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**Crafting a Strategic Vision**  
*A New Era of U.S.-Indonesia Relations*

By Abraham M. Denmark with Rizal Sukma and Christine Parthemore



Center for a  
New American  
Security

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### Cover Image

The sun sets in Bali, Indonesia.

(SHUTTERSTOCK)

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# Crafting a New Vision

## *A New Era of U.S.-Indonesia Relations*

By Abraham M. Denmark with Rizal Sukma and Christine Parthemore

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CRAFTING A STRATEGIC VISION  
A NEW ERA OF U.S.-INDONESIA RELATIONS

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By Abraham M. Denmark

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## I. EXECUTIVE SUMMARY

By Abraham M. Denmark

A new era of U.S.-Indonesia relations is beginning. Geopolitical and personal forces are aligned, presenting a historic opportunity to establish a robust and enduring partnership built on mutual interests and mutual respect. President Obama's prioritization of the Asia-Pacific region, coupled with his strong personal ties to Indonesia, enable a pronounced U.S. focus on the partnership with Indonesia. Meanwhile, significant changes in Indonesian society and the leadership of President Susilo Bambang Yudhoyono have the potential to make Indonesia a more engaged and cooperative partner for the United States.

Indonesia's emergence has been nothing short of remarkable. As recently as 1998, credible strategists envisaged a break-up of Indonesia as the Suharto autocracy collapsed amid a region-wide financial crisis, galloping inflation, mass unemployment, regional sectarian rioting and the secession of East Timor. Now, Indonesia has not only held together, it has consolidated its vibrant democracy and weathered the global recession better than most countries. The media is free, political power has been decentralized and civil society has a large and growing influence. Indonesian leaders evince an increasingly regional and global vision of Indonesia's role in the world and the country exerts its influence in a variety of regional and global fora, notably the G-20, the Organization of the Islamic Conference (OIC) and Association of Southeast Asian Nations (ASEAN). Indonesia has also been a major contributor to international peacekeeping operations, sending 1,000 peacekeepers (including the president's son) to Lebanon to serve as part of the United Nations force there.

Washington has begun to recognize Indonesia's importance. In an era of emerging multipolarity, the United States will increasingly require the cooperation of friends and partners, especially pivotal states like Indonesia, to address global and regional challenges. As a result, since President Obama's inauguration, Washington and

Jakarta have been negotiating a Comprehensive Partnership Agreement (CPA) that will signal a new era of bilateral cooperation. Yet several challenges could prevent the relationship from realizing its full potential, even after the CPA is signed. Washington's attention to Southeast Asia and Indonesia has been inconsistent in past years and sustaining focus will be a continuing challenge. Jakarta will need to overcome long-standing suspicions of foreign engagement, as well as several internal structural problems, to be an effective regional power and meaningful partner of the United States.

While the CPA will include important initiatives on a range of issues, sustaining a robust partnership that benefits both sides over the long term will require a relationship that is more than the sum of its parts. A strategic vision of the relationship for this new era – one that clearly identifies the interests, challenges, and objectives of both sides – is needed. This study is intended to elucidate those interests and propose a way ahead.

**The United States-Indonesia comprehensive partnership should be built around seven shared interests and objectives:**

- *Regional Stability and Prosperity:* Indonesia's geographic location, large economy and membership in important regional organizations will make it a key driver of regional stability and prosperity. Indonesia seeks to maintain its own independence, which it fears may be challenged by China's increasing political, economic and military power. Further, Indonesia has largely weathered the recent global recession and has the potential to be a leading promoter of regional economic growth. Through a robust partnership with the United States, Indonesia can help preserve the stability and prosperity of the Asia-Pacific while still maintaining its independence.
- *Natural Security\*:* Indonesia has the potential to be the world's first natural security superpower. It is home to both abundant natural resources and rampant environmental degradation. It both influences and is influenced by climate change. If Indonesia addresses these environmental challenges effectively, it can be a leader in the world's efforts to tackle these challenges in ways that will serve Indonesian, American and global interests.
- *Democracy and Human Rights:* The robustness of Indonesia's democracy has surprised many Asia watchers and is in many ways a model for the compatibility of pluralism, Islam and democracy in the developing world. Moreover, after perpetrating a string of abuses, Indonesia has greatly improved its record on human rights in recent years. By hosting dialogues like the Bali Democracy Forum and recent interactions with authoritarian regimes in Iran and Burma, Indonesia can be a global advocate and a leading example of democracy and human rights.
- *Global Mediation:* Indonesia has long pursued an "independent" foreign policy that preserves its freedom of action. President Yudhoyono has updated this posture to proclaim that Indonesia should have "one thousand friends and no enemies." Given Indonesia's relationships with the European Union, Iran, Myanmar, North Korea and the United States, it is in a unique position to play the role of global mediator for several of the world's long-standing disputes.
- *Regional Architecture:* Indonesia's membership in some of the region's most important institutions makes Jakarta a natural partner for Washington in assuring that the region's dominant institutions include the United States and are structured to effectively address regional issues. While no dominant institution exists, Indonesia

\* "Natural Security," a phrase coined by the Center for a New American Security, is defined as the intersection of national security, access to resources, biodiversity, energy, and climate change. See Sharon Burke, "Natural Security," Center for a New American Security, June 11, 2009.



has a major interest in ensuring that no country – particularly China – is able to dominate the existing or emerging regional architecture.

- *Counterterrorism:* As the home of one of the world's most dangerous international terrorist organizations and several smaller separatist movements, Indonesia plays a major role in efforts to counter radical groups that target Indonesian and Western interests. While Jakarta has made substantial progress in recent years, ongoing attacks within the country demonstrate that the fight is not yet won and continued cooperation is needed.
- *Maritime Commons:* Indonesia was a driving force in the founding of the law of the sea. Given its geographic position along the world's most vital waterways, Indonesia will continue to be essential to the global effort to ensure the openness and stability of the maritime commons. The rise of new maritime powers in the Asia-Pacific, especially that of China, will fundamentally change military balances within Southeast Asia and demand that Indonesia play an increasingly active role in protecting the commons from state and non-state threats.

**To achieve this vision, the United States and Indonesia must build stronger economic, security and societal relations – all of which should be tailored to account for the existing political realities within, and the strategic interests of, both sides.**

- *Economic Engagement:* Economic interaction between the U.S. and Indonesia, currently dominated by trade in energy and natural resources, remains the most lacking component of the broader relationship. Indonesia's position as an economic power in Southeast Asia, and its potential for growth, suggest enormous potential for expanded bilateral trade and investment. Continued problems in Indonesia – corruption, a complex and unpredictable legal environment,

and sub-par infrastructure – stand in the way of unlocking Indonesia's economic potential. Jakarta has signaled a commitment to reform, and the United States should help Indonesia realize its potential.

- *Security Cooperation:* Military-to-military contacts, long the strongest element of the U.S.-Indonesia relationship, can and should be enhanced. America's long-held concern about the Indonesian military's past human rights violations has prevented a truly normal military relationship from forming. Recognizing Jakarta's impressive progress on human rights and reasonably adjusting Washington's approach to the Indonesian military will enable stronger military cooperation and allow both sides to focus on the complex regional security challenges of the 21st century.
- *People-to-People Relationships:* Historically, the personal experiences of Indonesian leaders in the United States and their relationships with Americans in Indonesia have buttressed bilateral ties. Over time, however, these people-to-people connections have withered. A stronger commitment by both sides to student and professional exchanges, civil society interaction, and non-governmental cooperation will help build relationships between the American and Indonesian people, and create a solid foundation of U.S.-Indonesia relations for future generations.

INDONESIA'S SIGNIFICANCE

**Population:** 242.968 million (fourth-most populous in the world)

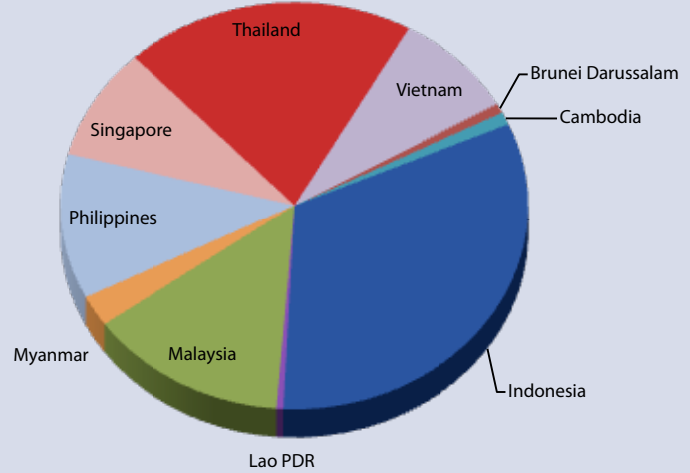
**2007 GDP (PPP):** 839.79 billion US\$

**2007 Per Capita GDP (PPP):** 3,721 US\$

**Religions:** Muslim 86.1% (largest Muslim population of any country in the world), Protestant 5.7%, Roman Catholic 3%, Hindu 1.8%, other or unspecified 3.4%

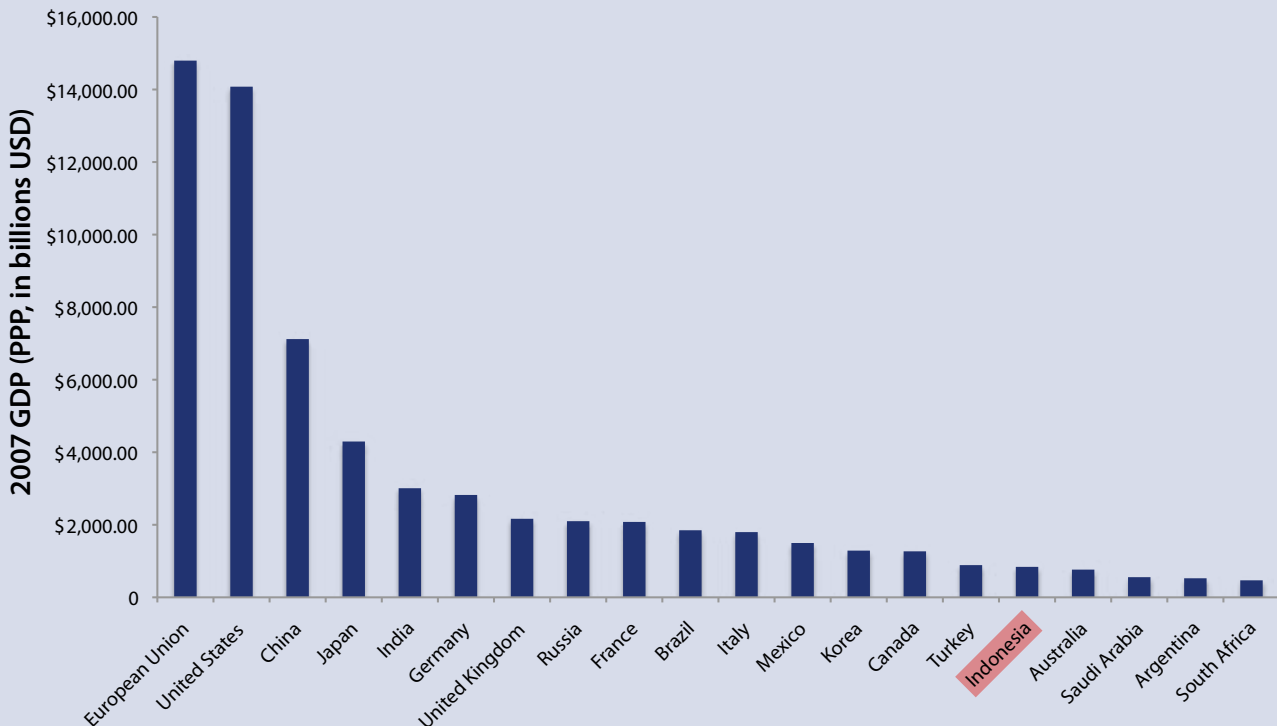
**Ethnic groups:** Javanese 40.6%, Sundanese 15%, Madurese 3.3%, Minangkabau 2.7%, Betawi 2.4%, Bugis 2.4%, Banten 2%, Banjar 1.7%, other or unspecified 29.9%

**President:** Susilo Bambang Yudhoyono



**Economies of Indonesia and ASEAN:** With 620 million people and \$1.4 trillion GDP, ASEAN is America's fourth-largest overseas trading market and home to \$153 billion in U.S. investment. Indonesia is ASEAN's largest economy, but it is only America's 30th largest trading partner.

