

Australia's relations with Indonesia: Progress despite economic and socio-cultural constraints?

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INTRODUCTION

At 244.5 million people, Indonesia is now ten times more populous than Australia. Moreover, Indonesia's middle class is larger than Australia's entire population and Indonesia's economy is now over thirty per cent larger than Australia's Gross Domestic Product (GDP) in Purchasing Power Parity terms (PPP). While scholars continue to debate whether Indonesia will rise to become a major power,¹ Indonesia is almost destined to become the more powerful partner in the Indonesia–Australia relationship. Importantly, the separation of Australia's mainland from Indonesia by only 240 kilometres of ocean means that the two countries share strong security interdependencies. However, such proximity also delivers added efficiencies and potential for future economic relations. While much analysis has focused on specific relational problems, such as the situation in West Papua, there has been very little recent literature on the broader relationship. Therefore, this issue brief assesses the current state-of-affairs in the relationship and the key challenges to address in the future. The first section focuses on the political and security sphere, while the second section analyses how any associated progress is underpinned (and potentially undermined) by socio-cultural and economic links. The final section examines some of the key implications for future policy.

CONTEMPORARY POLITICAL AND SECURITY RELATIONS

Despite some historically alarmist voices in Australia's public sphere,² neither Indonesia nor Australia represents a traditional security threat for the other. Rather, both the academic and policy communities of Australia have increasingly recognised Indonesia's strategic role as a buffer against future aggression and that, more broadly, 'a positive relationship with Indonesia contributes profoundly to Australia's overall security' – a contention that was explicitly recognised in Australia's 'National Security Strategy' and 'Asian Century White Paper'.³ In this vein, Australia and Indonesia negotiated the Lombok Treaty in 2006 (ratified in 2008) which commits the two countries to support each other's unity and territorial integrity and to refrain from the threat or use of force. This has since been reinforced by the September 2012 Defence Cooperation Arrangement which provides, in the words of then Minister for Defence Stephen Smith, a 'formal framework

1 For example, the following provides informative analysis: Donald K. Emmerson, 'Is Indonesia Rising? It Depends'. In Anthony Reid (ed.), *Indonesia Rising: The Repositioning of Asia's Third Giant* (Singapore: ISEAS, 2012), pp. 77–92.

2 For a detailed account on this subject, see: Anthony Burke, *Fear of Security: Australia's Invasion Anxiety* (Port Melbourne: Cambridge University Press, 2008); Emmerson, 'Is Indonesia Rising? It Depends'.

3 Emphasis by authors. 'Australia's National Security Strategy'. (Canberra: Department of the Prime Minister and Cabinet, 2013), p.12. 'Australia in the Asian Century: White Paper'. (Canberra: Commonwealth of Australia, 2012), p. 25.. See also: Hugh White, 'Northern Exposure: What the Rise of Indonesia Means for Australia'. *Monthly* (2013).

for practical Defence cooperation under the Lombok Treaty'.⁴ Moreover, the relationship was elevated to a 'strategic partnership' in March 2010.⁵

As a partial consequence of these developments, by 2013 the level of bilateral defence engagement had reached its highest level in over fifteen years. Examples include a third Coordinated Maritime Patrol of the joint maritime borders by the Indonesian and Australian navies; Indonesia's first-time participation in the multi-nation Exercise Pitch Black;⁶ the first bilateral peacekeeping exercise (May 2013);⁷ the strengthening of search and rescue coordination;⁸ and continued officer and English language training through the Bilateral Defence Cooperation Program.⁹ Following the devastating 2004 tsunami, Australia's military worked alongside Indonesia's military in the emergency relief effort and the Australian government responded through the provision of more than \$1 billion in aid. More recently, Australia donated four C-130H Hercules transport aircraft to Indonesia and, in April 2013, Australia agreed to sell a further five of the aircraft on a discounted basis.¹⁰ Discussions have been held concerning 'possible defence industry co-operation' and Jane's Defence Weekly suggested that this is likely to include the joint development of patrol boats in addition to Australian exports of naval systems and military electronics.¹¹ Critically, should Indonesia continue to ascend, the next few decades will witness a paradigm shift in its capacity to not only participate in joint exercises but to also lead them.

4 Stephen Smith, 'Australia and Indonesia: Strategic Partners'. Australian Department of Defence, <http://www.minister.defence.gov.au/2012/09/04/minister-for-defence-australia-and-indonesia-strategic-partners/>. The previous treaty between Australia and Indonesia was unilaterally revoked by Jakarta in 1999 due to tensions over Australia's support for East Timor's independence from Indonesia. See also: 'Indonesia, Australia Consent to Enhance Defence Cooperation'. *Indonesia Government News*, 4 April 2013. 'Australia-Indonesia Annual Leaders' Meeting'. Commonwealth of Australia, www.pm.gov.au/press-office/joint-communication.

5 'Indonesia Country Brief'. Department of Foreign Affairs and Trade, http://www.dfat.gov.au/geo/indonesia/indonesia_brief.html.

6 Other participants included Singapore, Thailand, New Zealand and the United States. 'Exercise Pitch Black 12 Begins'. Australian Department of Defence, <http://www.defence.gov.au/defencenews/stories/2012/jul/0727.htm>.

7 'Australia and Indonesia Militaries Participate in the Inaugural Bilateral Peacekeeping Exercise, Garuda Kookaburra'. Australian Department of Defence, <http://news.defence.gov.au/2013/05/17/australia-and-indonesia-militaries-participate-in-the-inaugural-bilateral-peacekeeping-exercise-garuda-kookaburra/>.

8 'Minister for Defence, Minister for Infrastructure and Transport and Minister for Home Affairs – Joint Media Release – Strengthening Australia-Indonesia Search and Rescue Coordination'. Australian Department of Defence, <http://www.minister.defence.gov.au/2012/09/04/minister-for-defence-minister-for-infrastructure-and-transport-and-minister-for-home-affairs-joint-media-release-strengthening-australia-indonesia-search-and-rescue-coordination/>

9 'Defence Minister Completes Indonesia Visit'. Australian Department of Defence, <http://www.minister.defence.gov.au/2012/09/05/defence-minister-completes-indonesia-visit/>.

