



Key intra-ASEAN bilateral relationships: Opportunities and challenges

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INTRODUCTION

As the 'first among equals', Indonesia has been a critical player in managing intra-ASEAN relations, a role that has increased its leadership status in the region and beyond. This issue brief examines the opportunities and challenges for security cooperation between Indonesia and three of its key ASEAN neighbours: Malaysia, Singapore and Vietnam. Today, Indonesia's policy towards these three countries is largely a function of the following factors: its historical experiences; its ASEAN policy; strategic calculations; and domestic politics. Despite the existence of several challenges, Indonesia's policy of 'a thousand friends and zero enemies',¹ coupled with the shared purpose of advancing the ASEAN Community project, will exert a positive influence on how Indonesia and the nations of Malaysia, Singapore and Vietnam interact.

INDONESIA–MALAYSIA RELATIONS

Historically, Indonesia's relations with Malaysia have fluctuated considerably. When Sukarno was in power, bilateral relations were severely constrained, and Indonesia took an anti-colonialist and imperialist stance. Sukarno displayed a modicum of interest in foreign relations in forming the Maphilindo (the Greater Malayan Confederation of Malaya, the Philippines, and Indonesia), in order to hold together the Malay world in the region, but when Malaysia was established, Jakarta quickly launched a confrontation policy towards Kuala Lumpur (KL), and the Maphilindo was abandoned soon after. Sukarno perceived Malaysia as a vehicle through which Western countries could exert their influence and intervene in the region. This suspicion was also the main reason that Sukarno rejected the Association of Southeast Asia (ASA), which he saw once again as serving the interests of Western imperialists. In the aftermath of the nation's hard-fought independence, Indonesia was not ready to tolerate any potential for external intervention in the region.

When Suharto replaced Sukarno, socio-cultural relations between the two countries were restored. Symbolic of the restoration of the relations was the unification of the Malay language and Bahasa Indonesia by a common spelling system in 1972.² With the shift of political focus to domestic socio-economic development under Suharto, Indonesia sought a stable and peaceful external environment by improving its relations with neighbouring countries. As a way to promote regional cooperation, in 1967 Indonesia brought an end to its *confrontasi* with Malaysia and joined five non-communist countries of Southeast Asia to form the Association of Southeast Asian Nations (ASEAN). In addition, with Suharto's anti-communist stance, bilateral security cooperation became easier to achieve. Joint security exercises were launched in order to combat Communist activities in Sabah and Sarawak, and an agreement on the Straits of Malacca was signed by Indonesia, Malaysia and Singapore.

The convergence of external threat perceptions as well as a common security purpose constituted the main reasons for deepening bilateral security cooperation between Indonesia and Malaysia during this period. Despite the establishment of diplomatic relations with the PRC in 1974, KL's relations with Beijing were less than cordial. China was still considered a major threat to the security of Malaysia because of its support for the Malayan Communist Party.³ Indonesia, under Suharto, also harboured suspicions of Beijing and considered the PRC as a major threat to its security because of Beijing's support for the PKI. When China invaded Vietnam for retributive reasons, Jakarta strengthened its security cooperation with KL. Initially, cooperation was confined to the Joint Border Committee (JBC), which was established in 1972 to deal with communist insurgency along the borders of East Malaysia. Later, cooperation expanded to other areas, including intelligence exchange, joint exercises, and exchange of officers to attend military colleges. In 1984, the 1972 security arrangement was revised to include joint naval and air patrols along the common borders of Indonesia and Malaysia.

Tun Razak's reorientation of Malaysia's foreign policy to advocate neutralisation also accorded well with Indonesia's desire to keep the region free of external intervention. Subsequently, a Zone of Peace, Freedom and Neutrality (ZOPFAN) was established in 1971, and when three Indochinese countries became communist in 1975, ASEAN leaders held the first ASEAN summit in Bali, during which the Treaty of ASEAN Concord and the Bali Declaration were signed in 1976.