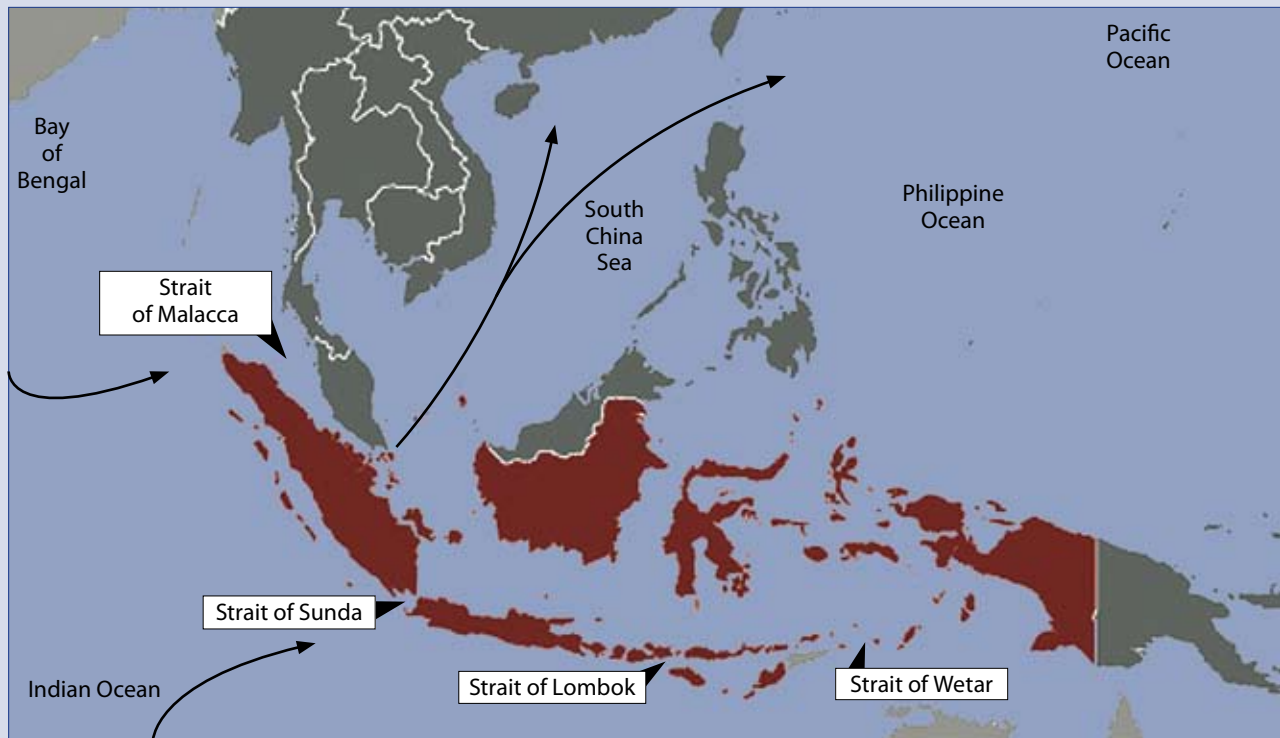
**Indonesia and the G-20:** Indonesia has the world's 18th largest economy and is the only Southeast Asian member of the G-20.



**Geographically expansive and politically decentralized:** Indonesia is composed of 17,508 islands, which is politically divided into 33 provinces.



**Geographically significant:** Indonesia is the world's largest archipelago and is located in a vast arc between the Indian Ocean and the South China Sea, sitting astride the world's most vital sea lanes. More than half of the world's annual merchant fleet passes through the straits of Malacca, Sunda and Lombok.



## II. INTRODUCTION

Ongoing shifts in geopolitical power from West to East have made the Asia-Pacific region increasingly important to American interests. Since the end of the Cold War, the region has become pivotal in defining the dynamics of the emerging multipolar order. The region is already a considerable engine of wealth, accounting for 33 percent of the global economy in 2007 (compared to 21 percent and 23 percent for the United States and Europe, respectively).<sup>1</sup> Asian countries are also becoming global actors, playing decisive roles in climate change, economic development, nonproliferation and counter-piracy. This rise has convinced several observers that the 21st century will be Asian, just as the 20th century was American and the 19th century British.<sup>2</sup>

Assuming Asia's continued economic development, it is unclear what a risen Asia will look like: will it be defined by conflict, a balance of power, competition, a form of collective security or some combination thereof? While the configuration of power in the region is unclear, America's key interests – promoting stability, prosperity and democracy throughout the region – will remain. Past American approaches to the region focused on treaty partners Japan, South Korea and Australia as the main pillars of U.S. engagement. While this focus was understandable given the strategic environment, Southeast Asian nations were mainly thought of as derivatives of Cold War power games and second-line defenses against communist expansion.

This strategic myopia is yielding to a broader view. While America's allies will remain central to its approach to the region, the emergence of a complex multipolarity means that new opportunities must be recognized and new partnerships must be forged. The election of President Obama made

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*“It is time for us to deliver the vision of President Yudhoyono and President Obama for the comprehensive partnership with creativity and determination, so that [in] the next ten, twenty, fifty years, the relationship will survive – beyond the presidencies, beyond the departments – and redefine the partnership between Indonesia and the United States.”\**

*– Dr. Dino Patti Djalal,*

SPOKESMAN FOR  
PRESIDENT YUDHOYONO  
AND AMBASSADOR-DESIGNATE  
TO THE UNITED STATES

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Southeast Asian friends eager to re-engage with the United States, due both to the administration's announcements that the United States would recommit to the Asia-Pacific, as well as to the president's personal history of living in Indonesia as a child. Today, 81 percent of Indonesians hold a favorable opinion of the United States, up from 27 percent in 2007.<sup>3</sup>

\* Dr. Dino Patti Djalal, Speech to the 2010 United States-Indonesia Society Conference on the Indonesia-United States Comprehensive Partnership, Jakarta, March 2, 2010.

Indonesia is a pivotal state whose future will shape the broader Asia-Pacific region. As a young, pluralistic democracy with an emerging economy, vast natural resources and a geographically significant position, Indonesia has the potential to be a regional power with global influence. A stronger U.S.-Indonesian partnership based on common interests could have profound consequences. The Obama Administration has a unique window of opportunity to influence the direction of Indonesia's long-term development, and therefore shape America's engagement in the Asia-Pacific region for years, possibly decades, to come.

However, despite lofty pronouncements from both sides announcing the creation of a comprehensive partnership,<sup>4</sup> American strategists and senior policymakers have yet to publicly describe a long-term strategic vision for the relationship and a pragmatic road map to shape its implementation.

This study articulates a strategic vision for the U.S.-Indonesia partnership in the coming years and decades. From a decidedly American point of view, it describes Indonesia's importance to U.S. interests, identifies existing challenges to the relationship and proposes a long-term vision for U.S.-Indonesia relations. The parameters of a partnership must be mutually agreed upon and fortunately, the United States is now listening to Indonesian voices in a way it has not done before. In that spirit, this study will also feature a vision of the relationship by one of Indonesia's leading strategists, Dr. Rizal Sukma. As natural security will be a significant element of the future relationship, this study also includes an appendix on Indonesian natural security issues by Center for a New American Security Fellow Christine Parthemore. In that appendix, Parthemore explores the natural security issues Indonesia is facing and proposes areas of cooperation to address mutual interests and concerns.

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*“Indonesia is not only regionally important, but as a member of the G-20, as one of the world’s largest democracies, as one of the world’s largest Islamic nations, it has enormous influence and really is, I think, a potential model for the kind of development strategies, democracy strategies, as well as interfaith strategies that are going to be so important moving forward.”*

*– President Barack Obama\*\**

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\*\* Remarks by President Obama and President Yudhoyono of Indonesia after Bilateral Meeting, Shangri-La Hotel, Singapore, November 15, 2009, <http://www.whitehouse.gov/the-press-office/remarks-president-obama-and-president-yudhoyono-indonesia-after-bilateral-meeting>.

**This study envisions a strong and enduring U.S.-Indonesia partnership built around mutual interests in preserving regional stability and prosperity, protecting natural security, promoting democracy and human rights, mediating global challenges, shaping an effective and inclusive regional security architecture, continuing the fight against terrorism and preserving the openness and stability of the regional maritime commons. To achieve this vision, the U.S.-Indonesia comprehensive partnership should focus on economic engagement, security cooperation and people-to-people interactions.**

Building a robust partnership to achieve this vision will be a marathon, not a sprint. Just as America's engagement with India required significant short-term investment for long-term gains, so too will America's partnership with Indonesia. President Obama's trip to Indonesia is a critical opportunity to articulate a vision for U.S.-Indonesia relations that rises above issue-based initiatives and defines a path to establish Indonesia's global and regional roles.

## Why Indonesia?

In 1999, the historian and strategist Paul Kennedy and his colleagues called for an American strategy that focuses attention on “pivotal states,” the futures of which are “poised at critical turning points, and whose fates would significantly affect regional, and even international, stability.”\* The increasing pace of the emergence of a multipolar international system has made the identification and engagement of pivotal actors all the more vital for the long-term interests of the United States.

Indonesia’s strategic position astride the world’s most vital sea lanes between Asia’s two largest rising powers, its emerging economy, its robust democracy and its large majority-Muslim population, define it as a pivotal state that can promote stability, democracy and prosperity in the Asia-Pacific region and around the world (see pages 7-8). With 242.968\*\* million people and a 2007 GDP of 839 billion dollars\*\*\*, Indonesia has the fourth-highest population in the world and is by far the largest and most economically significant nation in Southeast Asia.

Indonesia’s 17,508 islands make it the world’s largest archipelago, sitting along a vast arc between the Indian Ocean, the Pacific Ocean and the South China Sea. The economic engines of East Asia rely on these sea lanes to supply vital fuel, energy and other resources. Indeed, 80 percent of China’s oil imports



flow through the Strait of Malacca; percentages for Japan, South Korea, and Taiwan are even higher. Ensuring the openness and stability of these vital sea lanes, therefore, is in the interest of America’s allies as well as those of the broader international community. As one of three littoral states (along with Singapore and Malaysia), Indonesia already plays a pivotal role in protecting these sea lanes from pirates and (potentially) states pursuing exclusionary military strategies.

By population, Indonesia is also the world’s third-largest democracy. Indonesia has since established a remarkably resilient and decentralized democratic system defined by its pluralism. The shared values of democracy and pluralism will be an important component of America’s long-standing tradition of promoting and supporting the growth of democracy around the world.

Further, though ethnically and religiously diverse, Indonesia is home to over 206 million Muslims. Through his speeches in Cairo and Istanbul, President Obama has prioritized reaching out to the Muslim world in his foreign policy. With the world’s largest Muslim population, Indonesia

represents a vital (and often overlooked) segment of the Islamic world.

Indonesian cooperation will be critical to America’s strategy of ensuring global access to resources and energy while preserving biodiversity and mitigating the causes and effects of climate change. Indonesia is rich in minerals and resources, is home to almost half of the world’s peat forests, is located in close proximity to natural resources below the floor of the South China Sea and will be on the frontlines in suffering the effects of rising ocean levels as a result of climate change. America’s efforts to tackle these complex challenges will therefore necessitate Indonesia’s involvement as a key partner.

Lastly, Indonesia stands at the fulcrum of several vital international organizations. It is the largest country in ASEAN, a major force in OIC, a founding member of APEC and is the only Southeast Asian country in the G-20. Washington’s efforts to shape the mission and composition of these institutions, which will play a central role in coordinating and enabling multilateral efforts to tackle common challenges, will therefore require close consultations with its partners in Jakarta.

\*Robert Chase, Emily Hill, and Paul Kennedy, *The Pivotal States: A New Framework for U.S. Policy in the Developing World*, (Norton: New York, 1999): 5.

\*\*CIA World Factbook

\*\*\*International Monetary Fund

### III. A BRIEF HISTORY OF U.S.-INDONESIAN RELATIONS

U.S.-Indonesian relations over the past 25 years have been anything but steady.<sup>5</sup> During the Cold War, Indonesia was officially not allied with the United States or the Soviet Union, preferring to be active in the Non-Aligned Movement (NAM). However, the personal histories of many of Indonesia's elites made for an unofficial partnership with and affinity for the United States. At the end of the Cold War, American leaders viewed Indonesia as a country and market with enormous potential but with significant human rights issues to overcome. The calculus changed after the September 11 terrorist attacks, which added urgency to U.S. interests in security cooperation. Likewise, the 2004 tsunami and improvements in Indonesia's approach to human rights also catalyzed an increase in cooperation, and broadened the relationship beyond security issues.

With Paul Wolfowitz as U.S. Ambassador in the late 1980s, U.S. policy toward Indonesia centered on maintaining stability and developing the country's market potential. This left little room for pressing the Suharto regime on human rights issues and political reform, and led activists in both countries to criticize America's tacit acceptance of these abuses. Former embassy officials say Wolfowitz pressed Jakarta on these issues behind the scenes, but they were secondary to other American interests.<sup>6</sup>

Throughout the 1990s, this balancing act between market development and political and human rights issues continued. The 1991 Dili Incident, in which Indonesian soldiers fired into a crowd of pro-independence East Timorese protestors, set off worldwide criticism of Indonesia's armed forces. The U.S. Congress responded in 1992 by canceling the International Military Education and Training (IMET) program for Indonesia and restricting access to foreign military financing. A revised

version of the IMET program, known as Expanded IMET, began in 1993. It focused on management and strategy for both military officers and civilians with ties to the Indonesian defense community and provided *inter alia* funding for attendance in command and general staff colleges as well as other management and budget courses.<sup>7</sup> Further, IMET immersed Indonesian officers in American culture and allowed them to see firsthand the role of the military in a democratic society. Nevertheless, continued reports of human rights abuses led Congress to restrict foreign military sales to Indonesia beginning in 1994, and this process of further restricting military contact with Indonesia continued throughout the decade.<sup>8</sup>

Despite these setbacks, the first Clinton administration recognized Indonesia's potential for economic growth and highlighted it as one of the world's 10 "big emerging markets" under a Department of Commerce initiative. Much of that economic momentum was lost, however, during the devastating 1997-1998 Asian financial crisis. Indonesia's real GDP contracted by 13 percent and the country faced 70 percent inflation.<sup>9</sup> These severe economic pressures contributed significantly to the fall of the Suharto regime in 1998, a political change that paved the way for a constitutional succession process that led to democratic elections in 1999. But this transition to democracy was soon overshadowed by attacks carried out by Indonesian military-supported militia groups in newly independent East Timor.