10 'Jakarta to Buy More Hercules'. *Flight International*, 6 August 2013.

11 'Australia and Indonesia Signal Intent to Collaborate in Defence Industry'. *Jane's Defence Weekly*, 5 September 2012.

Heightened collaboration between the two countries has been rendered all the more important due to the shifting strategic order of Southeast Asia and the broader Indo-Pacific. The future of this order is becoming increasingly uncertain due to the continuation of various disputes such as the South China Sea and an associated increase to great power rivalry (i.e., between the United States and China).¹² Consequently, Australia and Indonesia have sought to hedge against such rivalry and Australia has particularly benefited from Indonesia's strong support for its inclusion in the East Asia Summit (EAS). While there are a number of limitations to this institution, the eighteen member EAS is now the premier leaders' forum in which to discuss a broad range of security issues.¹³ Moreover, Indonesia is central to Australia's diplomacy through the Association of Southeast Asian Nations (ASEAN), and sound relations will be mutually beneficial for multilateral diplomacy in APEC, the Group of 20, and various United Nations forums.¹⁴

While the political systems in Indonesia *and in* Australia are far from perfect, the consolidation of democracy in Indonesia has led to a convergence of certain social and political values. For example, Indonesia now has a flourishing civil society and a highly active media.¹⁵ Meanwhile, the country's political elite – particularly within the President's office, Foreign Ministry (*Kemlu*), and segments of the military¹⁶ – have also firmly embraced Indonesia's new identity as a democratic nation. This identity has significantly affected the nature of Indonesia's foreign policy and the political and social values that implicitly underpin it. Today, Indonesia is a like-minded partner in many regional and global affairs including environmental activism (e.g., climate change), the promotion of interfaith dialogue, transnational crime and irregular migration (e.g., the Bali Process), the promotion of democracy and human rights (e.g., the Bali Democracy Forum), and its active and constructive diplomacy over highly volatile issues such as Iran.¹⁷

The extent to which an intersection of interests has emerged was exemplified when the Indonesian government requested that Australia ask the United States, on its behalf, whether it would be interested in receiving a battalion of Indonesian peacekeepers in Iraq. While President Bush imprudently declined the offer, Jakarta's approach provides an example of how Australia's alliance with the United States has been interpreted, in some quarters, as expedient for Indonesia.¹⁸ Jakarta had also been appreciative of broader Australian support for closer relations between the United States and Indonesia, a strategy that Australia had promoted based on Indonesia's rise as a democracy and its stature as the world's largest Muslim nation.¹⁹ These developments reflect the fact that in practice it has been difficult for Indonesia to adhere to its official policy of non-alignment.²⁰ While Indonesia has also been pursuing closer relations with China,²¹ progress in the security sphere will be difficult so long as its democratic identity renders its values and interests more compatible with Western and other democratic powers.

Through to October 2013, when various leaks about Australian intelligence surveillance emerged (discussed below), cooperation over a range of non-traditional security issues had also been rising. For example, Australia views cooperation with Indonesia on terrorism as vital to the security of its people at home and abroad, while Indonesia shares similar perceptions together with concern over the nexus between terrorist acts and anti-government and insurgency movements.²² Consequently, a Memorandum of Understanding on Counter-terrorism – with cooperation between Australia's Special Air Services (SAS) and Indonesia's Detachment 88 within *Kopassus* – was proposed just a few months after the 9/11 terrorist attacks and was reaffirmed within days of the October 2002 Bali bombings.²³

12 For an overview, see: Christopher Roberts, 'The Future of East and Southeast Asian Regionalism'. In *East and Southeast Asia: International Relations and Security Perspectives*, ed. Andrew Tan (London: Routledge, 2013).

13 Its membership also includes India, Japan, South Korea, New Zealand, and all ten of the Association of Southeast Asian Nations members.

14 Ramesh Thakur, 'Australia, Indonesia Moving as Close as Perceptions Allow'. *The Japan Times*, 2 May 2013. For an in-depth analysis of Indonesia's significance in ASEAN, see Christopher B. Roberts, *ASEAN Regionalism: Cooperation, Values and Institutionalisation* (Milton Park: Routledge, 2012).

15 For an overview of how Indonesia's democratic transition has affected its political values and foreign policy, see: *ASEAN Regionalism: Cooperation, Values and Institutionalisation*, pp.102-26; 'State Weakness and Political Values: Ramifications for the ASEAN Community'. In *ASEAN and the Institutionalization of East Asia*, ed. Ralf Emmers (Milton Park: Routledge, 2012), pp.11-26.

16 Interviews by Christopher Roberts in Jakarta during the course of seven field trips between 2006 and 2012. In the context of the military, see also Jorn Dosch, *The Changing Dynamics of Southeast Asian Politics* (London: Lynne Rienner, 2007), pp.39-40.

17 For example, Indonesia offered to mediate on the deadlock between Iran, the United States, and the European Union concerning the alleged development of nuclear weapons. Ellen Nakashima, 'Indonesia Offers to Mediate Talks with Iran'. *The Washington Post*, 11 May 2006.

18 Alexander Downer, 'Australia Retreats from Asia'. *Asialink* 3, no. 4 (2011): p.2.

19 Ibid. The US and Indonesia have since entered into discussions concerning a comprehensive partnership with the potential for six agreements concerning oil and gas exploration, energy, forestry, agriculture and natural resources more broadly (check status of this). Hanson, op. cit., p. 4

20 Donald K Emmerson, 'Is Indonesia Rising? It Depends', in *Indonesia Rising: The Repositioning of Asia's Third Giant*, ed. Anthony Reid (Singapore: ISEAS, 2012) pp.65-68. See also: Ristian A. Supriyanto, 'Rebalancing and Indonesia: US Pacific Presence Will Force Jakarta to Choose'. *Defence News International*, 8 July 2013.

21 This goal has been symbolised by the joint declaration on 'Building a Strategic Partnership' in April 2005 and reinforced by other developments including the first joint exercise between the special forces of Indonesia and China in June 2011. 'External Affairs, Indonesia'. *Jane's Intelligence* 2013.