1 Irfa Puspitasari, 'Indonesia's New Foreign Policy- 'Thousand Friends, Zero Enemy', IDSA Issue Brief (23 August 2012), available at: http://www.idsa.in/system/files/IB_IndonesiaForeignPolicy.pdf

2 For more details, see Leo Suryadinata, *Times Comparative Dictionary of Malay-Indonesia Synonyms: With Definitions in English* (KL, Times Editions, 1991)

3 Joseph Chinyong Liow, 'The Politics of Indonesia-Malaysia Relations: One Kin, Two Nations', (New York, Routledge: 2004), p. 122.

Bilateral security cooperation has developed over the years between Malaysia and Indonesia, especially in maritime patrols and counter-terrorism activities. Since 2004, both countries, along with Singapore, have cooperated on patrolling the Malacca Straits, a key sea lane through which one fourth of the world's commerce and almost half of the world's oil shipments travel. Initially, each nation deployed up to seven naval vessels and maintained a task force of security personnel that would patrol the straits in a coordinated manner, but falling short of joint patrols. Today, the Malacca Strait Patrols (MSP), which consist of both the Malacca Strait Sea Patrols (MSSP), the 'Eyes in the Sky' air patrols, and the Intelligence Exchange Group (IEG),⁴ represent the set of practical cooperative security measures undertaken by the littoral states of Southeast Asia – Indonesia, Malaysia, Singapore and Thailand. Under the arrangement, the participating states conduct coordinated naval and air patrols, while sharing of information between ships and the Monitoring and Action Agency. The International Maritime Bureau (IMB) record shows a dramatic improvement in maritime security, as the number of piracy attacks in the Malacca Strait dropped from 112 in 2000 to 2 in 2009.⁵

There is much potential for the expansion of maritime security cooperation into related areas as well as beyond the region. Indonesia and Singapore have signed a submarine rescue pact in July 2012, constituting a pioneering move amid the ongoing regional quest for submarines. Indonesia and Malaysia could attempt to emulate a similar pact in the future. Moreover, maritime security cooperation in Southeast Asia could well extend into Northeast Asia with the cooperation of Japan and South Korea, as both countries have interests in maintaining the secure sea lanes for the importation of oil and other natural resources.

Another example of bilateral security cooperation has been the decision to resolve the disputed islands of Sipadan and Ligitan through the International Court of Justice (ICJ). Initially, there was disagreement over where to send the dispute for resolution, with Malaysia preferring the ICJ, while Indonesia demanded the ASEAN High Council. In the end, the parties referred the dispute to the ICJ, which ruled that both islands belonged to Malaysia in 2002. Indonesia accepted the decision despite much domestic protest. While the outcome was no doubt disappointing to Indonesia, the action taken by the two parties has set an important precedent in the region on how best to deal with seemingly intractable disputes so that they can focus on cooperation and development.

Bilateral disputes such as territorial disputes and maritime boundary demarcation are seeds for potential conflict, and their existence is a hindrance to bilateral and regional cooperation. Indonesia's willingness to refer the dispute to the ICJ and to accept the court's decision as binding has done much to remove a key stumbling block to Indonesia–Malaysia cooperation. Not only does it reflect the liberal orientation of Indonesia's more democratic, secure and responsible foreign policy after the inception of the Reformasi period, but it also shows its desire to put ASEAN matters at the centre of its foreign policy. Only by resolving key disputes among ASEAN member states can ASEAN progress towards the construction of a genuine ASEAN Community.

Three challenges remain, and their salience could adversely affect bilateral relations and security cooperation. While these challenges can sour bilateral relations, they are not insurmountable problems and can provide new grounds for bilateral cooperation. The first challenge concerns the maritime border issue and tensions over the oil and gas-rich waters in the Ambalat block. In 2005, when the Malaysian state oil company, Petronas, granted a concession for oil and gas exploration in a part of the Sulawesi Sea, which Jakarta claims as its territory, a dispute erupted between the two nations and almost led to armed conflict. Malaysia objected to the Indonesian claim and insisted that Ambalat is within its jurisdiction following KL's successful claim of ownership of Sipadan and Ligitan. In 2009, anti-Malaysian demonstrations broke out in Jakarta due to the border dispute with Malaysia over Ambalat.