Human rights abuses have long been a major roadblock in U.S.-Indonesia relations. Indonesia's government, especially elements within the Indonesian military, has a tragic record of abuses against its people. Decades of authoritarian rule under Sukarno and Suharto saw violent repression of domestic political opponents labeled as "subversive" elements. Indonesian security forces also violently quelled separatist movements in the provinces of Aceh,



Papua and East Timor. A great deal of attention from the West focused on an elite special operations unit that specializes in counterinsurgency and intelligence named *KOPASSUS* (an acronym for Indonesian Army Special Forces Command – *Komando Pasukan Khusus*). *KOPASSUS* which spearheaded the anti-communist pogrom in 1965 that killed up to 500,000 people, was a key force in the 1975 invasion of East Timor and participated in the surge of violence in 1999 as East Timor voted for independence. In response, the U.S. Congress passed the Leahy Amendment with the FY2000 Foreign Operations budget, banning military training and weapons transfers until significant human rights progress could be demonstrated.<sup>10</sup>

After September 11, 2001, concerns in Washington over human rights abuses took a backseat to ensuring that Indonesia could stand as an effective partner in the War on Terror. Indonesian President Megawati Sukarnoputri visited Washington just days after the attacks and was among the first world leaders to condemn them and offer her condolences. She and President Bush vowed to strengthen U.S.-Indonesia bilateral cooperation in promoting democracy and countering terrorism, developing a partnership based on what both leaders recognized as their countries' shared strengths and vulnerabilities.<sup>11</sup>

Despite the ongoing prohibition against military cooperation with Indonesia, in early 2002 the Pentagon included the country in its new Regional Defense Counterterrorism Fellowship Program. Indonesia received funding for military officers to attend education centers in the United States for non-lethal training under an arrangement that was very similar to the prohibited IMET program. However, because it was funded through the defense budget and not the foreign assistance budget, it avoided the latter's more stringent human rights requirements.<sup>12</sup>

Despite this burgeoning security partnership, many Indonesians criticized U.S.-led anti-terrorism efforts for unfairly targeting Muslims. Terrorism was widely seen as only an external problem, a view supported by Indonesian Vice President Hamzah Haz who claimed in 2002, "There are no terrorists in Indonesia."<sup>13</sup> The terror attack in a Bali nightclub in October 2002 shattered this illusion; 202 people were killed and hundreds more injured. The Bali bombing, blamed on the Jemaah Islamiah terror network, was only the first in a series of terrorist incidents, including the 2003 J.W. Marriott hotel bombing, the 2004 Australian Embassy bombing and the 2005 Bali bombings.<sup>14</sup> After these attacks, public support for counter-terror efforts grew despite lingering opposition to U.S. policy, in particular the 2003 invasion of Iraq. Likewise, non-military cooperation between the United States and Indonesia improved. On a visit to Jakarta in 2003, President Bush announced a six-year, 157 million dollar program to support Indonesia's education system, creating an initiative that has proven extremely popular with the Indonesian people.<sup>15</sup>

The devastating 2004 tsunami further enhanced links between Indonesia and the United States. In the days following the catastrophe, the U.S. government and American civilians conducted and supported extensive humanitarian relief efforts. On a visit to Indonesia in 2006, Secretary of State Condoleezza Rice praised Indonesia's post-tsunami recovery efforts and the subsequent Aceh Peace Accord, themes echoed by President Bush in his November 2006 visit. Also in 2006, Indonesia received a two-year, 55 million-dollar grant to support childhood immunization efforts and anti-corruption measures from the Millennium Challenge Corporation's Threshold Program. In a speech before the Indonesian World Affairs Council in Jakarta, Secretary of State Condoleezza Rice pointed to the "alliance of peoples" that had developed between citizens of the two nations and emphasized that the partnership had significant grassroots support.<sup>16</sup>

*Recognizing the potential in the relationship, Indonesian President Yudhoyono advocated the establishment of a relationship based on “equal partnership and common interests” in which the United States would respect Indonesia’s independent foreign policy goals.*

Military relations likewise improved after the tsunami, with U.S. forces working alongside their Indonesian counterparts for the first time since 1992. This cooperation and the gaps it exposed in joint-operations capacity paved the way for the resumption of full military-to-military contact and arms sales between the two nations in 2005.<sup>17</sup> This change in policy contributed significantly to counterterrorism efforts and included funding for Indonesia’s “Detachment 88,” an elite unit dedicated to uncovering and breaking up terror cells. Secretary of Defense Robert Gates visited Indonesia in February 2008 and delivered a speech recognizing the Indonesian military’s ongoing reform efforts. He also praised maritime cooperation between the U.S. and Indonesia in combating piracy and ensuring safe passage through the Strait of Malacca, and the country’s participation in a variety of United Nations peacekeeping missions.<sup>18</sup>

Enhancements of military and non-military cooperation between the United States and Indonesia in recent years have coincided with a marked



U.S. Air Force Captain Jason Glynn (left) and Captain Marc Supinski (center), both civil engineers assigned to the 615 Air Mobility Operations Group, Travis Air Force Base, Calif., talk to an Indonesian Army Captain about airfield assessment procedures during Operation Unified Assistance at the Cut Nyak Dien Airfield, Meulaboh, Indonesia.

(Tech. Sgt. John M. Foster/USAF)

improvement in Indonesia’s human rights practices. The armed forces were formally separated from the police and largely removed from internal stability missions. The vast majority of abusive practices have been halted, though reports of smaller-scale abuses such as the enactment of blasphemy laws and the implementation of Sharia law in certain rural areas, persist. The U.S. State Department in 2009 summarized Indonesia’s current record on human rights as follows:

The government generally respected the human rights of its citizens and upheld civil liberties. Nonetheless, there were problems during the year in the following areas: killings by security forces; vigilantism; harsh prison conditions; impunity for prison authorities and some other officials; corruption in the judicial system; limitations on free speech; societal abuse and discrimination against religious groups and interference with freedom of religion, sometimes with the complicity of local officials; violence and sexual abuse against women and children; trafficking in persons; child labor; and failure to enforce labor standards and worker rights.<sup>19</sup>

Following a sporadic 30-year guerrilla war between the Free Aceh Movement (GAM) and the Indonesian military, a ceasefire agreement was reached in early 2005. The more formal Aceh Peace Accord, signed in August of that year, was a major breakthrough that has proven to be strikingly effective and lasting. In Papua, there has been a significant, albeit imperfect, implementation of regional autonomy laws, and a reported decline in the levels of violence and human rights abuses, since the presidency of Susilo Bambang Yudhoyono.<sup>20</sup>

The U.S.-Indonesia partnership has received several additional boosts since the 2008 election of Barack Obama. President Obama emphasized his desire for U.S. re-engagement in Asia in his November 2009 speech at Suntory Hall, in which he claimed that Washington had largely withdrawn from Pacific issues. He strongly declared, “Those days have passed.”<sup>21</sup> Secretary of State Hillary Clinton made Indonesia a stop on her first official foreign trip in February 2009 and offered her support for the comprehensive partnership based on environmental, economic, social and security issues. Recognizing the potential in the relationship, Indonesian President Yudhoyono offered an ambitious vision for a 21st century partnership between the two countries at a speech to the United States–Indonesia Society in Washington. He advocated the establishment of a relationship based on “equal partnership and common interests” in which the United States would respect Indonesia’s independent foreign policy goals.<sup>22</sup> President Yudhoyono’s proposal directly led to negotiations over the Comprehensive Partnership Agreement (CPA).

#### IV. FRAMING THE PARTNERSHIP: CROSS-CUTTING CHALLENGES

The changing international security environment, Washington’s emphasis on foreign policy engagement and Indonesia’s increasingly active foreign policy have set the stage for a new era in U.S.-Indonesia relations. The signing of the CPA, to be unveiled during President Obama’s planned trip to Indonesia, marks a moment of great optimism in a relationship not always characterized by hope.

Despite American enthusiasm, Jakarta and Washington confront a host of economic, political and military challenges as well as lingering suspicions. Domestically, Indonesia still confronts numerous problems: its economic recovery and growth remain precarious, its domestic institutions remain plagued by corruption and elements of Indonesian society are highly suspicious of foreign, and especially Western, influence. Understanding and managing these issues should be at the foundation of America’s approach to Indonesia, both to address Jakarta’s priorities as well as to enhance Indonesia’s capacity to play an influential international role. Similarly, at a time when America’s foreign policy leaders are distracted by a wide range of pressing issues, Washington may struggle to sustain its focus on Indonesia and Southeast Asia. Building a stronger partnership with Indonesia will require significant investments in the short-term in order to bring mostly long-term returns, making Washington’s ability to maintain momentum in the relationship a perennial test.

##### **Indonesia’s Domestic Challenges**

While Indonesia has made a remarkable transition to a stable democracy in a short amount of time and demonstrated incredible resiliency in the face of economic and political shocks, several institutional challenges within government institutions and civil society remain.<sup>23</sup> Jakarta has adopted reforms, but these efforts have thus far suffered

from the lack of a framework for more broad-based reform. As a result, reforms have tended to be haphazard and not mutually reinforcing.<sup>24</sup>

An institution still requiring significant reform is the Indonesian National Armed Forces (TNI). Less than two years after Suharto's resignation, those in the military gave up their civilian positions, accepted a significantly smaller number of seats in parliament (which were eliminated altogether in 2004) and became politically neutral. Further reform, however, is necessary. The TNI currently relies on outside business enterprises for a significant portion of its funding, one that the country's military budget is not able to supply.<sup>25</sup> This degree of self-reliance gives the TNI significant autonomy and raises the prospect that it has interests of its own to consider, apart from those of the government. Despite a 2004 law requiring the TNI to end its business practices within five years, the military still controlled over 2,500 business entities as of June 2008 (many received an extension from the President).<sup>26</sup> In addition, the Suharto-era territorial command structure remains in place despite the military's renewed focus on external security alone. Finally, and crucially for the United States, the military has done little to hold past human rights violators accountable. Given the requirements in the Leahy Amendment that such progress be demonstrated before full military-to-military relations are restored, Washington has an interest in pushing for greater accountability for past (and any current) offenses.<sup>27</sup>

Further complicating Indonesia's ongoing reform and development efforts is a process of political decentralization, begun shortly after the fall of Suharto, which dramatically increased the authority and autonomy of Indonesia's regencies and some provinces. This decentralization accommodated Indonesia's ethnically and culturally mixed population and successfully prevented the balkanization many feared was inevitable. However it did so at a considerable short-term cost

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### *The United States*

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*President Yudhoyono must also manage domestic political challenges.*

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to government transparency and efficiency, making foreign investment in Indonesia more difficult and inviting corruption.

Corruption remains a key problem facing Indonesia and has undermined mutually beneficial international business agreements. Indeed, American corporations often find themselves unable to operate within the bounds of the Foreign Corrupt Practices Act since doing business in Indonesia often requires some degree of bribery. While corruption is hardly unique to Indonesia, it is nevertheless an acute problem. In its 2009 Corruption Perceptions Index, Transparency International ranked Indonesia 111th of 180 countries surveyed.<sup>28</sup> This, however, suggests progress has been made as it was ranked 143rd as recently as 2007.<sup>29</sup> Public opinion within the country strongly favors anti-corruption reforms and this support, in addition to pressure from Indonesia's robust media, is leading various government agencies to publicly crack down on corruption.<sup>30</sup>

Indonesia's Corruption Eradication Commission (KPK) has been a highly effective – and highly controversial – tool in fighting high-level wrongdoing in government and the business community. As of mid-2009, the KPK had successfully prosecuted and won convictions in all 86 cases of graft and bribery it had tried, including many involving high-level business people and government officials. Still, the KPK is not without flaws; its former chief was recently convicted of murder and sentenced to 18 years in prison.<sup>31</sup>

The United States government should bear in mind President Yudhoyono's domestic political challenges. While President Yudhoyono has voiced his desire to work closely with America, this view does not necessarily permeate beyond a small circle of advisors and officials. Moreover, his administration has been distracted by the ongoing Bank Century scandal in which the Vice President and former Minister of Finance have faced tough (and highly politicized) questioning over decisions to bail out a small lender during the recent economic crisis. According to some observers, the Bank Century scandal has weakened President Yudhoyono's governing coalition and led to infighting among its members.

President Yudhoyono has spent much of his time in office reforming Indonesia's economic regulations and practices, creating an economy with respectable growth rates, diversity in exports and export markets, considerable domestic demand, minimal exposure to toxic assets and manageable government debt. Despite several successful reforms, however, significant hurdles remain before Indonesia can attract the foreign and domestic investment that has thus far been lacking. Bureaucratic red tape remains a serious impediment to business and investment, especially given the lack of a strong central government. Local autonomy creates a situation in which laws and regulations are different throughout the country and companies lack a powerful central agency

with which they can coordinate. Corruption and bribery also run rampant under this framework. While bribes have long been the cost of doing business in Indonesia, things were much simpler in the Suharto-era when a company only had to grease the wheels with the President's cronies. Now, investors complain that bribes are demanded at all levels and by multiple agencies, making it much more difficult to do business in the country.<sup>32</sup> Foreign companies also assert that labor laws in Indonesia are too generous, promising workers more than they can reasonably expect in similar middle-income countries and slowing manufacturing-export industries that have long supported Indonesia's economy. Finally, a lack of investment in infrastructure impedes Indonesia's economic development. Until the government invests considerable funds in shoring up the country's infrastructure, Indonesia will remain unable to reach its full economic potential.