22 Sidney Jones, 'Papuan 'Separatists' vs Jihadi 'Terrorists': Indonesian Policy Dilemmas'. International Crisis Group, <http://www.crisisgroup.org/en/publication-type/speeches/2013/jones-papuan-separatists.aspx>.

23 'Australia, Indonesia Agree to Joint Probe'. ABC, 16 October 2002; Ian Henderson and Don Greenlees, 'Megawati, PM Frame Pact on Terrorism'. *Australian*, 7 February 2002. However, due to concerns about human rights abuses, it was not until 2005 that Australia lifted its ban on joint training and military cooperation with *Kopassus*. Peter Alford, 'Anti-Terrorism Role for Indonesian Army'. Ibid., 19 October 2010.

Counter-terrorist (CT) cooperation also steadily matured through to October 2013, leading to 'wide ranging partnerships' between Indonesian and Australian agencies in intelligence, defence, transport and border security, CT financing, criminal justice, legal framework development, and law enforcement.²⁴ In the case of law enforcement, a key development has been establishment of the Jakarta Centre for Law Enforcement Cooperation (JCLEC). Here, Australia's Federal Police had been working alongside Indonesia's police in the development and provision of intensive law enforcement training regarding terrorism and transnational crime. By 2012, the center had trained 12,900 officials from 59 countries through 540 courses.²⁵ The increased capacity of Indonesia to combat both domestic and international terrorist threats is reflected in the fact that there has been more than 800 terrorist-related arrests and over 600 convictions since 2002.²⁶ Should Australia continue to provide comprehensive support through inter-agency collaboration and aid (discussed below), then this will further strengthen Indonesia's capacity to respond to these challenges in the future.

Notwithstanding these positive achievements, much more needs to be done before the two countries' political relations can reach their full potential. Here, Sabam Siagian and Endy Bayuni argue that Australia's own efforts have not been reciprocated by Jakarta, and this is demonstrated by the absence of a comprehensive policy on its relationship with Canberra together with its tendency to take Australia for granted until intermittent incidents when flashpoints occur.²⁷ Aside from the socio-cultural dimension discussed below, this tendency has also been reinforced by Indonesia's preoccupation with nation-building, a historical focus on security to the north and, in more recent times, increased competition by the great powers who have been vying for influence and improved relations with an ascending Indonesia.²⁸ Nonetheless, Australia's role in Timor Leste did demonstrate, for better or worse, the significance of Australia for Indonesia, and there have been subsequent signs that Jakarta is starting to adopt a more proactive role in the relationship.

A further problem concerns the nature of political discourse in Australia. During the Howard Government, some particularly provocative announcements included Australia's self-proclaimed right to launch pre-emptive strikes against terrorists in other countries, and the projection of a 1,000 mile Maritime Identification Zone into Indonesian territorial waters.²⁹ The subsequent Labor government made comparably provocative announcements, such as Prime Minister Gillard's determination that East Timor would process asylum seekers; the later 'PNG solution'; trade issues including bans on

logging and cattle exports;³⁰ and the stationing of US marines in Darwin;³¹ Foreign Minister Carr's comments concerning the killing of activists in West Papua;³² and Prime Minister Rudd's statement that the opposition's rhetoric to 'turn back the boats' could result in 'conflict'.³³ Given the 2013 Australian Federal election, a further challenge concerns the perception of some Indonesians that, in the words of the Indonesian Foreign Ministry website, the Australian Labor Party 'tends to be more liberal and hold a positive view toward Indonesia'.³⁴

While the socio-cultural dimension is addressed in the next section, a lack of understanding together with a perceived lack of consultation and respect for Australia's northern neighbour has informed many bilateral flare-ups. Thus, one government official in Jakarta referred to the announcement that Timor Leste would process asylum seekers, stating that the Australian government should know that Timor Leste does not agree to arrangements such as this without first consulting Indonesia.³⁵ Given these challenges, the combined leadership of both President Susilo Bambang Yudhoyono and Foreign Minister Marty Natalagawa has been a fortunate coincidence, as both have demonstrated a sense of affinity with Australia and have actively pursued closer relations.³⁶ For example, at the inaugural annual leader's forum, President Yudhoyono quashed a diplomatic row when he declared that Prime Minister Julia Gillard had convinced him that the stationing of US marines in Darwin did not represent a problem for Indonesia.³⁷

30 Rosemarie Lentini, 'Julia Gillard Halts Live Cattle Exports to Indonesia'. *Telegraph*, 8 June 2013. See 'Sour Times with a Big Neighbour'.

31 There were also allegations of an associated proposal to station US drones at Christmas Island. Mark J. Valencia, 'US Pivot Making Waves in the Region'. *Straits Times*, 3 April 2012.

32 Michael Bachelard, 'Indonesia Rebukes Carr over West Papua Call'. Age, 30 August 2012.

33 Alberto Gomes, 'Beyond Boats, Beef, and Bali: Reassessing Australia's Relations with Indonesia'. *Conversation*, 3 July 2013. Despite assurances from Julie Bishop that Indonesia would cooperate with Australia when it forcibly sends asylum seeker boats back to Indonesia, Indonesia's Vice President, Foreign Minister, and Ambassador to Australia have all publicly declared that the policy is unacceptable. In relation to the subject, Vice President Boediono stated that the 'most important thing for the two next door neighbours would be trust. That is key, mutual understanding, mutual respect'. Lenore Taylor, 'Indonesia 'Would Co-Operate' with Coalition on Boats'. *Guardian*, 3 June 2013. George Roberts, 'Indonesia Rejects the Coalition's Asylum Seeker Policy'. *ABC News*, 14 June 2013.

34 'Australia'. Ministry of Foreign Affairs (*Kemlu*), <http://www.kemlu.go.id/Pages/IFPDisplay.aspx?Name=BilateralCooperation&IDP=56&P=Bilateral&I=en>.

