid.

³¹² Agus Suhana, Rieka Rahadiana, and Neil Chatterjee, "Indonesia's Widodo Picks Old Hands For New Cabinet," *Bloomberg*, 27 October 2014, <http://www.bloomberg.com/news/2014-10-26/widodo-picks-brodjonegoro-for-finance-chief-in-indonesia-cabinet.html>.

During her time in The Hague, Retno earned a reputation as a progressive diplomat, and kept her embassy's door open to Indonesian civil society.³¹³ President Widodo himself said she is hard working, firm, and visionary.³¹⁴

Amran Sulaiman

Agriculture Minister

Originally from Makassar in Southeast Sulawesi, Amran Sulaiman is a long-time Jokowi supporter and was formerly the president director of the Tiran Group, a diversified business conglomerate with interests in agriculture, trade, industry, and mining.³¹⁵

Amran studied agriculture at the Hasanuddin University in Makassar where he progressed through earning a bachelors, masters, and PhD on the subject. He later lectured at the same university. A practical entrepreneur, Amran won an award from SBY in 2009 for inventing a new type of rat poison.³¹⁶

A strong supporter of the president, Amran coordinated the civic action arm of Jokowi's campaign, Sahabat Rakyat (Friends of the People) in eastern Indonesia. He also donated \$41,000 to Jokowi's campaign for the presidency.³¹⁷

Ryamizard Ryacudu

Defense Minister



Image Credit:
Wikipedia

Ryamizard Ryacudu is a retired Army general. His inclusion in Jokowi's cabinet is controversial because of his involvement in Indonesia's brutal military operations in Timor-Leste and

³¹³ Ibid.

³¹⁴ "Joko Widodo appoints Indonesia's first female foreign minister, Retno Marsudi," *The Gaurdian*, 26 October 2014, <http://www.theguardian.com/world/2014/oct/27/joko-widodo-appoints-indonesias-first-female-foreign-minister-retno-marsudi>.

³¹⁵ "Factbox: Who's who among Indonesia's new cabinet ministers," Reuters, 26 October 2014, <http://www.reuters.com/article/2014/10/26/us-indonesia-politics-factbox-idUSKBN0IF0EK20141026>.

³¹⁶ "Indonesia's New Ministers," *The Jakarta Globe*, 27 October 2014, <http://thejakartaglobe.beritasatu.com/news/indonesias-new-ministers/>.

³¹⁷ Ibid.

against other separatist movements in the provinces of West Papua and Aceh.

Ryamizard has had a long military career which began with his graduation from the Indonesian Armed Forces Academy (AKABRI) in 1973. He rose through the ranks, attaining the posts of chief of the Army's Strategic Command (known as *Kostrad*) between 2000 and 2002,³¹⁸ and Army Chief of Staff between 2002 and 2005.

Human rights groups have openly expressed their disappointment with Jokowi's decision to appoint Ryamizard as defence minister, including the Commission for Missing Persons and Victims of Violence (*Kontras*) and the East Timor and Indonesia Action Network (ETAN).³¹⁹ On the other hand, Ryamizard was not included in the National Commission of Human Rights' (*Komnas HAM*) list of generals they accuse of committing human rights violations.³²⁰

³¹⁸ Ibid.

³¹⁹ Richard C. Paddock, "Indonesian Leader's Defense Appointment Draws Criticism," *The Wall Street Journal*, 27 October 2014, <http://online.wsj.com/articles/indonesian-leaders-defense-appointment-draws-criticism-1414423427>.

³²⁰ "Ryamizard named defense minister," *The Jakarta Post*, 26 October 2014, <http://www.thejakartapost.com/news/2014/10/26/ryamizard-named-defense-minister.html>.



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