A more immediate economic concern for Indonesia is its inability to provide social services to a population that suffers from strikingly high poverty and near-poverty rates for a middle-income country. The post-Suharto diffusion of political power put the onus on local governments to deliver social services and the inefficiency of this model remains a serious impediment to Indonesia's growth and prosperity. Education, in particular, is an area that demands greater attention; the United States should focus on this in the comprehensive partnership. Without enough educated civilian and military leaders and entrepreneurs, Indonesia will continue to endure widespread poverty and punch below its weight internationally.<sup>33</sup>

### **American Strategic Distraction**

Another impediment to the development of a robust comprehensive partnership lies in Washington's lack of understanding of, and engagement with, Southeast Asia. A senior American official with expertise in the region commented that "Indonesia is the largest country that Americans know nothing

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about.” For years, Washington has focused primarily on its allies in Northeast Asia, Japan and South Korea, and the region’s rising power, China. In recent years, however, America has begun to broaden its aperture and more actively engage the broader Asia-Pacific region. President George W. Bush sought to expand U.S. engagement in Asia by deepening ties with India. President Obama is intent on further reaffirming Washington’s commitment to the Asia-Pacific, calling himself the “first Pacific president of the United States.”<sup>34</sup>

However, expanding American engagement in Southeast Asia will not be simple, given the region’s complexities and President Obama’s already full foreign policy agenda. An effective first step was the 2009 creation of the U.S.-ASEAN Summit, which will encourage cooperation and understanding among the region’s key players.<sup>35</sup> Nevertheless, this initiative has thus far centered on dialogue without much discussion of, or action on, substantive policy issues. In addition, Washington’s accession to the ASEAN Treaty of Amity and Cooperation is another key confidence-building measure upon which policy decisions might later be built.<sup>36</sup> Most recently, the process of laying the groundwork for a comprehensive partnership with Indonesia has been a challenging learning process in Washington, but ultimately

useful.<sup>37</sup> Americans are learning to appreciate the complexities of Indonesia and use this newfound knowledge to more effectively pursue U.S. foreign policy objectives.

It is vital that the United States develop pragmatic and achievable foreign policy objectives to promote its interests in Southeast Asia. Ultimately, if Washington develops viable strategic goals for Indonesia and Southeast Asia, and supports them with pragmatic proposals that address Indonesia’s domestic considerations while building its capacity for international action, it has the chance to influence the development and direction of a country and region still trying to find its place in the world. This rare opportunity must not be wasted.

## V. A U.S. VISION FOR PARTNERSHIP WITH INDONESIA

President Obama's visit to Indonesia is a critical opportunity to articulate a long-term vision for U.S.-Indonesian relations that goes beyond intermittent cooperation on particular issues. **This study envisions a strong and enduring U.S.-Indonesia partnership built around mutual interests in preserving regional stability and prosperity, protecting natural security, promoting democracy and human rights, mediating global challenges, shaping an effective and inclusive regional security architecture, continuing the fight against terrorism and preserving the openness and stability of the regional maritime commons. To achieve this vision, the comprehensive partnership should focus on economic engagement, security cooperation, and people-to-people interactions to meet the challenges of the coming decades and fulfill the promise of its potential.**

### **Mutual Interests: The Foundation of an Enduring Partnership**

At the heart of any long-term partnership must be a common understanding of the interests of both sides and how the partnership will fulfill those interests. This study proposes an approach to the U.S.-Indonesian partnership that puts mutual interests at the foundation and unlocks Indonesia's potential as a pivotal state.

Washington and Jakarta approach their relationship from vastly different perspectives. The United States has global interests while Indonesia's interests are primarily (though not completely) internal and regional, and informed by Indonesia's tradition of independence in foreign policy. Still, shared interests and a will to cooperate can drive this mutually beneficial partnership for many years.

The United States faces broad challenges to its agenda of promoting international stability,

prosperity, democracy and human rights. Power dynamics within the international system are changing, with new actors exerting influence on a wide variety of issues. America in the 21st century finds itself contending with an array of complex issues and potential adversaries – including the proliferation of weapons of mass destruction, achieving natural security, threats from revanchist powers and rogue states, and terrorism – that threaten to undermine the international order. To confront these challenges, the United States is engaging partners to contribute to the health of the international system while still assuming significant responsibility for global peace and development. As a pivotal state with the ability to influence a variety of regional and global challenges, Indonesia has the potential to play a major role in spurring progress on various issues of mutual interest and concern.

Indonesia, for its part, has a regional and international perspective, but is far more focused on preserving its unity and internal cohesion. Given its tremendous ethnic, religious, geographic and economic diversity, Indonesia has long been riven by separatism in several geographic areas. This has driven Indonesia's multi-decade tradition of independence in foreign policy, often referred to as a "free and active" approach.<sup>38</sup> Emerging from the traumas of colonialism and World War II, many Indonesians pointed to a history of foreign exploitation as a cause of their country's problems. During the Cold War, Indonesia was a founding member of the NAM of developing countries that refused to side with the Soviet Union or the United States. This NAM approach continues to influence many foreign policymakers and other elite in Indonesia.

The combination of these dynamics creates a foreign policy outlook today, at least among Indonesia's elite, which embraces a role for Indonesia as influential in regional and global matters. But the parameters of this role are strikingly undefined and largely devoid of specifics.

Jakarta has yet to present a detailed foreign policy agenda or a clear description of Indonesia's objectives or priorities. President Yudhoyono appeared to embrace this approach during a speech in Washington:

In recent years, there has been some talk of a strategic partnership. Of course, Indonesia, in recent years, has entered into strategic partnerships with many countries. With China, Australia, India, Pakistan, Japan, South Korea, South Africa, Russia, among others. In a way, this also reflects Indonesia's changing strategic environment—what I call “all direction foreign policy” where we have “a thousand friends and zero [enemies].”<sup>39</sup>

This independent posture permeates many of the country's elites. Indeed, Indonesia has managed to maintain rather friendly relations with a remarkably diverse set of countries, including North Korea, Iran, China, Australia and members of the European Union.

President Yudhoyono is inclined to be a partner with the United States, apparently as part of a broader effort to improve Indonesia's ties with the world's major powers. However, he too, is constrained by domestic opinion and divergent internal views over how close that partnership should be and what role, if any, Indonesia should play internationally given widespread suspicions of globalization. Indeed, continued discomfort in Indonesia with the ASEAN-China Free Trade Agreement (ACFTA), which went into effect in January 2010, is an example of Indonesia's uneasiness with economic liberalization. Still, some in Indonesia recognize the importance of free trade in order for Indonesia to be a global player. Two Indonesian scholars espoused in local media, for example, that “the Indonesian public should understand that no society emerges as a global player if they keep closing their mind and become a society separate from the outside world.”<sup>40</sup>

Still others are working to justify regional economic and political integration as a means to preserve, rather than undermine, Indonesia's independence.<sup>41</sup>

The United States should, therefore, promote its foreign policy agenda with an eye on Jakarta's domestic considerations while also working to define a substantial but comfortable role for Indonesia within the international system. To play this role, however, Indonesia must improve its capacity for international action – and therein lies the mutually beneficial partnership that will drive U.S.-Indonesia relations. By working with Indonesia to build its capabilities, the United States will both address Indonesia's domestic needs while strengthening a nation that will contribute to the health and success of the international system.

American policymakers should note that an Indonesia that is influential in the international system will not act as an American proxy. Washington and Jakarta may disagree on many issues. Yet, a developed, democratic and unified Indonesia that occasionally disagrees with the United States but works constructively on regional and global issues of mutual concern is far preferable to an Indonesia that is less developed and less active as a partner. Moreover, an unstable Indonesia would be disastrous for America's regional and global interests.

The United States and Indonesia share seven major areas of interest, which should serve as the foundation for a burgeoning comprehensive partnership.

#### REGIONAL STABILITY AND PROSPERITY

The United States and Indonesia share an interest in preserving regional stability and prosperity. With its large economy and membership in the region's leading multilateral economic organizations, especially ASEAN, Indonesia is in a particularly influential position. Regional



stability and prosperity is a foundation for achieving a range of other shared objectives, such as Indonesia's economic growth, open and effective regional institutions and access to the maritime commons.

A key ingredient to regional stability, and a major driver of Indonesia's foreign policy, is addressing the implications of China's rise. The importance of this objective will intensify as China's economic, political and military power increases, and Jakarta grows increasingly nervous about the potential for Beijing to use its newfound influence to coerce and pressure its neighbors.<sup>42</sup> As of 2008, Indonesia's most important trade partner was the United States (15 percent, mostly exports) followed by China (11 percent, mostly imports).<sup>43</sup> The ACFTA will likely expand trade between China and Indonesia and there is concern among policy elites throughout the region that Chinese economic influence will make Indonesia more vulnerable to political pressure from Beijing.<sup>44</sup> China's multi-decade military modernization effort, especially improvements in their naval power projection capability, also increases discomfort with China's rise. Recent events, including major exercises in the East and South China Sea and Beijing's increasingly aggressive claims to sovereignty over the South China Sea, have likely aggravated concern in Jakarta.<sup>45</sup>

Indonesia does not want to become a pawn in a competition between the United States and China. It will likely continue to engage both sides for economic benefits, seeking to build a robust and enduring partnership with the United States in order to maintain its independence from an influential China. Such ambivalence to outward displays of favoritism or alignment means Washington must be cautious with Indonesia, ensuring that its approach to Jakarta is patient, understanding and focused on the long-term.

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#### **NATURAL SECURITY**

Natural security – the intersection of national security, access to resources, biodiversity, energy, and climate change – has the potential to be a significant element of the U.S.-Indonesia comprehensive partnership.<sup>46</sup>

With 17,508 islands (almost half of which are covered by forest), Indonesia has the greatest variety of marine life on the planet and the second-greatest diversity of terrestrial life after Brazil. Moreover, given its struggle with pollution (as the third-largest emitter of greenhouse gases in the world), its rich reserve of minerals and resources (the world's largest gold mine is in Papua) and its proximity to resources below the sea, Indonesia will inevitably

play a pivotal role in the global effort to secure access to resources while addressing the causes and effects of climate change.<sup>47</sup> Speaking to the assembled leaders of the G-20 in Pittsburgh in October 2009, President Yudhoyono decisively broke from other developing countries. He committed Indonesia to unilaterally reduce its emissions by 26 percent by 2020 and asserted it could reduce emissions by 41 percent with international assistance.<sup>48</sup> With this statement, Indonesia laid the groundwork to address its own natural security challenges while also leading the way for an international effort to address climate change. In short, due to its internal characteristics and policies adopted by its leaders, Indonesia has the potential to become the world's first superpower in natural security.

Given Indonesia's natural assets and its potential to significantly reduce greenhouse gas emissions, Washington and Jakarta should work together to help Indonesia address various and often competing goals. For example, meeting Indonesia's goals for economic development, energy production, mining and agricultural growth will affect its ability to preserve its forests and biodiversity. The stakes for the United States are high as well: within its new cooperative partnership, Washington may be accused of doing more harm than good if it cannot help Indonesia chart a path that balances its environmental needs with economic growth and security. For example, many European Union countries have already come under criticism as their push to increase biofuels consumption may be hastening the loss of forests due to increased planting of fuel crops. By working with Indonesian partners on an approach that balances economic development and environmental protection, the United States can maintain its long-term credibility on natural security issues.

The U.S. role in assisting Indonesia to meet its potential as a "natural security superpower" should begin with ensuring that these trade-offs are examined regularly and that the United States

consistently makes policy decisions that support the long-term goals of both countries. The United States is already in a good position to influence natural security issues as the bulk of its direct investment in Indonesia is in the energy and natural resource sector. Moreover, though the United States is not always a model of sustainability itself, it does have a long history of bridging the interests of competing parties when formulating natural resources policies. It can provide useful lessons in understanding the costs and benefits of using resources and preserving them. America has also learned stark lessons from bad historical decisions like poor policies for agricultural expansion, which when combined with extreme droughts, contributed to the Dust Bowl devastation of the 1930s. Also, the United States balances agricultural, energy and minerals production with the preservation of various ecosystems.

By including knowledgeable professionals from the Departments of Agriculture and Interior and other agencies in forming partnerships with Indonesian counterparts, the U.S. government can provide assistance to decision makers in Indonesia on how to balance the economic benefits of resource production, vital ecosystems protection, environmental data collection and adaptation to climate change. For Indonesia's part, the government must set near- and long-term goals for protecting its natural resource base while promoting sustainable economic development.

Today, Indonesia's potential position as a world leader in defending natural resources is jeopardized by its approach to measuring progress. Most data offered as evidence of success are numbers of arrests and interdictions of illegal resource shipments, rather than results and improvements measured against set resources goals. This data is important but not necessarily productive; once areas are illegally logged, it is too late. Moreover, underlying all of Indonesia's natural resources problems are poor law enforcement and

governance, corruption and a tendency to treat these issues in isolation from one another. Creating enduring solutions will require a comprehensive framework for natural security collaboration. Individual, unsustained projects focusing on energy, conservation or forestation can certainly be effective, but they cannot create large-scale improvements to protecting Indonesia's natural environment.

The United States should assist Indonesia in identifying metrics that will show which policies are effective and ineffective, and also demonstrate whether Indonesia is stemming illegal resource exploitation. Better metrics will capture progress in addressing more important root problems that compromise Indonesia's long-term natural security. Metrics of Indonesia's natural security should capture both preservation and resource-production goals – examples include annual improvements in monitoring and measuring forest preservation, energy and agricultural production and exports and the contributions to gross domestic product of ecosystem services such as fresh water supplies and fishery production.

A critical aspect in making trade-offs among competing resource demands will involve monitoring, verification and information-gathering technologies – expertise the United States can provide. The Department of Energy's national labs have been improving how to calculate and verify what levels of carbon are “sunk” by forests, which will be critical for any mechanisms of international funding for Indonesia's reforestation and preservation efforts. Maximizing earnings for its carbon sequestration (a technique for long-term storage of carbon dioxide or other forms of carbon to mitigate global warming) will also require Indonesia to better collect information on its efforts to stem illicit resource exploitation, a problem that generates much skepticism about the efficacy of its reforestation efforts. Combining thorough natural resources goals, metrics to show progress toward

those goals and technical verification of progress are the critical first steps in Indonesia reaching its potential as a natural security superpower.