35 Interview with Indonesia's Foreign Ministry (*Kemlu*), Jakarta, February 2013.

36 According to Indonesia expert from the Australian National University, Greg Fealy, 'SBY constantly hoses things down [on Australia's account] When Commission 1 in Parliament looks like winding up for a big attack on Australia, SBY makes calming statements and takes the heat out of certain issues', Peter Hartcher, 'Dogs of Boat War Must Learn Value of Silence'. *The Sydney Morning Herald*, 2 July 2013.

37 Abdul Khalik, 'US Base No Threat to Indonesia'. *The Jakarta Post*, 21 November 2011

24 'Indonesia Country Brief'.

25 *Ibid.*

26 'Australia's National Security Strategy', p.12.

27 Sabam Siagian and Endy Bayuni, RI-Australia ties — It's more important to be nice, *Jakarta Post*, 14 November 2012

28 Jennings Peter, 'Indonesia: Priorities, Politics, Perceptions and Papua'. *Strategist*, www.aspistrategist.org.au.

29 Ali Alatas, 'Different Societies, Shared Futures'. *Jakarta Post*, 6 July 2006.

The intervention by President Yudhoyono demonstrates the benefits of increased dialogue and consultation. Cognizant of this, Jakarta and Canberra have also institutionalised the annual Australia–Indonesia Foreign and Defence Ministers’ 2+2 meeting, while an annual Law and Justice Ministers’ meeting has been proposed.³⁸ At the second 2+2 meeting, Indonesia’s Defence Minister reflected on recent consultation by Australia over its 2013 Defence White Paper and made a corresponding pledge to consult with Australia in the development of Indonesia’s own White Paper.³⁹ A delegation was subsequently sent to Canberra in November 2013.⁴⁰ Since September 2007, over 130 ministerial visits between Jakarta and Canberra have occurred.⁴¹ Jakarta also appears to be devoting more energy to the relationship: a recent example is its April 2013 initiation of the Australia–Indonesia High Level Committee.⁴²

Nonetheless, the relationship continues to stand on fragile foundations. The causal dynamics behind such fragility were particularly evident in the wake of a series of leaks by whistleblower Edward Snowden regarding intelligence intercepts by the Australian Signals Directorate (formerly the Defence Signals Directorate). Between October and November 2013 there were widespread media reports concerning intelligence gathering via Australian embassies and consulates in Asia as well as a more specific leak about the tapping of the phones of Indonesian officials by Canberra and Washington at the 2007 United Nations Conference on Climate Change in Bali.⁴³ Then, in November, the ABC and the Guardian published leaked intelligence concerning a sustained campaign to monitor the phone activities of President Yudhoyono, his wife, and several key ministers.⁴⁴ While Indonesia has likely accepted and benefited from Australian intelligence during the course of the aforementioned cooperation against terrorist threats, the Australian government failed to explain how monitoring the wife of Indonesia’s President, for example, could be justified on the grounds of ‘security’ or the ‘national interest’.

The disconcerting nature of the possible motives behind some Australian intelligence intercepts was reinforced during a further scandal in February 2014 where leaked documents indicated that Australia offered to share information with Washington about a trade dispute it had with Jakarta. The response by Foreign Minister Natalegawa was that he found ‘it mindboggling, ... how can I reconcile discussions about shrimp and the impact on Australian security?’⁴⁵ Meanwhile,

Australian Prime Minister Tony Abbott did publicly apologise over revelations that Australian naval and coast guard vessels had ‘unintentionally’ entered Indonesian waters.⁴⁶ However, the advanced nature of modern global positioning systems calls into question the veracity of the Prime Minister’s statement and this, together with the manner by which the Australian government has responded to revelations about the nature of its intelligence intercepts from Indonesia, has thus far failed to satisfy Jakarta.

As a consequence of these developments, Indonesia’s ambassador to Australia was recalled on 19 November 2013, and Jakarta formerly suspended military and law enforcement cooperation a day later.⁴⁷ However, in reality the impact on bilateral cooperation is much broader, as most Indonesian ministries and agencies are delaying action and awaiting further developments before investing resources in the advancement of cooperation with Canberra.⁴⁸ Critically, President Yudhoyono’s final term in office will end when the next round of Presidential elections are held in July. Interlocutors from government and academia, in Canberra and in Jakarta, have generally agreed that the current leadership in Indonesia is likely to represent a highpoint for relations with Australia.

Therefore, Jakarta and Canberra need to resolve the current break in bilateral relations as soon as possible, and this will necessitate rapid progress in concluding a promised ‘code of ethics and protocol’ regarding future intelligence gathering.⁴⁹ One challenge involves Jakarta’s concern that the chaotic electoral climate could be worsened by further intelligence leaks after establishment of an agreed ‘code’.⁵⁰ However, a greater hurdle concerns the highly politicised and populist policies of Canberra concerning irregular migration and this is interdependent with the unnecessary but deliberate securitisation of irregular migration which, in turn, is interdependent with the socio-cultural and trade dimensions discussed below.

38 ‘Australia-Indonesia Annual Leaders’ Meeting’.

39 Peter, ‘Indonesia: Priorities, Politics, Perceptions and Papua’.

40 Indonesia’s defence delegation met with both Australian government agencies as well as academics and analysts from the ANU and ASPI.

41 ‘Indonesia Country Brief’.

42 Alan Dupont, ‘Indonesian Ties Much Tighter’. *Australian*, 8 April 2013.

43 ‘Leaked NSA Report Reveals Australia-US Spying Operations During Bali Conference.’ *ABC News*, 3 November 2013; Charles Hutzler, ‘Australian Spying Report Stirs Anger in Asia; China, Indonesia Demand Explanations for Allegations of Aid in U.S. Spy Effort.’ *The Wall Street Journal*, 2 November 2013.

44 Michael Brissenden, ‘Australia Spied on Indonesian President Susilo Bambang Yudhoyono, Leaked Edward Snowden Documents Revealed.’ *ABC News*, 18 November 2013.

45 Catriona Croft-Cusworth, ‘Spying Row: Why Indonesia Is Tougher on Canberra than on Washington.’ *The Interpreter*, 21 February 2014.