The conflicting claims over maritime territory highlight the potential risks of conflict between the two nations. While it is unlikely that Indonesia would be willing to resolve the boundary issue concerning Ambalat through the ICJ, doing so would go a long way to eliminating a major stumbling block for bilateral security cooperation and a potential source of regional tension as Indonesia continues to rise in power. Unlike the case over sovereignty of disputed Sipadan and Ligitan, the ICJ's decision this time would not be such that either party would be awarded all of the disputed maritime area, as the principle of equity and fairness is the guiding norm for the ICJ's ruling in cases concerning jurisdiction over disputed maritime boundaries.

4 For more details, see the Ministry of Defence of Singapore website, available at: <http://oceansbeyondpiracy.org/matrix/activity/malacca-strait-patrols>, accessed 10 April 2013.

5 For the trend in the frequency of piracy in the Malacca Strait, see Ada Suk Fung Ng, 'A Maritime Security Framework for Fighting Piracy', Institute of Transport and Logistics Studies Working Paper (Sydney: University of Sydney, November 2011), p. 2.

Another challenge for both countries concerns the maltreatment of migrant Indonesian workers in Malaysia. Most migrant workers are unskilled female labourers working in the informal sector, such as housemaids. It is estimated that there were more than 500,000 Indonesian workers in West Malaysia in 1990, and the total number reached close to 1.2 million by 1994. From 1999 to 2006, the number of Indonesian registered workers sent to Asian countries was over 2.7 million. In 2009, following numerous high profile cases of abuse, the Indonesian government placed a moratorium on its citizens taking up employment in Malaysia as domestic workers. These issues can quickly translate into a matter of national pride, and there is uneasiness in Jakarta that Malaysia often does not treat the country with respect. Indeed, there is a general sense among Indonesians that Malaysians look down upon them,⁶ and these deep-seated negative perceptions can quickly erupt into anti-Malaysian protest – as the alleged mistreatment of the Indonesian model Manohara by her Malaysian husband, the Prince of Kelantan in 2009, and the 2011 Southeast Asian football final demonstrate. As Indonesia's sense of self-esteem grows in the wake of continued economic and political success, such perceptions are likely to become increasingly problematic.

The last challenge relates to environmental issues, especially the problem of smoke haze caused by forest fires in Indonesia, which spreads to neighbouring countries, especially Malaysia and Singapore, and which demands proper measures to be taken by the Indonesian authorities in order to redress the situation. Since the 1990s, severe haze has blanketed both countries and resulted in economic costs of tens of millions of dollars. The ASEAN Agreement on Transboundary Haze Pollution was signed by all ten ASEAN members in June 2002, and it entered into force in November 2003. To date, Indonesia is the only ASEAN member state that has not ratified the agreement, but is expected to do so later this year. The agreement resulted in the establishment of a regional coordinating centre, which could react quickly to the haze caused by Indonesian plantation owners and farmers. Once ratified, bilateral as well as regional cooperation on the haze problem can progress with fewer impediments than before, and will provide new opportunities for interstate cooperation.

INDONESIA–VIETNAM RELATIONS

Indonesia and Vietnam share a common historical experience in that the two nations achieved their independence through revolution, and from time to time the leaders of each country have emphasised this point. Indonesia's policy towards Vietnam has been a delicate balancing act, adhering to ASEAN's collective position on the one hand and advancing its own desire to lure Vietnam away from external great powers.

During the Sukarno era, Indonesia's relations with Hanoi were close, while its relations with Saigon were far from cordial. Sukarno perceived the South Vietnamese as American puppets. When he decided to upgrade diplomatic relations with Hanoi from consulate to ambassadorial level, Saigon decided to close the Indonesian consulate. It was not until the fall of Sukarno after the 1965 coup and the rise of Suharto's anti-communist government that Indonesia adjusted its foreign policy towards Vietnam. Nevertheless, diplomatic ties between Jakarta and Hanoi were maintained during the Suharto era, while Jakarta's relations with Saigon were never reestablished.