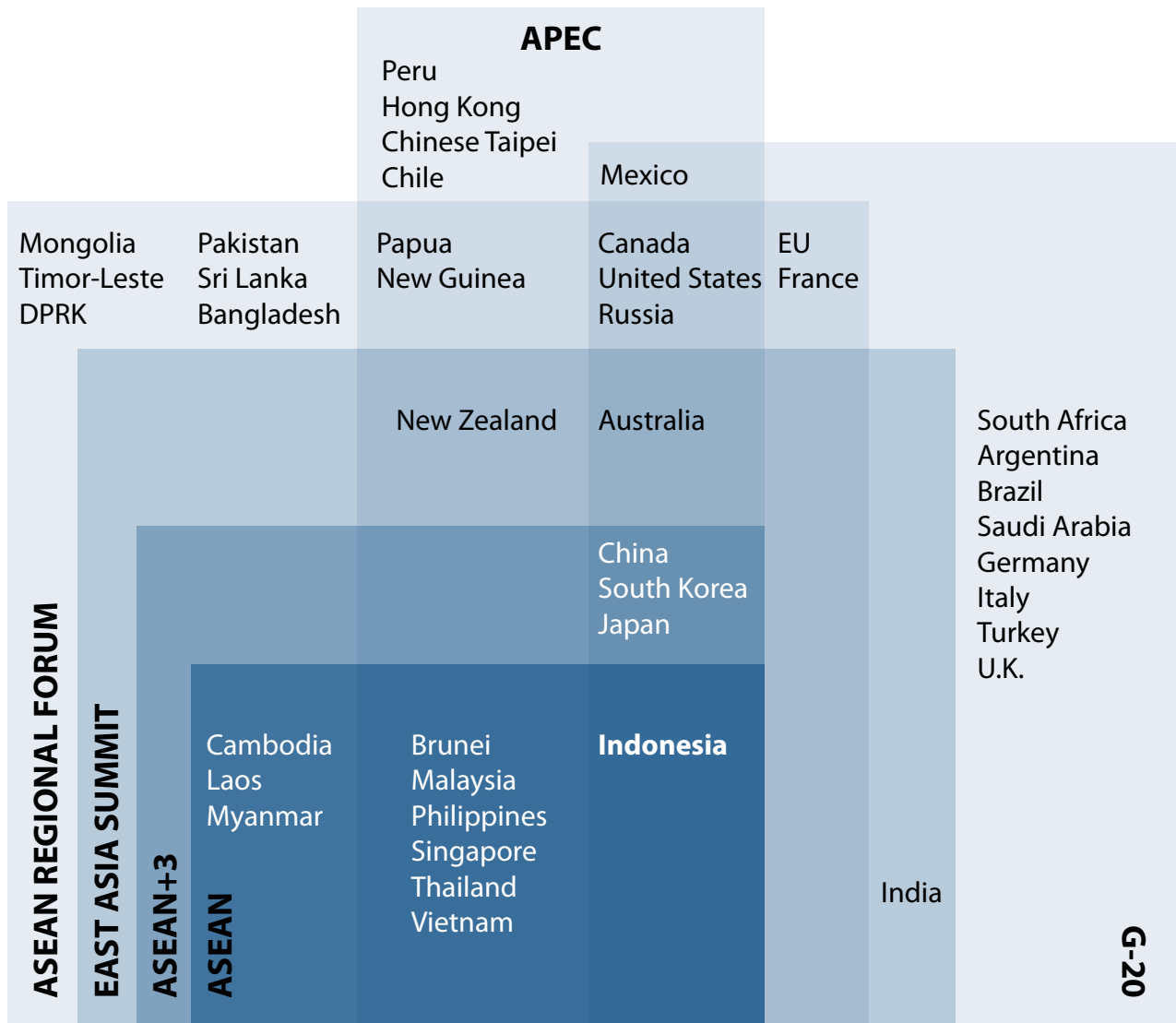
#### **REGIONAL SECURITY ARCHITECTURE**

As the economies of several Asia-Pacific countries continue to rise, regional power dynamics are inevitably changing. In this rapidly evolving environment, a dominant regional institution has yet to emerge and there are competing visions throughout the region regarding whether the United States should be included. Indonesia will be a pivotal state in determining the future shape of regional institutions, shaping the region's balance of power and ensuring America's continued presence in Southeast Asia and the broader Asia-Pacific region.

The proliferation of multilateral organizations, all with slightly different focuses, members and modes of behavior, reflects an uncertainty about the purpose of regional multilateralism. Though important as a venue for dialogue and a means to address certain issues, institutions that exclude the United States or operate only by consensus will be of limited utility in solving regional or global problems. Indonesia shares an interest in keeping the United States engaged in regional institutions and recently endorsed a proposal for the United States and Russia to join the East Asia Summit (EAS), which brings together the 10 ASEAN member states with China, Japan, South Korea, India, Australia and New Zealand.

The future structure of regional institutions – and whether international relations in the region will be characterized more by conflict, competition, a balance of power, or collective security – is unclear. As a member of some of the most important regional and global institutions (see Figure 1), with over 40 percent of ASEAN's population and 32 percent of its economy, Indonesia has the potential to have a significant voice in the direction of a regional security architecture.

Figure 1: Indonesia at the fulcrum of the Regional and Global Architecture.



**DEMOCRACY, PLURALISM, AND HUMAN RIGHTS**  
Indonesia’s democracy has proven remarkably resilient considering its tremendously diverse polity as well as the difficulties other countries have had transitioning from authoritarianism to democracy. Indeed, Indonesia has successfully held two competitive presidential elections, most recently in July 2009, since President Suharto’s resignation in 1998. If Indonesia is able to remain stable and democratic, it will be a remarkable example for how,

as Indonesian Foreign Minister Hassan Wirajuda expressed, “democracy, Islam, and modernity can go hand in hand.”<sup>49</sup>

Many in Washington look to Indonesia to be a bridge to the Islamic world; indeed, some expected President Obama’s address to the Muslim world to be delivered in Jakarta, not Cairo. But American policymakers must be realistic – while Indonesia today enjoys good relations with most Islamic countries, these relationships are complicated

by historically weak relations between Indonesia and the Arab world. Indonesian influence in the Arab world is limited; indeed, some argue that the United States has more influence in the Middle East than does Indonesia.<sup>50</sup> Further, the frequent description of Indonesia as an example of “moderate Islam” and the West’s frequent endorsement of Indonesia as a broker with the Islamic world in some quarters, undercuts Indonesia-Arab relations and weakens the example Indonesia can play for the rest of the Islamic world. It would be better to emphasize Indonesia’s ethnic and religious pluralism, which is defined in its national motto: “*Bhinneka Tunggal Ika*” (Many, yet one – a rough equivalent to America’s *E Pluribus Unum*).

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*In many ways,  
Indonesia will champion  
democracy’s benefits and  
the importance of human  
rights by example.*

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In many ways, Indonesia will best champion democracy’s benefits and the importance of human rights by example. Indonesia’s promotion of democracy will be conducted with methods different from those to which Americans are accustomed. To date, Indonesia’s behavior in this regard has emphasized inclusivity, openness and dialogue (even with non-democratic states). The Bali Democracy Forum in 2008 and 2009 included government leaders and civil society representatives from 36 countries, including Bangladesh, Burma, China, India, Malaysia, Singapore, South Korea, Timor Leste and Thailand. By bringing democracies and non-democracies together in Bali where Jakarta failed to promote the ideals of democracy

and human rights in its own past, Indonesia demonstrated a unique and non-confrontational way to promote democracy and, according to the Forum’s mission statement, “promote political development, through dialogue and sharing of experience, aiming at strengthening democratic institutions.”<sup>51</sup>

The United States also can encourage Indonesia to recognize human rights abuses committed by past governments. Such an effort, as painful as it would be, would demonstrate to the world and the U.S. Congress, that Indonesia is forthrightly dealing with its past and signal a new approach to the future. Still, Jakarta need not wallow in the past and the United States should help Indonesia move forward and look ahead.

Establishing regular, high-level dialogues on human rights between Jakarta and Washington, as well as the development of a regional democracy forum for Asia-Pacific democracies, would keep human rights high on the regional agenda and demonstrate America’s continued commitment to a freedom agenda.<sup>52</sup> At the least, the United States should continue to send a representative to future Bali Democracy Fora.

#### GLOBAL MEDIATION

With a rich history of moderation and consensus-building, Indonesia has the potential to play the role of global mediator with respect to several important issues. As it did during international discussions on climate change in Copenhagen, Indonesia can bring together members of the developed and developing world to help find a mutually-agreeable way forward.

As Indonesia’s capabilities grow, and the world grows more comfortable with Indonesian power, the Indonesian military should build on its tradition of contributing forces to U.N. peacekeeping operations (PKO), which in the past has included dispatching the president’s son as part of the United Nations Interim Force in Lebanon (UNIFIL). The presence

of a responsible military from a democratic, Muslim-majority country would go far in legitimizing U.N. operations in the eyes of local populations, especially in Muslim-majority areas where future PKO is likely to occur. Through a normalized military-to-military relationship, the United States can encourage and assist the Indonesian military in playing such a role. Still, military power is but one aspect of Indonesia's potential as a global mediator. Indonesia's active presence in important multilateral organizations, from ASEAN to the Organization of the Islamic Conference to the U.N. General Assembly, can help build consensus and drive the international community toward responsible management of global problems.

Nuclear proliferation is an area where Indonesia can play an important role in mediating between disparate groups. Indonesia has been a leader in the global nonproliferation effort, signed an agreement with the United States in November 2004 on nuclear safeguards and security, and has worked extensively on the nuclear non-proliferation treaty and the International Atomic Energy Agency's Additional Protocol efforts. Given President Obama's highly successful April 2010 summit on nuclear security and Indonesia's working relations with countries like Iran, Burma and North Korea, Jakarta may play an important role mediating between the United States and the world's real and potential proliferators.

#### COUNTERTERRORISM

Indonesia is home to several terrorist organizations, most prominently Jemaah Islamiya (JI), a militant Islamic organization dedicated to the establishment of a *Daulah Islamiyah* (Islamic State) in Southeast Asia incorporating Indonesia, Malaysia, the southern Philippines, Singapore and Brunei. While originally focused on local conflicts, JI has increasingly targeted U.S. and Western interests in Indonesia and throughout Southeast Asia. JI reportedly has links with several other terrorist organizations, including

al Qaeda, the Abu Sayyaf Group (ASG) and the Moro Islamic Liberation Front (MILF). The largest attack conducted by JI in Indonesia was the 2002 bombing in Kuta, Bali, which killed 202 and injured 240. In July 2009, suicide bombers attacked two Western hotels in the heart of Jakarta, killing nine and injuring more than 50. The United States has a substantial interest in partnering with the Indonesian government, both to combat JI and other international terrorist organizations, and to address the conditions that drive people to terrorism and insurgency.

Indonesia has been praised deservedly for its recent handling of the Free Aceh Movement (*Gerakan Aceh Merdeka*, GAM), which included a combination of counterterrorism operations and robust economic development efforts that largely concluded in a 2005 peace treaty. Indonesia has also been praised for its prison "de-radicalization" program, which attempts to rehabilitate jailed terrorists. While the United States should strongly encourage Indonesia's unity and promote its humane counter-terror efforts, it must ensure that the government and military does not use the label of "counter-terrorism" to target groups that are attempting to peacefully resolve grievances through the democratic process. Separating terrorism from legitimate political dissent is not a challenge unique to Indonesia, but past actions by the Indonesian government and military against its people make concerns about human rights especially important. Again, military cooperation with the United States must be understood to carry a caveat that backsliding on human rights will mean the end of normal relations.

#### THE MARITIME COMMONS

Indonesia's geographic position in the vast arc between the Indian Ocean and the South China Sea, between Asia's two greatest developing powers, astride the world's most vital sea lane, makes Indonesia pivotal in the preservation of the global maritime commons.\* The emergence of new and revanchist military powers will contest America's

multi-decade dominance within the global commons, making the future security relationship between the United States and Indonesia an integral element of America's broader effort to maintain the openness and stability of the seas.<sup>53</sup>

With over 17,000 islands and 140 million people who reside in coastal areas, Indonesia has a national identity inextricably interwoven with the maritime commons. "More than 75 percent of Indonesian territory is water with a vast potential yet to be untapped, including its value as passageways for much of the commerce of the world," the Marine Affairs and Fisheries Minister, Fadel Muhammed, has declared. "We must turn our attention to the sea because in the future it will become a larger part of our lives."<sup>54</sup>

Competing claims over the South China Sea – especially given China's military modernization and its increasing willingness to assert these claims with military demonstrations and exercises – exacerbate concerns over the openness and stability of Southeast Asia's maritime commons (see Figure 2). After three decades of military modernization, China has developed an impressive array of naval capabilities, including surface and subsurface platforms that can fire advanced anti-ship cruise missiles and deny an adversary access to a given area.<sup>55</sup> Most recently, Chinese admirals have been cited calling for their warships to escort commercial vessels as far as the Strait of Malacca and to help secure Chinese interests in the South China Sea.<sup>56</sup> China is also pressing its territorial claims, reportedly telling senior American officials that China would not tolerate any interference in the South China Sea, now part of China's "core interest" of sovereignty. This characterization would put Chinese claims to the South China Sea on par with Chinese claims