46 Brendan Nicholson and Peter Alford. ‘Back Off, Jakarta Tells Australia.’ *The Australian*, 18 January 2014.

47 ‘Jakarta in No Hurry to Fixe Ties with Australia: Indonesian Ambassador Will Not Return to Australia until Relations Have Improved.’ *Today* (Singapore), 20 February 2014; ‘Biweekly Update: Indonesia.’ *Southeast Asia from the Corner of 18th and K Streets*, CSIS vol.4, no.24 (26 November 2013), p.7.

48 Discussions with Indonesian embassy, Canberra, March 2014.

49 There is a mounting belief in certain Indonesian policy circles that Australia’s leadership is waiting until the election of the next administration in Indonesia, but this would be a mistake. As has been raised during discussions with Indonesian policy makers, there are no presidential candidates that are likely to share the same level of affinity with Australia as that shared by President Yudhoyono.

50 Brendan Nicholson, ‘Spies, Not Boats, Put Jakarta Ties on Ice.’ *The Australian*, 27 February 2014.

SOCIO-CULTURAL AND TRADE DIMENSIONS: UNDERDEVELOPED FOUNDATIONS IN THE RELATIONSHIP?

The earlier-mentioned reference to a more compatible set of political and social identities is not meant to imply the emergence of a collective identity.⁵¹ Given the numerous sources of tension outlined in the previous section, such an outcome has yet to be consolidated between the two countries' political elite and, taking into account the lack of mutual understanding currently extant, not even the seeds of a collective identity have been sown at the societal level. Both countries are well aware of this problem: the associated challenges were aptly articulated by President Yudhoyono when he addressed both houses of the Australian parliament in 2010:

...the most persistent problem in our relations is the persistence of age-old stereotypes – misleading, simplistic mental caricature that depicts the other side in a bad light. Even in the age of cable television and the internet, there are Australians who still see Indonesia as an authoritarian country, as a military dictatorship, as a hotbed of Islamic extremism or even as an expansionist power. On the other hand, in Indonesia there are people who remain afflicted with Australiaphobia – those who believe that the notion of White Australia still persists, that Australia harbours ill intention toward Indonesia and is either sympathetic to or supports separatist elements in our country.⁵²

The focus of Australia's political rhetoric and associated media coverage has either continued to reinforce misperceptions or failed to correct them. Thus, one 2013 survey commissioned by the Australian Department of Foreign Affairs and Trade indicated that as many as 53 per cent of Australians believe that Indonesia is not a democracy, 70 per cent think that Bali is not part of Indonesia, and 72 per cent believe that Indonesian law-making is based on 'Islamic codes'.⁵³ Particularly troubling was a separate survey indicating that 54 per cent of Australians believe 'Australia is right to worry about Indonesia as a military threat' and 54 per cent believe that 'Indonesia is a dangerous source of Islamic

terrorism'.⁵⁴ In an earlier 2011 survey, only 5 per cent indicated 'a great deal of trust' that 'Indonesia would act responsibly in the world'.⁵⁵ Given this climate, Prime Minister Rudd's comment that the Coalition's 'turn back the boats' rhetoric could lead to conflict, together with his reference to *konfrontasi* (confrontation),⁵⁶ was more problematic for the damage it caused to Australian perceptions than it was to Indonesian perceptions of Australia.⁵⁷

Indonesians are also well aware of Australian attitudes, with 55 per cent agreeing that 'Australia is a country suspicious of Indonesia'.⁵⁸ However, while Indonesians have maintained relatively positive perceptions of Australia, a significant proportion continues to believe that Australia 'masterminded' the independence of Timor Leste; that the independence of West Papua remains high on the Australian government's agenda;⁵⁹ and that 'Australia poses a threat to Indonesia' (31 per cent).⁶⁰ At the worst end of the spectrum, outright anger has been voiced: a recent commentary by the senior managing editor of the Jakarta Post argued that Australia 'is perceived as an arrogant neighbour with a strong sense of superiority towards Indonesia'.⁶¹ As President Yudhoyono has stated, such misperceptions must be expunged '...if we are to achieve a more resilient partnership'.⁶²

Distrust and the lack of understanding between the two countries have already resulted in a number of practical ramifications intended to improve relations. For example, a senior Australian defence official noted that defence cooperation had been evolving as fast as the Australian people would permit.⁶³

54 Alex Oliver, 'Australia and the World: Public Opinion and Foreign Policy'. Sydney: Lowy Institute Poll, 2013, pp.12-13.

55 While 41 per cent believed that they could 'somewhat' trust Indonesia to act responsibly in the world, this was below China, Russia and Egypt. Moreover, 15 per cent answered the same question 'not at all' in terms of 'trust'. Fergus Hanson, 'Australia and the World: Public Opinion and Foreign Policy'. Sydney: Lowy Institute Poll 2011, pp.15-18.

56 *Konfrontasi* was a policy that was launched by President Sukarno during the 1960s and was primarily directed against the establishment of the Federation of Malaysia, which Sukarno viewed as a 'neo-colonialist plot to perpetuate British influence'. As a member of the Five Powers Defence Agreement, Australia's military was also involved in the highly 'limited' conflict. Roberts, *ASEAN Regionalism: Cooperation, Values and Institutionalisation*, p.35.

57 These comments resulted in a broad range of hostile statements on the internet. One example includes the following: '[w]e are a sovereign state and our policies will not be dictated to by a jumped up corrupt Country like Indonesia. If they were to try it on with Australia the U.S. would pound their sorry arses into oblivion'. 'Australia Has Just Trashed the Perception of Indonesia'.

58 Fergus Hanson, 'Shattering Stereotypes: Public Opinion and Foreign Policy'. in *Lowy Institute Indonesia Poll* (Sydney: Lowy Institute, 2012), p.8.

59 *Ibid.*, p.26; Kornelius Purba, 'Patronising Approach Won't Impress Indonesia'. *The Australian*, 5 July 2013; Peter, 'Indonesia: Priorities, Politics, Perceptions and Papua'. On this issue, Hajriyanto Y. Thohari stated that 'I am always suspicious of the NGOs as well as the governments of Australia and the United States in responding to the separatism issue in Papua. On the one hand, the governments showed their support to Indonesia's integrity, but on the other hand their NGOs support separatists groups ... who knows [sic] all kinds of political tricks are intentionally launched under a good plan or design, so that they will eventually gain benefits from the situation', 'Australian Govt, their NGOs Collude in Responding to Papua'. *Antara News*, 13 October 2006.