Vietnam's invasion of Kampuchea under Soviet patronage challenged Indonesia's relations with Vietnam, but even though it went along with ASEAN's collective stance on the Kampuchea problem, criticising Vietnam for the violation of state sovereignty, it never really shared the same degree of threat perception of Vietnam as Singapore and Thailand did. As the interlocutor of ASEAN on the Kampuchea issue, Indonesia was concerned that the conflict could divide the region into two clusters: maritime ASEAN and the land power of Indochina. It feared that a bipolar Southeast Asia could pit the communist against the non-communist countries and invite external intervention by great powers. In March 1990, Suharto met with Hussein Onn and produced what was known as the Kuantan doctrine. The doctrine assumed that Vietnam was under Chinese pressure and, as a result, it was moving closer to the Soviet Union, which would be dangerous for regional stability. Hence Indonesia offered to assist the Vietnamese and aimed to lure Vietnam away from the Soviet Union. However, Thailand and Singapore held a different strategic assessment of the Kampuchea conflict, and the doctrine subsequently created friction within ASEAN.⁷

6 Marshall Clark, 'Indonesia-Malaysia Relations: Cultural Heritage and the Politics of Garuda vs Harimau', (28 August 2012), *Unpublished conference paper at Australian National University*, available at: http://indonesiasynergy.files.wordpress.com/2012/08/m_clark_2012_is_indonesiamalaysiarelation.pdf

7 Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism*, (Singapore: Institute of Southeast Asian Studies, 1994), p. 288.

Indonesian–Vietnamese relations under Suharto have been a function of Jakarta’s policy towards both Beijing and ASEAN. It was a function of the former because Indonesia saw Vietnam as a buffer against China; it was a function of the latter because Jakarta assigned considerable importance to ASEAN and hence maintained consonance with the other ASEAN states in order to present a common stance on Kampuchea.⁸ Indonesia’s policy towards Vietnam aimed at transforming an armed and poor neighbour into a cooperative and economically oriented country in SEA. The growing rift between Hanoi and Beijing compelled Hanoi to work closer with Indonesia as a means of garnering support for its struggle against the PRC over Kampuchea.

There are areas of potential cooperation and dispute between Indonesia and Vietnam. First, Vietnam is not yet a major trading partner of Indonesia, unlike Singapore and Malaysia. When the Vietnamese Prime Minister Nguyen Tan Dung visited Indonesia in 2011, he agreed with Indonesian President Susilo Bambang Yudhoyono to elevate bilateral ties to the level of a strategic partnership. Overall this would include more intense and institutionalised functional cooperation and communication between the two countries, and bodes well for the future trajectory of the bilateral relationship. For instance, the action plan for the strategic partnership calls for increasing bilateral trade from \$2 billion to \$5 billion by 2015. In 2012, Indonesian foreign minister Marty Natalegawa led the Indonesian delegation in the first Indonesia–Vietnam Joint Commission Assembly, which stemmed from the 2012–2015 Strategic Partnership Action Plan signed in 2011. The assembly is aimed at providing a regular and systematic mechanism to study and evaluate the countries’ bilateral cooperation in all sectors, including trade and investment and maritime and defence issues.⁹ With the newly launched Ho Chi Minh–Jakarta route by Vietnam Airlines, bilateral interactions are set to grow in quantity as well as in quality.

One area of potential challenge and cooperation relates to maritime boundary demarcation. While the two countries do not have territorial disputes with one another, their Exclusive Economic Zone (EEZ) claims overlap. A small milestone was achieved in 2003 when both governments signed an agreement on the delimitation of the continental shelf boundary. The agreement defined the continental shelf boundary of the two countries as the imaginary straight line located between the two terminal points of the 1969 continental shelf agreement between Indonesia and Malaysia. Although located nearby, the border is not located in the Spratly Islands area, over which Indonesia does not have any claim. Indonesia attaches importance to the conclusion of the negotiations because of concerns with Chinese intervention and expansion in the region. The two countries also agreed to establish joint patrols of their overlapping maritime borders, and have already conducted several joint naval patrols with the aim of reducing and eliminating illegal fishing and other maritime criminal activities.