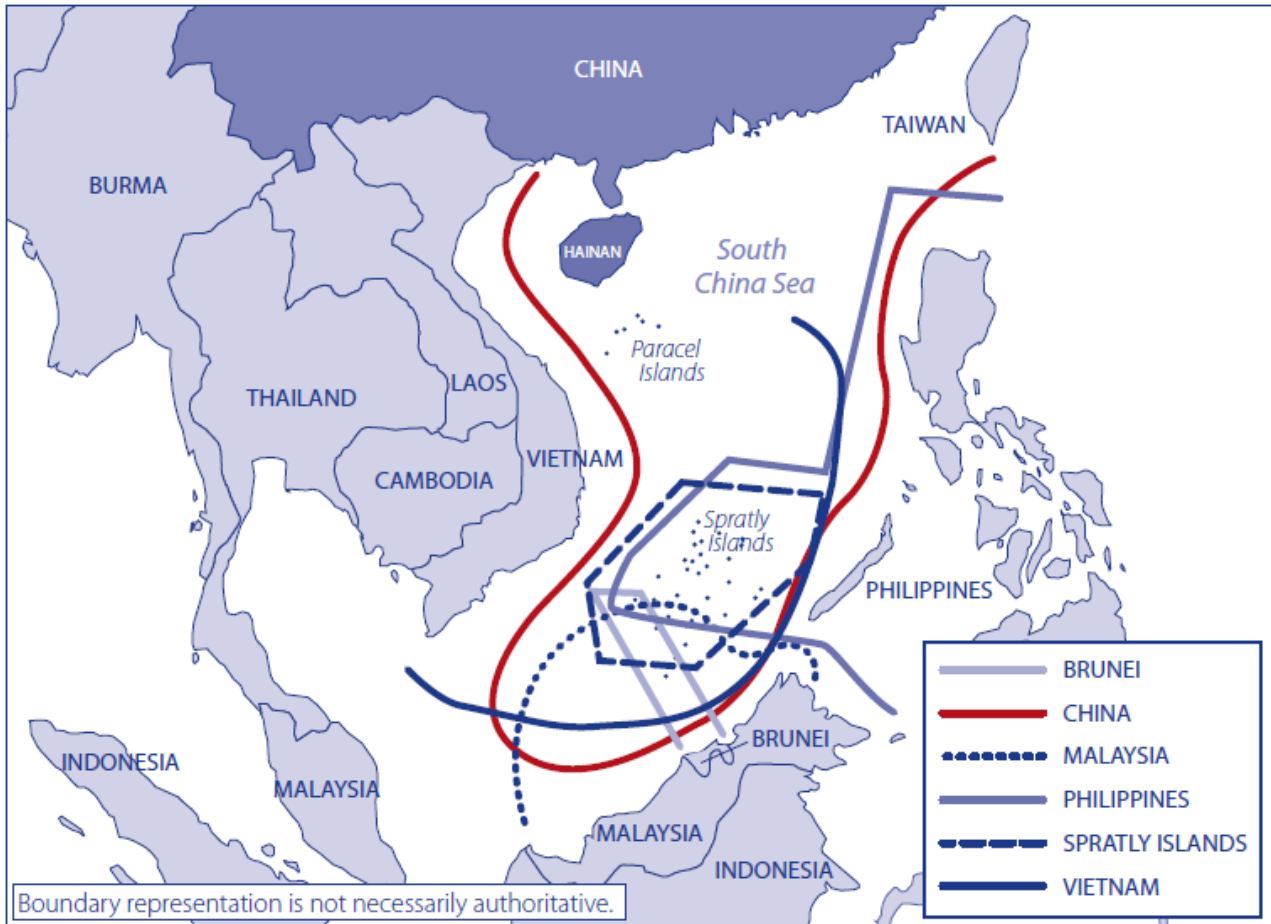
over Taiwan and Tibet.<sup>57</sup> Clearly, these developments will directly affect Indonesian security and the openness of Southeast Asia's maritime commons. Discussions on the implications of China's military rise and coordination on policy regarding Chinese actions in the South China Sea and the Strait of Malacca should be a regular topic of U.S.-Indonesia dialogue.

China is not the only country in the region investing in maritime capabilities. Singapore's Ministry of Defense cited protecting the Malacca Strait, the importance of sea lanes of communications (SLOCs) and the threats of terrorism and piracy when highlighting the entry of its final two FORMIDABLE-class frigates into active service in January 2009.<sup>58</sup> Singapore and Vietnam have also acquired diesel-electric submarines, though all face challenges in integrating these capabilities into existing strategies and doctrine. Finally, Australia has committed to acquiring 20 "Offshore Combatant Vessels," eight new "Future Frigates" and 12 new "Future Submarines" over the next three decades in Australia's largest-ever single defense project.<sup>59</sup>

Indonesia is also investing in maritime capabilities, albeit to a lesser degree. It recently procured, or has been given the opportunity to procure, six attack helicopters, two *Kilo*-class submarines, two *Chang Bogo*-class submarines and F-16 fighters. However, Indonesia's Navy and Coast Guard are undersized, with 30 principal surface combatants, 41 patrol and coastal combatants, 24 maritime patrol aircraft and 28 support and utility helicopters to patrol over 17,000 islands and one of the most strategically important waterways in the world.<sup>60</sup> Moreover, Indonesia's maritime law enforcement agency has only 16 boats and its ports are sub-par, with none certified by American port security agencies.

\* "Global commons" are the high seas, air, space, and cyberspace. They are commons because they are not owned or controlled by any single entity, but are used by state and non-state actors with the requisite technological capabilities to access and use them for economic, political, scientific, military and cultural purposes.

Figure 2: Disputed Claims in the South China Sea



Ensuring the openness and stability of the maritime commons in Southeast Asia will be of mutual interest to Washington and Jakarta. A long-term objective of the U.S.-Indonesia partnership in this regard should be to develop Indonesia's naval capacity (both within the military and with the police) so it can substantially contribute to defending the maritime commons throughout the region, but especially throughout the Indonesian littoral waters. The United States should work with Indonesia to enhance its ability to sustain the maritime commons by raising the loading capacity of Indonesian ports, providing training and equipment necessary to certify them under U.S. port security standards and encouraging Jakarta to fold the Indonesia Search

and Rescue Agency into the Navy or the Sea and Coast Guard, a change that would drastically improve Indonesia's ability to provide for its own maritime security.

Increased military-to-military interaction, such as training and professional military education, would improve the efficiency and efficacy of Indonesian forces and build relationships between American and Indonesian military personnel. Arms sales, especially of advanced surface combatants, littoral patrol craft, helicopters and an advanced command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) infrastructure, would make the maritime commons in the region significantly more secure.



## Building a Stronger U.S.-Indonesia Partnership

The United States should declare its interest in ensuring that Indonesia remain a stable, unified, democratic and prosperous nation and its commitment to a robust partnership based on mutual interests and mutual respect. To build Indonesia's capacities and contribute to a stronger partnership, the United States should engage Indonesia via economic engagement, security cooperation, and stronger people-to-people connections.

### ECONOMIC ENGAGEMENT

Economic ties are currently the most underperforming component of the relationship, but are an area with enormous potential.<sup>61</sup> The United States has a significant interest in promoting Indonesia's long-term economic development. Strategically, an Indonesia that is strong economically can more substantially contribute to international efforts to solve global problems. Indonesia would be more internally secure, allowing Jakarta to bring more attention to foreign affairs and bolstering its ability to maintain domestic cohesion. Finally, enhancing economic development with a significant, largely poor, population will help improve the lives of millions within a stable and strategically important democracy.

Indonesia was the country hardest hit by the 1997 and 1998 Asian financial crisis – GDP fell by over 13 percent in 1998 and only returned to pre-crisis levels of production in 2002.<sup>62</sup> Indonesia has seen remarkably steady growth since then, averaging over 5 percent growth in GDP from 2000 through 2007.<sup>63</sup> Unlike many of its neighbors, Indonesia's economy has largely weathered the recent global recession, helped by strong domestic demand (which makes up about two-thirds of the economy) and a government fiscal stimulus package of about 1.4 percent of GDP. It also benefited from a financial sector less integrated with the global financial system than many other countries and from a banking sector that avoided assuming the levels of toxic debt that damaged the balance sheets

of financial institutions across the globe. Today, Indonesia has the third-fastest growing economy (after India and China) in the G-20.<sup>64</sup> It is by far the largest economy in ASEAN and is Southeast Asia's only member of the G-20. President Yudhoyono has set ambitious targets for economic growth, calling for Indonesia to increase per capita income from 2,590 dollars today to 4,500 dollars by 2014, to reach 7 percent annual economic growth, and to cut unemployment from 7.9 percent to 5 or 6 percent.<sup>65</sup>

Still, many challenges remain. Indonesia's per-capita GDP is 27 percent of Malaysia's, and 7 percent of Singapore's. Indonesia rated poorly in the Global Competitiveness Index, which ranked it the 54th most competitive country out of 133 (between Lithuania and Costa Rica).<sup>66</sup> The International Finance Corporation's "Doing Business Rankings" gave an overall rank to Indonesia of 122 out of 183 economies in 2010 (between Costa Rica and Nepal), noting especially poor performance in the number of days it takes to start a business (60, compared to 37 in China and 3 in Singapore), enforcing contracts (ranked 146 out of 183), getting credit (ranked 113), and employing workers (ranked 149).<sup>67</sup> Major reforms of domestic investment regimes, labor law and law enforcement are needed, as are efforts to combat endemic corruption. These problems have significant effects; for instance, the lack of legal certainty has driven several foreign companies to invest elsewhere in the region.<sup>68</sup>

Sustaining free trade and cultivating an environment that encourages foreign direct investment in Indonesia is a high-priority objective that is shared by Jakarta and Washington. Sustained, well-placed investment will be the engine of Indonesia's long-term economic growth. Investment carries the potential to increase the pace of economic development, reduce poverty for millions of Indonesians and make Indonesia the next Asian economic success story.

In that spirit, the current government in Jakarta has done much to reform Indonesia's economy, resulting in the International Finance Corporation listing Indonesia as the "most active business regulatory reformer in East Asia and the Pacific."<sup>69</sup> Stable democratization and prudent management of the financial sector by Bank Indonesia – which has created 64.5 billion dollars in foreign reserves, a stable exchange rate and low inflation – have greatly improved Indonesia's attractiveness as a destination for investment.

Economic cooperation between Indonesia and the United States is progressing, albeit slowly. The 2007 expansion of the bilateral trade and investment framework agreement (TIFA) is an important mechanism for dialogue and cooperation, and helped Indonesia weather the recent economic crisis.<sup>70</sup> Bilateral working groups under TIFA focus on intellectual property rights, agriculture, services and investment. More recently, the United States and Indonesia signed an agreement that will enable further U.S. investment in Indonesia via the Overseas Private Investment Corporation (OPIC).<sup>71</sup> Indeed, today there are tremendous opportunities in Indonesia for U.S. investors.<sup>72</sup>

Jakarta has signaled its intent to embark on further reforms.<sup>73</sup> Indonesia's Coordinating Ministry for Economic Affairs is championing a logistics blueprint intended to make Indonesia a logistical hub for the region by 2020.<sup>74</sup> Jakarta has also launched a broad range of measures, referred to as the Indonesian Infrastructure Finance Facility (IIFF), to attract private investment in infrastructure, and has established a new, specialized lending institution offering long term, mainly local currency, financing.<sup>75</sup> While the initiative is supported by the World Bank, the United States can encourage financing of domestic infrastructure development while also encouraging the inclusion of foreign corporations with more expertise than their Indonesian counterparts.

Indeed, in the realm of economic engagement there is substantial room for the United States to help its Indonesian partner and, in so doing, itself. The economic dimension of the partnership should focus on improving Indonesia's appeal as a regional hub for trade and a desirable destination for foreign investment. This will mean encouragement and consultation on improving regulatory and tax regimes, regular consultations between corporations and government officials and an expansion of current anti-corruption efforts.

Another key to ensuring sustainable growth of Indonesia's economy will be greater investment in basic infrastructure, which has not fully recovered from the Asian financial crisis. Investment in public infrastructure dropped from 10 billion dollars in 1994 to less than 5 billion dollars in 2002.<sup>76</sup> Currently, infrastructure investments amount to just 3 percent of GDP; the World Bank estimates Indonesia's infrastructure investment needs a level of investment closer to 7 to 9 percent of GDP.<sup>77</sup> Indonesia's Minister for National Development Planning, Paskah Suzetta, announced in August 2009 that Indonesia would require infrastructure investments worth about 142.9 billion dollars, roughly 3 percent of its GDP, in 2010-2014.<sup>78</sup> Private investment in infrastructure has also declined particularly sharply – from approximately 2 percent of GDP in the mid-1990s to around 0.4 percent in 2003-04.<sup>79</sup> Today the Global Competitiveness Index ranked infrastructure especially poorly (84th), specifically the ports (95th) and roads (94th).<sup>80</sup>

Inadequate infrastructure has long been a major obstacle to economic growth. Roads are severely congested and poorly maintained. Electricity distribution is uneven and unreliable and recent years have seen a fall in the quality and reliability of water service.<sup>81</sup> While significant regulatory and structural hurdles remain, a major reason for America's difficulty in participating in major infrastructure projects has been a lack of

financing. Currently, the Export-Import Bank of the United States will only support investments in Indonesia when a commercial bank or the Indonesian government backs the loan, severely limiting the ability of American corporations to invest in Indonesia.<sup>82</sup> Revising this policy and supporting efforts by U.S. corporations to enhance Indonesia's infrastructure is a classic win-win-win situation, in which American corporations get business, the U.S. government contributes to Indonesia's economic development and the Indonesian people enjoy improved services that bolster indigenous economic development efforts. As major projects are unrealistic over the short-term, the United States can begin slowly by participating in smaller-scale efforts. Eventually, however, Americans should pursue major infrastructure development initiatives, including the construction of modern port facilities and improvements to Indonesia's energy infrastructure – especially focusing on renewable and low-emission technologies, such as capturing methane from coal mines, major road and rail networks, modern water and sanitation facilities, and the development of fisheries, marine transportation and coastal areas for ecotourism. Such investment could have tremendous ancillary economic benefits – for example, the Indonesian Ministry of Marine Affairs and Fisheries estimates the total economic value of ecotourism at 110 billion dollars per year.<sup>83</sup>

Another element of infrastructure investment that could reap significant economic benefits for Indonesia would be the liberalization of its civilian air transportation system, primarily by signing the ASEAN Open Skies Agreement, which would improve air transportation among ASEAN members. Since Indonesia is the largest market in ASEAN, its reluctance to date has stymied the broader regional effort.<sup>84</sup> A 2008 air industry study of air liberalization found that such agreements generate, on average, a 12 percent to 35

percent increase in air traffic. Moreover, the study found that 320 potential partners not currently under an Open Skies agreement could see a 60 percent increase in traffic growth under more liberal agreements – compared with increases of 6 percent to 8 percent without them. This 60 percent increase could translate to the creation of 24.1 million jobs and an additional 490 billion dollars in GDP.<sup>85</sup> If Indonesia were to sign the ASEAN Open Skies Agreement, it would not only improve relations among the member states; it would also bring jobs and economic growth to Indonesia.