60 However, 63 per cent indicated that Malaysia posed a 'threat'. Hanson, 'Shattering Stereotypes: Public Opinion and Foreign Policy', p.11.

61 Purba, 'Patronising Approach Won't Impress Indonesia'.

62 Yudhoyono, 'Address by the President of the Republic of Indonesia'.

63 Interview, Australian Department of Defence, Canberra, April 2013.

51 A collective identity exists where people consider themselves to be, at some level, part of the same group, and this translates into a collection of positive images that are projected towards others within the group. James Cotton, 'Regional Order and the over-Determination of Regional Institutions in the Asia-Pacific' (paper presented at the UTS-Guadalajara Workshop, Guadalajara, January 2004), p.7.

52 Susilo Bambang Yudhoyono, 'Address by the President of the Republic of Indonesia'. Canberra: Commonwealth of Australia Parliamentary Debates, 2010. At an earlier conference, a former Indonesian ambassador to Australia, S. Wiryo, also highlighted the problem of public ignorance on both sides, but added that this was in contrast to a relatively better understanding between officials. Wiryo, ed., 'An Indonesian View: Indonesia, Australia and the Region'. In Montries, John, ed., *Different Societies, Shared Futures: Australia, Indonesia and the Region*, Indonesia Update Series, ISEAS, 2006.

53 'Australian Attitudes Towards Indonesia'. Canberra: *Newspoll*, 2013. This 91 page report was commissioned by the Australian Department of Foreign Affairs and Trade. See also, 'Australia Has Just Trashed the Perception of Indonesia'. Scoop, 29 June 2013.

The Australian embassy in Jakarta has played a leading role in responding to such challenges by building societal interest and people-to-people connections between the two countries. These activities include invitations to media editors and journalists to visit each country, and a greater emphasis on cultural exchanges and art.⁶⁴ More broadly, Jakarta and Canberra have already been working together to promote tourism and the idea that Indonesia is far more than just 'Bali'.⁶⁵ Many of these proposals are brought together in a single document by the Australian Department of Foreign Affairs and Trade titled the 'Indonesia Country Strategy'. While the document highlights the positive achievements in bilateral relations to date, it problematically does not support its prescriptions with tangible funding commitments.⁶⁶

Despite the above efforts, bilateral relations will be increasingly challenged by Australian misperceptions and indifference to Indonesia due to a decline in education about Indonesia and Asia more broadly. In 2011, there were only 87 Year 12 students studying Indonesian language (*Bahasa Indonesia*) in New South Wales and current trends indicate that the study of Indonesian at high school will end by 2018.⁶⁷ A similar decline has occurred in the tertiary sector, as less than 1,100 university students were studying Indonesian in 2010 and since 2004 six universities have discontinued their Indonesian language courses.⁶⁸ The collapse of Australian education in Asian languages is one of the key multigenerational challenges for Australian engagement with Indonesia and broader Asia. Evidence of archaic and outdated perspectives on this issue is still visible within certain quarters of the Australian government.⁶⁹ The rapid deterioration of Asian language education followed the Howard government's early termination of the National Asian Languages and Studies in Schools Program in 2002.⁷⁰ Despite a host of high-level government declarations since – including the 2008 re-establishment of the \$62.4 million National Asian Languages and

Studies in Schools Program (concluded in 2012) and the rhetoric of the Asian Century White Paper (2012)⁷¹ – Asian language offerings and enrolments have not yet rebounded.

Problematically, the Australian government's financial commitments regarding the study of Asian languages, cultures, and histories have become increasingly inadequate and this has resulted in the loss of relevant educational capacity. A reversal of this trend will require significant and long-term reinvestment together with other practical measures such as the easing of visa restrictions for qualified teachers from Indonesia.⁷² Beyond language education, it will also be critical to build capacity for general education concerning Indonesia and Asia at the high school and tertiary levels.⁷³ Here, a 2009 study found only two per cent of final-year Victorian high school students undertook history courses with any Asian content.⁷⁴ Moreover, each year only 100–150 students from Australia study in Indonesia; however, this number is set to increase to 400 per year from 2014 under the AsiaBound program.⁷⁵ Jakarta can also assist by streamlining the visa system for Australian students.⁷⁶

64 One example includes the coordination of a visit to Indonesia by Australian art directors who had no idea how vibrant the contemporary arts scene is in Jakarta. The Australian embassy is also bringing Indonesian journalists and Islamic leaders to Australia, and Australian journalists, in turn, have been brought to Indonesia.

65 Still more can be done in order to promote greater awareness regarding strong relations with Australia: the Lowy Institute Poll indicated that the Indonesian public is now warmer towards the US than Australia and that most Indonesians do not know that Australia is its largest donor of aid. Hanson, 'Shattering Stereotypes: Public Opinion and Foreign Policy', p.11.

66 'Indonesia Country Strategy', in *Australia in the Asian Century*. Canberra: Department of Foreign Affairs and Trade, 2013. For a concise assessment of this strategy, see Michelle Ford, 'An Indonesia Strategy in Search of a Commitment'. *Australian*, 10 July 2013.

67 Olivia Cable, 'Indonesia: Australia's Gateway into the Asia-Century'. Australian Institute of International Affairs, <http://www.aiaa.asn.au/access-monthly-access/ma-issue-19>. Meanwhile, only 300 non-Chinese heritage students studied Mandarin at year 12 level in 2009. Jenny McGregor, 'Australian Students in the Dark as Asia's Century Dawns'. *Age*, 13 April 2011.

68 David T. Hill, 'Indonesia's knowledge is dying - just when we need it most'. *The Conversation*, <https://theconversation.com>.

69 During a 2011 presentation by Christopher Roberts to Australian government officials on Australian engagement, a co-presenter and senior official from the Australian Department of Foreign Affairs and Trade strongly objected to the idea that Australia should galvanise efforts to promote Asian languages at high school. He argued that everyone knows that all you have to do is pay for a translator.