China looms large in the strategic calculations of both countries. Vietnam, which has a direct territorial dispute with China, would like to keep Indonesia on its side to reduce tensions over the Spratlys and Paracels, while Indonesia is concerned with China’s growing influence in the region. Both countries, along with other ASEAN states, can cooperate to set the guidelines on the extent and type of activities that are permitted in the South China Sea. In 2002, ASEAN and China signed a non-binding political statement known as the Declaration on Conduct of Parties in the South China Sea (DOC). However, the DOC did little to prevent tensions from escalating, and it failed to prevent the claimants from intensifying sovereignty claims over disputed areas. Progress on implementation of the DOC has been extremely slow, partly because China objected and insisted that the disputes be resolved bilaterally, and partly because several ASEAN states have conflicting interests and claims among themselves over the disputed islands.

In July 2011, the guidelines to implement the DOC were finally adopted with the agreement to promote dialogue and consultation among the parties. A new point was added that activities and projects carried out under the DOC should be reported to the ASEAN–China Ministerial Meeting. The first discussions were held in Beijing from January 13–15, 2012, and agreement was reached to set up four expert committees on maritime scientific research, environmental protection, search and rescue, and transnational crime. The initial hope of a multi-party agreement with teeth turned out to be difficult to realise, and ASEAN’s final Proposed Elements of a Regional Code of Conduct in the South China Sea was a heavily toned-down version of the original Philippine working draft, representing internal disagreement among the ASEAN member states.¹⁰ For example, the final document eliminated references to ‘the principles and norms of international law applicable to maritime space, in particular the principles on the peaceful uses and cooperative management of the oceans’ and to ‘the need to preserve the region from any form of increased militarization and intimidation.’

Indonesia occupies a unique position in the issue of the Spratlys and Paracels because it is not a direct party to the territorial claims, but has a close interest in resolution of the disputes. As it has often done historically, it could play an intermediary role in alleviating tensions by hosting workshops. More importantly, it could exercise its leadership role within ASEAN by encouraging the member states to determine a collective approach before negotiating with China. Any internal fissure within ASEAN can be easily exploited by Beijing, as the 2012 ASEAN meetings in Cambodia amply demonstrated.

8 For analysis, see Ngoc-Diep Trinh Thi, ‘Indonesia’s Foreign Policy Toward Vietnam’, (Honolulu: University of Hawaii, 1995).

9 Donald Weatherbee, ‘Global Insider: Indonesia–Vietnam Relations’, (*World Politics Review*, 26 September 2011).

10 Carlyle A. Thayer, ‘ASEAN’s Code of Conduct in the South China Sea: A Litmus Test for Community-Building?’ *The Asia-Pacific Journal* 10 (4) August 2012.

INDONESIA–SINGAPORE RELATIONS

Indonesia's relations with Singapore in the 1950s and the 1960s can be characterised as one of distrust rooted in its resentment with the predominantly ethnic Chinese state's control over trade flows in and out of Indonesia. Foreign aid transported through Singapore to the rebels involved in the Permesta revolts in the 1950s added to this negative perception of Singapore's entrepot role.¹¹ But the change of leadership in Indonesia from Sukarno to Suharto marked a fundamental transformation in bilateral relations. Formal visits and contacts between Suharto and Lee Kuan Yew deepened their personal relationship and led to an improvement in bilateral cooperation in politics and economics as well as in military and socio-cultural areas.¹² As Lee Kuan Yew recalled, 'In retrospect, no event has had a more profound influence on the development of the region than the character and outlook of President Suharto of Indonesia.'¹³

Since then, Singapore has become an important trading partner for Indonesia. The bilateral trade volume reached approximately \$70 billion in 2010, and Singapore has consistently ranked as the top foreign investor in Indonesia. Human interactions have also flourished, and both countries are the number one source of visitors for each other. In 2010, almost 1.4 million Singaporeans visited Indonesia, while close to 2.6 million Indonesians visited Singapore in the same year. The two countries have recently cooperated on demarcating their maritime boundaries, which has led to greater economic cooperation.