When considering the economic relationship, Americans must keep in mind that trade often drives closer political ties. Failure to build a stronger economic relationship between the United States and Indonesia will leave the field open for other countries, namely China. Closer economic ties will do more than alleviate poverty in Indonesia and spur growth for American corporations – they will improve strategic relations between Washington and Jakarta.

#### **SECURITY COOPERATION**

A robust military-to-military relationship is very much in the interests of both sides. For Jakarta, normal military relations with the United States bring access to advanced military technologies as well as world-class professional military education and training. For the United States, improving Indonesia's military capabilities would allow it to play a more substantial role in its efforts to combat terrorism and maintain the security of the maritime commons.

Military-to-military relations have been the strongest element of U.S.-Indonesia ties since 2005 – the same year full military cooperation resumed between Indonesia, Australia and the United Kingdom. Since then, arms sales, training, exercises and other activities that define a typical U.S. military relationship with a friendly country have largely been revived. The result has been

improved interoperability and professional contacts between the two militaries. The crowning achievement of the military-to-military relationship, the Tri-Border Initiative, which provided radar and marine police stations along the Makassar Strait, made the local maritime commons more open and secure, despite bureaucratic red tape within the United States that required the involvement of the Justice Department, Coast Guard and Naval Warfare Systems Command. As of 2009, 15 percent of USPACOM's military-to-military interactions are with Indonesia.<sup>86</sup>

Yet more can be done. Training, joint exercises, and cooperation on humanitarian assistance/disaster relief (HA/DR) operations is a natural area for military cooperation. With a large population vulnerable to the effects of climate change and natural disasters, Indonesia has a significant interest in improving its ability to quickly respond to disasters. The U.S. military should work to build the TNI's capacity for HA/DR, while remaining ready to assist when needed. The ability to quickly move troops from one part of Indonesia to another would be a key enabling capability to improve the TNI's HA/DR capacity and a sale of C-130 transport aircraft would help fill that need. Eventually, Indonesia could be a regional leader in HA/DR, lending assistance to disaster-affected areas throughout the Asia-Pacific and reducing the burden for such a response on the U.S. military.

Other potential areas for improved cooperation – including contributing to the security of the region's maritime commons, PKO collaboration and continued defense reforms – have been described above. Yet despite this potential, a lack of trust continues to limit the breadth and depth of this relationship. This distrust in many ways has grown out of U.S. discomfort about past human rights abuses by the Indonesian armed forces and concern about backsliding. The result of this distrust was codified in the Leahy Amendment which prevents the United States from engaging

in significant military training and weapons transfers. The continued professionalization of Indonesia's military, along with its diminishing role in internal security operations, argues for Washington to change its approach.

Revising the Leahy Amendment, in recognition of the substantial steps Indonesia has taken to address human rights, will be a necessary step toward greater security cooperation. Currently, the Leahy Amendment focuses on military *units* that have a history of human rights abuses. Changing the focus from *units to individuals* would recognize the realities of turn-over within military organizations, and enable the United States to hold violators accountable for their actions while ending the blanket prohibition on training with KOPASSUS. Further, it would allow the United States to train rising young officers not in KOPASSUS (or even the military) at the time the abuses occurred. The United States and Indonesia should work together to establish mechanisms to monitor the activities of units trained by the United States and investigate allegations of abuse. More broadly, the Obama administration should build on past gains by expanding military-education exchanges, increasing language training for Americans serving in Indonesia and modernizing Indonesia's military technologies and practices.<sup>87</sup>

Such an improvement must be accompanied by a clear and stern warning against any backsliding on human rights issues, which would seriously hamper America's ability to improve military cooperation with Indonesia. A key element of expanding military-to-military exchanges should therefore be to invite Indonesian military personnel to attend the American Defense Institute of International Legal Studies, which emphasizes the importance of human rights and humanitarian law, organizations of military legal system, respect for the principle of civilian control of the military and recognition of rule-of-law principles.<sup>88</sup>



Members of KOPASSUS, Indonesia's special operations forces. The United States is currently unable to train KOPASSUS units due to its past role in human rights abuses.

(EAST TIMOR AND INDONESIA ACTION NETWORK)

### PEOPLE-TO-PEOPLE ENGAGEMENT

The United States has in the past reaped significant benefits from building people-to-people relationships with Indonesians. The “Berkeley Mafia” was a group of Indonesian economists educated at the University of California at Berkeley that brought Indonesia from near-famine in the 1960s to three decades of economic growth. These ties solidified cooperation between the United States and Indonesia during the Cold War and continue to ensure that most of Indonesia's leaders have close personal and emotional connections with the United States. Indeed, many of Indonesia's current leaders were educated in America. Today, Indonesia's future leaders are educated in China and Australia as well as the United States.<sup>89</sup>

Indonesia's long-term development will inevitably rest on its ability to educate and train a capable, cosmopolitan and entrepreneurial work force that will drive Indonesia's economy and attract foreign corporations. The United States can play a useful role in providing this expertise.

The U.S.-Indonesia partnership should build closer personal relationships between the people

of both countries, primarily through educational, professional, and civil society exchanges with an emphasis on including future generations of Indonesia's leaders. While Secretary Clinton has announced the laudable goal of doubling the number of Indonesians studying in the United States, a great deal more can be done.<sup>90</sup> Indonesian student exchanges should be doubled again, to 30,000, enabling American universities to seek partnerships with Indonesian universities and build partnerships in issues including the environment, science and technology and conflict resolution. Further, the United States should enhance links between existing institutions by encouraging American students to study in Indonesia as well as financing initiatives in American universities to teach Indonesian languages and exchange faculty members with Indonesian professors.

Indonesia has a robust civil society, which is an essential element of democracy that can hold the government accountable and protect against government abuse and corruption. Indeed, the fall of Suharto was in many ways precipitated by Indonesia's civil sector. The United States should support its further development by establishing exchanges and dialogues between governmental and non-governmental civil servants from both countries, a move that would encourage the transfer of best practices while strengthening and sustaining Indonesia's civil society. For example, interfaith organizations from both sides could discuss means to promote interfaith dialogue around the world while cooperating on social aid initiatives, such as aid to the poor and orphans. As two of the world's largest democracies, the United States and Indonesia can provide election-monitoring organizations that cooperate to promote democracy and monitor elections in Southeast Asia and around the world.

## VI: CONCLUSION: SETTING PRIORITIES, MAINTAINING MOMENTUM

With such an array of initiatives and issues on the agenda, Washington and Jakarta will be challenged to set priorities and ensure that momentum toward a closer relationship can survive changes in either government. To build trust and momentum, the U.S.-Indonesia Comprehensive Partnership should first concentrate on goals that are relatively easy to achieve and bring the greatest mutual benefit, while pursuing more complicated and difficult initiatives in the coming years. Specifically, the partnership should immediately address infrastructure development, natural security protection, promoting democracy and human rights, improving military-to-military relations and conducting counter-terrorism operations. Protecting the maritime commons, implementing broad economic, political and military reforms, and influencing multilateral institutions should be more long-term objectives to be pursued as the partnership matures and Indonesia's capabilities are enhanced.

The U.S.-Indonesia comprehensive partnership is a marathon, and both sides must agree to preserve strategic momentum. Yet as often noted, it is difficult for democracies to maintain focus on long-term initiatives. More regular diplomatic engagement will help the partners achieve this goal. Both sides have reportedly agreed to ministerial-level meetings to take place every two years, but more should be done. American leaders should meet bilaterally with their Indonesian counterparts on the sidelines of multilateral meetings, such as those of the G-20 or the ASEAN Regional Forum. Further, a commitment in principle for head-of-state visits to occur at least every three years would ensure that ministerial meetings drive toward specific goals with specific deadlines.

By pursuing the vision described in this study, Indonesia will be more than simply a partner of

the United States. It will be a regional power in its own right with global influence on some of the world's most pressing issues. Most importantly for the United States, Indonesian interests within this vision will in many ways parallel American interests for sustaining the health and prosperity of the international system.

Both Indonesia and the United States will face significant challenges and opportunities in the coming years, and leaders in Washington and Jakarta will most effectively address both through a long-term comprehensive partnership. A vibrant, capable, stable and democratic Indonesia that contributes to the health and success of the international system is in the interests of both sides. The time is now for a comprehensive partnership to set the relationship on the right course.

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**Crafting a Strategic Vision**  
*A New Era of U.S.-Indonesia Relations*





## APPENDIX A: AN INDONESIAN VISION

By Rizal Sukma

### Introduction

Over the last 60 years or so, Indonesia-United States relations have oscillated between periods of tension and cordiality. The state of bilateral relations were, and still are, shaped by domestic circumstances within both countries as well as the dictates of international politics. There were times when the two countries were intermittently drawn into diplomatic disagreement and conflict, and at other times ties were friendlier than most. However, the relationship could be generally described as normal and not unusual for many bilateral relationships between any post-colonial country and a superpower. It was a relationship characterized by constant efforts by both sides at managing differences and capitalizing on commonalities. What the relationship lacked was a comprehensive framework for a long-term and enduring cooperation.

The opportunity for bringing Indonesia-U.S. relations into a more solid foundation came in November 2008, when President Susilo Bambang Yudhoyono proposed a U.S.-Indonesia comprehensive partnership “driven by the need to address global issues, as much as by the imperative to develop bilateral relations,” based on “equal partnership and common interests” and “for the long-term.”<sup>91</sup> The United States responded positively and Secretary of State Hillary Clinton, during her speech at the Asia Society in New York in February 2009, declared that the United States is committed to “working with Indonesia to pursue such a partnership with a concrete agenda.”<sup>92</sup> When the two presidents finally sign an official agreement for such a partnership in June 2010, Indonesia-U.S. relations will enter a new era.

This chapter examines Indonesia’s perspective on a partnership with the United States and its significance for the country, especially within the context of Indonesia’s domestic transformation and its renewed interest in playing a more active role in the Asia-Pacific and the world. The chapter begins

with a brief discussion of the growing activism in Indonesia's foreign policy and the challenges facing the country in raising its profile in the international arena. It then proceeds to examine Indonesia's expectations of the partnership with the United States, as well as the several challenges the two countries need to overcome if the partnership's potential is to be fully realized.

### **Indonesia's New International Profile: Aspiration and Challenges**

In the tumultuous years after the fall of the authoritarian regime in 1998, it was inevitable that Indonesia set aside foreign policy to attend to the more pressing task of managing internal turmoil at home. Managing internal stability and economic recovery, while navigating a difficult transition to democracy, became a matter of urgency. The overriding nature of domestic problems was reinforced further when Indonesia also became a victim of, and the site for, terrorist activities. As Indonesia was forced to look inward, its profile in the international arena was seriously curtailed. Even within Southeast Asia, perceptions abound that Indonesia's "overall influence within ASEAN has waned" and it "can no longer say it is the leader of ASEAN."<sup>93</sup>

By 2005, however, Indonesia had bounced back. Defying some skeptics, Indonesia managed to restore internal stability, stabilize the economy and consolidate its young democracy. As national confidence returns, Indonesia gradually begins to show a renewed interest in playing a more active foreign policy role, both at regional and global levels. President Yudhoyono, who came to power through the first direct election in the country in October 2004, declared that "Indonesia is no longer preoccupied with just domestic affairs, and the cliché about Indonesia being inward-looking no longer applies to us. Indonesia is now an outward-looking country very much eager to shape regional and international order, and intent on having our voice heard."<sup>94</sup> Indeed, the country's desire

to play a more active foreign policy role has been well reflected in several initiatives, both within Southeast Asia and beyond.

A new activism in foreign policy is first and foremost displayed in terms of Indonesia's changing international identity. Indonesia is still fundamentally a regional power whose interests and future are closely linked to Southeast Asia and the Asia-Pacific. However, two other elements of international identity – democracy and moderate Islam – have also entered foreign policy. Indonesia is now eager to project its identity as the world's third-largest democracy, which happens to have the largest Muslim population on earth. In practical terms, this self-perception reinforces a sense of regional entitlement, and even generates a sense of entitlement to play a global role. By playing a more active role in regional and global affairs, Indonesia seeks to rectify its image as a country that has always punched below its weight.

Other agendas, as outlined clearly by Foreign Minister Marty Natalegawa in his first foreign policy speech at the opening of the Seventh General Conference of the Council on Security Cooperation in the Asia-Pacific (CSCAP) in Jakarta on October 16, 2009, also reflect Indonesia's desire to play a greater role in international affairs.

- First, Indonesia will continue to consolidate the changes in the way new domestic democratic values are projected onto foreign policy. Indonesia, according to Minister Natalegawa, "would want to be sure that our foreign policy reflects our own domestic internal preoccupation with matters to do with democratization and human rights."<sup>95</sup>
- Second, Indonesia will continue to confer upon ASEAN an important place in Indonesia's foreign policy, but it "does not want to see a situation where we simply have more documents emanating from ASEAN... It is time to do the thing that we say we want to do."