70 Louise Milligan, 'Government Drops \$30m Asian Language Program'. *Australian*, 3 May 2002.

71 This includes the \$47 million AsiaBound grants program, which is very similar to the Australian coalition's 'reverse Colombo plan' that had been announced in June 2012.

72 Cable, 'Indonesia: Australia's Gateway into the Asia-Century'.

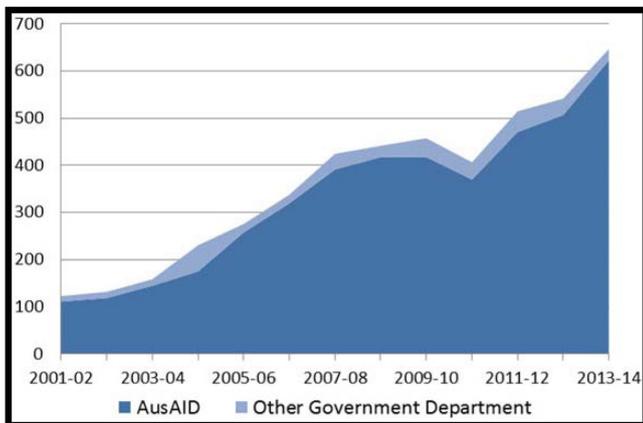
73 Following a series of education cuts during the late 1990s, only a handful of specialised Asian studies departments now exist in the tertiary sector.

74 McGregor, 'Australian Students in the Dark as Asia's Century Dawns'.

75 Julie Bishop, 'Address to Australia/Indonesia Dialogue'. <http://www.juliebishop.com.au/speeches/1223-address-to-australia-indonesia-dialogue.html>. John Hearn, 'Seeking Good RI-Australia Relations'. *Jakarta Post*, 1 May 2010. The AsiaBound Program was announced by then Prime Minister Kevin Rudd in July 2013. There remains an open question as to whether this funding will be maintained by the new coalition government beyond 2014.

76 Ross Tapsell, 'Friendship between Leaders Is Not Necessarily the Key to Good Relations'. *Ibid.*, 22 March.

Australian ODA to Indonesia, 2001–02 to 2013–14 (\$m)⁷⁷



A positive counterbalance to the above issues has been provided by Australia's extensive and long-term aid program. For the year 2014–15, it is anticipated that 525 scholarships will be awarded to Indonesians for study in Australia.⁷⁸ This is in addition to more than 17,000 Indonesian students who currently study in Australia each year.⁷⁹ Within Indonesia, Australia funded nearly half of Indonesia's school building program between 2006 and 2009, and in 2010 announced a further \$500 million to construct an additional 2,000 schools that will lead to 300,000 new school places.⁸⁰ Beyond education, Australia has provided an average of \$472.3 million in aid each year for the last five years, and this is scheduled to increase to \$646.8 million during the 2013/14 financial year.⁸¹ Australia is in fact Indonesia's largest aid donor, and Australia now provides more aid to Indonesia than to any other country. Aside from the aforementioned initiatives in the security and policing spheres, it has used this aid to strengthen, inter alia, Indonesia's long-term capacity including health, agriculture, governance, and humanitarian and disaster response.⁸² Nonetheless, it is ironic that the Australian government has invested heavily in aid to Indonesia, including funding Indonesian students to study in Australia, but has overtly neglected its duty to educate Australians about Indonesia and broader Asia.

Both Australia and Indonesia should be key trading partners. The proximity of the two countries reduces transportation costs and they both have a complementary mix of natural resources, opportunities for investment, and products for export.⁸³ In the case of Indonesia, consistent economic growth and positive

77 'Overview', AusAid website, cited at: <http://www.aid.gov.au/countries/eastasia/indonesia/Pages/home.aspx>

78 'Indonesia: Information for Awards Commencing in 2014'. AusAid, <http://www.aid.gov.au/australia-awards/documents/indonesia.pdf>.

79 'Indonesia Country Brief'.

80 'Australia's Education Partnership with Indonesia (2011–2016)'. AusAid, <http://www.aid.gov.au/countries/eastasia/indonesia/Pages/education-init1.aspx>.

81 Calculations based on figures provided at the AusAid, see: 'Funding', AusAid, cited at <http://www.aid.gov.au/countries/eastasia/indonesia/Pages/home.aspx>.

82 *Ibid.*

83 Shaun MGushin, 'Australia-Indonesia: Time for a Closer Future'. *Mondaq Business Briefing*, 28 August 2013.

demographics – including a relatively young workforce – also reinforce the potential for and benefits from trade and investment.⁸⁴ However, a key issue raised by interlocutors in both Jakarta and Canberra was expansion of the currently slight two-way trade: in 2012, Indonesia was only Australia's twelfth largest trading partner.⁸⁵ Further, only about 250 Australian companies maintain a presence in Indonesia.⁸⁶ Yet, as argued by Australian Ambassador Greg Moriarty, strong trade relations provide a critical foundation to a stable and close long-term relationship; this is a key pillar that is missing in relations between Indonesia and Australia.⁸⁷ A stronger trading partnership will also naturally boost the level of inter-societal interaction and knowledge.

The level of bilateral trade will also be strengthened through the commencement of the ASEAN–Australia–New Zealand Free Trade Area that has significantly reduced tariffs and provided greater certainty to businesses from both countries. Australia and Indonesia have also proposed the establishment of an Indonesia–Australia Comprehensive Economic Partnership Agreement (IA–CEPA) and a preliminary round of negotiations were held in March 2013.⁸⁸ The successful conclusion of this agreement would result in even greater liberalisation in trade, heightened foreign direct investment, and strengthened economic cooperation more broadly.