For instance, after almost four years of negotiation, Indonesia and Singapore agreed on a new maritime boundary in 2009. The two countries had agreed on the central segment of their territorial sea boundary in the early 1970s; the median line establishes a new boundary on the western segment. The new agreement is expected to boost economic ties between Indonesia and Singapore, as Nipah will be integrated into the development of the inter-provincial Batam, Bintan and Karimun free trade zones as well as the development of the Sijori (Singapore, Malaysia's Johor and Indonesia's Riau Islands) Growth Triangle. Singapore has also opened a consulate in Batam in 2009, in order to enhance economic ties and cooperation between the two countries. Following the successful conclusion of establishing borders on the western segment, in 2010 both countries began talks demarcating the eastern border between Changi and Batam.

As for security cooperation, the armed forces of Indonesia and Singapore regularly hold joint exercises and run exchange programs for military officials. They also cooperate closely in combating terrorism by sharing intelligence, and operate joint patrols in the Malacca Strait. As a result, the insecurity rate has significantly decreased, and in 2011 only three major incidents were reported in the Malacca Strait. Anti-piracy exercises have also been jointly held, and there are regular interactions and exchanges between the personnel of the militaries of the two nations. Both Indonesia and Singapore are working together to fight against the spread of avian influenza in Tangerang, and are cooperating in controlled land burning and forest fires. Also, Singapore has trained some 4,000 Indonesian officials under the Singapore Cooperation Program to enhance their skills and knowledge in areas such as port management, banking and finance.

There are several unresolved issues between the two countries. First, Indonesia's airspace over the Riau Islands should be returned to Indonesia. The airspace has been under Singaporean control for the past decade because of the limited capacity of Indonesia's radar systems. In May 2012, Singapore announced that it was ready to return the airspace to Indonesia, provided that the International Civil Aviation Organization approved the return. Second, both countries have attempted without success to sign an extradition deal that would allow both countries to extradite criminal suspects. In 2007, an agreement on defence was signed by the two governments, but it was later annulled by Indonesian lawmakers who rejected a term that allowed Singapore's armed forces to conduct exercises on Indonesian soil in return for Indonesia being allowed to force the return of Indonesian criminals in Singapore. Third, the two nations have shown disagreement over the admittance of Timor Leste into ASEAN. When the issue emerged during the 2011 ASEAN leaders' retreat, Singaporean Prime Minister Lee Hsien Loong insisted that ASEAN reject Timor Leste's bid for membership, lest that the addition of a new member slow down the progress of ASEAN. Indonesian president SBY differed from Lee and advocated the admittance of Timor Leste to the bloc. But these issues are relatively minor, and both countries are willing to work with one another to resolve them.

11 For details, see Terence Lee Chek Liang, 'Explaining Indonesia's Relations with Singapore During the New Order Period: The Case of Regime Maintenance and Foreign Policy', *IDSS Working Paper Series #10 2001*

12 Lau Teik Soon and Bilveer Singh (eds), 'Indonesia-Singapore Relations: Problems and Prospects', (Singapore: Singapore Institute of International Affairs, 1991).

13 Lee Kuan Yew Speech 16 April 1986 cited in Liang, 'Explaining Indonesia's Relations with Singapore During the New Order Period', p. 12.

CONCLUSIONS

Indonesia's bilateral relationships with the three neighbouring countries – Malaysia, Vietnam and Singapore – are not without challenges. If not managed properly, they could result in mutual mistrust and suspicion, and would hinder bilateral and regional cooperation. The magnitude of the problem could become greater in an era of a rising Indonesia that seeks to assert its leadership role within ASEAN. Despite the challenges, however, a sense of optimism should prevail, for two reasons. First, although an ascending Indonesia is likely to become more assertive, the general direction and tone of its foreign policy has been decisively liberal and accommodating thus far, as shown by the recent resolution of a key territorial dispute with Malaysia. The consolidation of democratic governance in Indonesia will have a positive impact on the liberal orientation of her foreign policy in the future. And second, the institutional web of ASEAN will sustain engagement and regular meetings among regional elites, and deepen their mutual understanding and personal connections. These connections will prevent potential conflict from becoming actual, preserving peace and stability in Southeast Asia. Thus, Indonesia's expression of its enhanced power will take place within the institutional framework of ASEAN, and its leadership role will develop in conjunction with bilateral cooperation with neighbouring countries, which bodes well for the successful management of the challenges present in Indonesia's bilateral relations with its neighbouring countries.

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