Nonetheless, further challenges remain. Mounting economic nationalism in Indonesia combined with a vexed record of resource exploitation by Australian firms threatens to undermine long-term commitments for investment.⁸⁹ These challenges compound the lack of mutual understanding between the societies of the two countries and the various politicians and ministries whose portfolios do not necessitate or drive strong international, regional, and bilateral understanding. Indonesia will also need to maintain progress in tackling corruption and to improve its own business and investment climate before Australian businesses will redirect their trade and investment from alternative destinations.⁹⁰

84 A rising middle class (now larger than Australia's entire population) has been responsible for much of the domestic demand, in addition to an abundance of natural resources that has underpinned such growth: 'Risks that may hinder boom in Indonesia', *Straits Times*, 15 January 2013 reprinted in *Jakarta Globe*, <http://www.thejakartaglobe.com/business/risks-that-may-hinder-boom-in-Indonesia/565796>. Indonesian tourism has also been another major growth industry for Australia: 'Queensland Tourism Targets Indonesia on Trade Tour'. *Mena Report*, 19 February 2013.

85 Interviews with government officials and academics in Canberra and Jakarta between October 2012 and March 2013. See also 'Australia-Indonesia: Time for a Closer Future'.

86 Despite this, Australia's trade in services increased by an average of 22 per cent per year between 2007 and 2010. David T. Hill, 'Indonesian Knowledge Is Dying - Just When We Need It Most'. *Conversation*, <https://theconversation.com>.

87 Interview with Ambassador Greg Moriarty, Jakarta, 21 January 2013. See also Alan Oxley, 'Beyond the Boats Lies Indonesia's Rising Power'. *Financial Review*, 2 July 2013.

88 'Joint Communique: Indonesia-Australia Leaders' Meeting'. Australian Embassy, Indonesia, http://www.indonesia.embassy.gov.au/jakt/JC13_001.html.

89 Zakir Hussain, 'Indonesia's Politicians Play 'Protectionist' Card'. *Straits Times*, 4 July 2012.

90 In 2012, Indonesia was ranked number 128 out of 185 countries, with a ranking of 1 being the best place to do business. 'Ease of Doing Business Index'. The World Bank, <http://data.worldbank.org/indicator/IC.BUS.EASE.XQ>.

POLICY IMPLICATIONS AND THE WAYS FORWARD

Through to October 2013, the combined leadership of President Yudhoyono and Foreign Minister Natalagawa had contributed to the best political climate yet for advancing relations between Indonesia and Australia. This had also been reinforced by the prudent policies and actions of AusAID – now part of DFAT – and the Australian Embassy in Jakarta, together with the two countries' police and defence forces. Nonetheless, recent episodes such as Australian territorial intrusions and the spy scandals demonstrate that these hard-won gains should not be taken for granted. Elite-level dynamics are all too often an extension of broader societal perspectives, and vice versa. In other words, for states that are both democratic, but which otherwise exhibit significant societal and political differences, their interactions are likely to be complicated by the increased interdependence and influence of those societal interests. Therefore, a key challenge lies in identifying an effective means of improving the relationship framework so that the flashpoints that inevitably occur do not affect sound policy formulation.

As a first step, the recent change of government in Australia, together with Indonesia's presidential elections in 2014, means that the two governments will need to be especially cautious if they are to avoid statements that could offend, be misinterpreted or hijacked by domestic politics. In this regard, the institutionalisation of increased multi-level dialogue between the elite of the two countries has been a critically important development. However, more needs to be done and this includes better coordination between various Australian departments and their subsections. For instance, recent events indicate that some intelligence officers are operating under an inappropriate and narrowly defined mandate by which they consider the end to justify the means. In reality, they and their supervisors have failed to consider adequately the broader long-term costs for Australia's soft power and moral authority. Therefore, the Australian government needs to: (a) conclude the promised 'code of ethics and protocol'; (b) improve inter-agency coordination and oversight (possibly through some sort of enquiry or review); and (c) do more than is currently the case to mend relations with Jakarta. Moreover, the latter goal needs to be achieved before President Yudhoyono's term expires.

Meanwhile, the continuation of unnecessary political rhetoric that is perceived to be disrespectful to Indonesia, together with the failure of Canberra to consult regarding matters relevant to Indonesian interests provides further evidence of a need to continue to reconfigure perceptions and attitudes in certain quarters of Australian politics and the media. In line with the prioritisation accorded to Indonesia in Australia's 'Asian Century White Paper', such a reconfiguration will be demonstrated when Australian leaders act with the same level of respect and considered assessment as they would for China, India, South Korea and Japan. A step in this direction would involve mandatory training on diplomacy and the international affairs of the region for, in the very least, politicians and senior bureaucrats. Given a range of competing demands, such training could be achieved through intensive short courses or a possible web-based interface designed to provide a more flexible and efficient learning experience.

An increased focus on developing the economic and socio-cultural spheres of interaction will also reinforce the political-security and military dimensions of the relationship. This will require heavy investment in both language and broader Asian studies education that, in real terms, exceeds the funding commitments provided under the Hawke and Keating administrations. As an interim measure, the development of special programs to support the quality of journalism reporting on Indonesia and Asia will also have a positive impact on broader societal knowledge and perceptions. Such programs could develop the recent media tours coordinated by the Australian embassy to comprise longer-term exchange and education programs, with the latter including an emphasis on education concerning opportunities for trade and investment. Nonetheless, these strategies will require a multi-decade approach in order to consolidate a strong and robust bilateral relationship; the challenge for Australia and Indonesia will be the acquisition of the political will to implement them.

Should Indonesia's current pace of ascent be maintained, then Australia will increasingly become the smaller partner in this bilateral relationship. This, in turn, will entail increased dependence by Australia on Indonesian support in order to secure its economic, political and security interests – both bilaterally and in terms of its broader engagement with Southeast Asia and the Indo-Pacific. Nonetheless, as detailed in other issue briefs from this series, Indonesia's current trajectory is anything but assured. Several complicated elements of state frailty remain including ethnic and religious divides as well as the continued potential for rapid loss of a future government's legitimacy should it fail to perform – particularly in the economic sphere. Any significant regression in Indonesia's security environment could potentially lead to dire consequences for Australia. Consequently, Australia's bilateral aid program remains critical if it is to support Indonesia's democracy, good governance, equitable development, and stability. Regardless of Indonesia's future trajectory, now is the time to consolidate, as far as is possible, the relationship between the two countries.

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