- Third, within a changing Asia-Pacific, Indonesia wants to be a strong voice in shaping the emerging regional architecture.
- Fourth, Indonesia would also be more active in contributing to global efforts to find solutions to issues like climate change, food and energy security and financial challenges. In this context, Indonesia's membership within the G-20 has also constituted a new foreign policy priority.

Three main strategies are discernible from the current conduct of Indonesia's foreign policy. First, Indonesia continues to attach a paramount importance to the regional community-building process by emphasizing the merits and utility of multilateralism. Indonesia's active participation in key regional multilateral institutions – ASEAN, ASEAN Plus Three (APT), the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and Asia-Pacific Economic Cooperation (APEC) – is testimony to that.

Second, while maintaining the importance of multilateralism, Indonesia also recognizes the growing significance of bilateral engagement with major and regional powers. Strategic partnerships have been concluded with China, Japan, Australia, India, South Korea and Brazil. A comprehensive partnership with the United States would complete the country's recent efforts in that direction.

Third, for Indonesia, whether it should or should not play a global role is no longer a matter of choice. Given its membership in the G-20 and its recent involvement in addressing issues of global concerns such as climate change and energy security, Indonesia is already there. What it needs to think about is how it could play its global role in a meaningful and effective way, both for the benefit of Indonesia and others. In this context, efforts to define its precise place within the G-20 are ongoing.

Indonesia is aware that it is not yet in the position to play a global role in the conventional sense. For one thing, it is clearly not in a position to contribute to public goods on a global scale. There are limits within which the expectation to play a more active regional and global role could be fulfilled. One important factor that limits Indonesia's sense of global entitlement is its domestic capacity. Domestically, its economic recovery and growth remain precarious. Its democracy, while becoming more consolidated, remains a work in progress. Its military is one of the weakest in the region. Addressing these weaknesses serves as the most important requirement for an active foreign policy for Indonesia, within and outside the region.

### **Partnership with the United States: Significance and Expectations**

How does the partnership with the United States fit into the new activism in Indonesia's foreign policy? What does Indonesia mean when it employs the term "comprehensive partnership" in Indonesia-U.S. relations? Ambassador Retno Marsudi, the Director General for European and American Affairs at Indonesia's Foreign Ministry, maintained that a comprehensive partnership constitutes an effort "to frame the structure of the relation, agree on the priorities and how to achieve the target" so that "the relation[ship] becomes more predictable and measurable."<sup>96</sup> She also argued that an agreement on partnership would make it easier for both countries to nurture the relationship. In other words, the comprehensive partnership denotes a relationship marked by an agreement to forge and institutionalize cooperation on a set of agreed issues, pursued according to a set of priorities and carried out on a long-term basis. It is not a relationship based on an ad hoc arrangement that often reflects a temporary need to cooperate according to the issue at hand. Rather, it is a relationship that covers common areas of concern across the board.

What is expected, then, from the partnership with the United States? First, and foremost, Indonesia expects that the partnership with the United States would help the country's democratic transformation, both in political and economic terms. Politically, it expects a partnership that "strengthens the capacity of [Indonesia's] democratic institutions – one, however, that is at the same time cognizant of the importance of national ownership."<sup>97</sup> Externally, the partnership is expected to bolster Indonesia's credential as a fellow democracy which, in turn, serves as an important asset for Indonesia's current efforts to demonstrate the merits of democracy and human rights in the region. Economically, Indonesia expects that the partnership would generate not only more economic activity, like trade and investment, between the two sides, but also result in more support and assistance for strengthening the foundation of Indonesia's economy, especially in critical areas such as education, health, infrastructure, manufacturing and technology.

Second, Indonesia is hopeful that the partnership with the United States would contribute to regional efforts to ensure a stable and predictable order in the Asia-Pacific. As China and India are heading toward major power status, the Asia-Pacific region is undergoing significant geopolitical transformation. Indonesia believes that a cooperative pattern of relationships among the major powers is crucial for the stability and prosperity in the region. Indonesia does not want to see the region dominated by any major power or group of powers. Instead, it envisions an inclusive regional architecture in which the EAS, with the participation of the United States and Russia, would serve as "the primary vehicle for the attainment of an Asia-Pacific wide community."<sup>98</sup> In that context, Indonesia expects the partnership with the United States to contribute to in the realization of such a vision.

Third, the partnership should also complement and enhance Indonesia's role as a partner for the

United States in addressing global issues. Indonesia is committed to playing a positive role in mobilizing global cooperation to address the problems of climate change, food and energy security, nuclear proliferation and weapons of mass destruction and non-traditional security threats, including terrorism. Indonesia has been active in fostering greater understanding among peoples of different faiths, reflecting its desire to be a moderating voice in the Muslim world and playing a role as a bridge both within the Muslim world and between the Muslim world and the West. Indonesia envisions a partnership with the United States that would contribute significantly to such efforts.

### Managing Challenges: Toward a Long-Term Relationship

The timing for moving Indonesia-U.S. relations to a higher plane is impeccable. There is a reservoir of goodwill on both sides. On the Indonesian side, the hope for a more benign United States – after years of a belligerent America under President Bush – is widespread. Indonesians generally believe that the Obama administration would be able and willing to change American international posture for the better. Trust and a positive attitude toward the United States have grown significantly in Indonesia, both among the elite and the public. For example, President Obama's recent initiatives to restore the U.S. relationship with the Muslim world and his commitment to seek a solution to the Palestinian-Israeli conflict have been applauded by important segments of Indonesian society, a fact that would serve as significant political capital for Indonesia to enter into a comprehensive partnership with the United States.

Challenges, however, are abundant.<sup>99</sup> First, Indonesia and the United States need to manage high expectation on both sides. Despite the agreement to elevate the relationship to a new height, Indonesia and the United States will continue to have differences on certain issues and policies. Second, there is also the need for building strong

and sustainable domestic constituencies for the partnership, both in Jakarta and Washington, as well as beyond the governments. Third, there is also a challenge of sustaining the interest and enthusiasm beyond the Obama presidency. Finally, there is the challenge of framing the relationship within a long-term and broad picture. Indonesia-U.S relations are often affected by events and issues that have no direct connection with bilateral interest. Specific events and disagreements over certain issues should not be allowed to derail the overall bilateral relationship.

The next five years will be a critical period for Indonesia and the United States to lay a strong foundation for a durable and sustainable partnership. Within that period, it is important for both countries to iron out whatever differences they might have and promote greater understanding of each other. The opportunity to promote the partnership is too important to be missed.

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**Crafting a Strategic Vision**  
*A New Era of U.S.-Indonesia Relations*



## APPENDIX B: INDONESIA'S NATURAL SECURITY

By Christine Parthemore

Indonesia holds the potential to be an international leader in balancing economic development and the preservation of natural resources. Indonesia's vast renewable and non-renewable natural resources contribute billions of dollars each year to its economy, through activities ranging from energy and minerals extraction to farming and fishing. Global plans to combat climate change raise the prospect of earning hundreds of millions more in annual income through remittances for forest preservation and reforestation. Yet increasingly, Indonesia will face difficult trade-offs between land use and resources policies. Ensuring Indonesia's natural security – the country's long-term ability to generate and gain access to the natural resources necessary to meet its own needs and interests – will form an important area of focus for the U.S.-Indonesia comprehensive partnership.

Assisting Indonesia in balancing environmental, economic and security objectives can contribute to meeting an array of American interests in Indonesia, Southeast Asia and globally. After years of insufficient attention to climate change, the Obama administration has declared its intention to exert U.S. leadership in mitigating climate-changing greenhouse gas emissions and adapting to their effects. As one of the top greenhouse gas emitters in the world and as the home of about 10 percent of the world's remaining tropical rain forest, Indonesia will be critical to these efforts. The United States has a long experience of balancing natural resource extraction with conservation, and also developing job-creating technological solutions to promote efficient use of resources. Cooperation centered on promoting sustainable natural resource use can also build confidence that will be important for generating Indonesian support for stronger ties to the United States and for addressing more difficult security-related aspects of the U.S.-Indonesia partnership.

The stakes are high for Indonesia as well. If near-term policies governing its resources lead it down a path of severe damage to the environment, the country's long-term capacity to provide food, clean water, energy and livelihoods for its population, and to generate export income, will suffer. All this could threaten the country's security and unity. Put succinctly, sustainable long-term development and maintenance of Indonesia's resource wealth will help ensure its stability, economic growth and influence.

### Indonesia's Natural Security

Indonesia's potential role in balancing its own natural resources needs while increasing its international and regional leadership will hinge on concerns over global climate change. Indonesia holds a unique role in climate change negotiations and emissions-reduction mechanisms due to its large forest tracts (almost half of its land area – about 100 million hectares), and its possession of about 10 percent of the world's remaining tropical forests. Indonesia's deforestation rate, roughly 1 to 2 percent per year, is the main reason the country is the third-highest emitter of greenhouse gas emissions in the world. Since the 2007 Bali climate change negotiations, Indonesia has tried to serve as a mediator between developed and developing countries. Though the Copenhagen climate negotiations did not result in a binding agreement as some had hoped, Indonesia pushed developing countries to pledge greater emissions reductions and negotiated for more funding from developed countries. In early 2010, there was some speculation that Indonesia would relinquish this unique position in order to ally with Brazil, China, India and South Africa for the December 2010 Mexico City climate negotiations. Its leaders have since reiterated that Indonesia wishes to continue its role as mediator, though it is attending meetings with this group.<sup>100</sup> Given this situation, solidifying bilateral climate cooperation between the United States and Indonesia as soon as possible can help to

ensure that it will maintain its openness to negotiating on key climate issues.

The projected effects of climate change on Indonesia are worrisome. With 54,716 kilometers of coastline (and about 20 percent of its population in coastal regions less than 10 meters above sea level<sup>101</sup>), flooding and erosion are perennial problems. The foundations of Jakarta are already sinking because of population growth and dramatic environmental degradation – a condition so serious that President Yudhoyono is reportedly considering plans to relocate the capital.<sup>102</sup> While all of the world's coasts could experience worsening storm surges, flooding and erosion as sea levels rise, Southeast Asia is especially susceptible. According to Oak Ridge Labs, "There is a reasonable expectation that with continued deforestation in that region, continued population growth, and typhoons with more near storm precipitation, landslides will become an increasing climate hazard."<sup>103</sup>

Another important component of Indonesia's natural security is mitigating its greenhouse gas emissions. President Yudhoyono has committed to reducing emissions by at least one-fourth by 2020, partly with an ambitious plan to increase forest area (which reduces emissions as plants absorb and hold carbon) by 21.15 million hectares within that time.<sup>104</sup> In doing so, Indonesia could earn anywhere from 400 million to 2 billion dollars per year through "reducing emissions from deforestation and forest degradation" (REDD) programs and other remittances from carbon trading schemes, depending on how carbon markets develop.<sup>105</sup> A report by the World Bank found that East Asia's leading energy-consuming nations (including Indonesia) could stabilize their greenhouse gas emissions within 15 years without endangering economic growth, but doing so would require an annual investment of 80 billion dollars in energy efficiency and clean energy technologies by the emitting states and the international community.<sup>106</sup>





Deforestation has left little intact forest remaining on the island of Java, pictured here in a true-color Moderate Resolution Imaging Spectroradiometer (MODIS) image from October 19, 2002. Even the remaining forest continues to be under pressure from commercial logging and slash and burn agriculture. In this image, islands of forest appear green against the paler landscape. In nearly every patch, MODIS detected active fire (red dots).

(Jacques Desclotres/NASA/GSFC)

This goal sounds straightforward, but it is even more challenging than it seems. Indonesia has the second-highest deforestation rate in the world with approximately five million acres lost annually, a rate surpassed only in the Brazilian Amazon.<sup>107</sup> Conflict and economic dislocation surrounding Indonesia's natural resources go back four decades during which pulp, paper and oil palm industries routinely seized forested land inhabited by local communities. Illegal logging and mining have been

particularly problematic thorns in the government's side for decades. Illegal logging accounts for almost 73 percent of all logging in the country<sup>108</sup> and results in the loss of as much as 1.5 billion U.S. dollars in tax revenue annually.<sup>109</sup>

Protecting its natural resources poses a particular challenge for Indonesia. According to a 2009 *Joint Force Quarterly* article, "There are multiple agencies involved in the resources protection mission, including the army, navy, and maritime

and fisheries department. This mission is primarily of a domestic nature but one aspect of it – illegal logging – has international ramifications and has drawn the attention and support of U.S. environmental groups.<sup>110</sup> Complicating matters, Indonesia's military is complicit in illegal logging through bribery.<sup>111</sup>

Mismanagement of the country's forest resources can contribute to poverty and conflict. Given the role that forests play in the economic life of many regions, the true number of Indonesians affected by deforestation could be up to 20 million.<sup>112</sup> Due to a lack of legal and political recourse in a weak political system, forest-dependent communities have sometimes reacted violently to the seizure of forest land,<sup>113</sup> actions that have been met with responses from military forces and industry-backed syndicates and gangs.<sup>114</sup> In just a twelve-month period between 2002-03, the country's media reported 845 distinct incidents of conflict related to Indonesia's forests.<sup>115</sup> Powerful syndicates are often the source of this illegal activity and unless stemmed, could undermine environmental goals and commensurate international funding. In addition to general concern about corruption within the Indonesian government and its ability to manage money flowing in through carbon trading, widespread illegal logging is raising questions about whether payments to Indonesia to prevent deforestation can even be effective.

Of course, Indonesia's other resources are often co-located with this precious (and potentially profitable) forest area. In March 2010, President Yudhoyono signed a regulation permitting new mining activities under some previously protected forest areas. Though this measure reportedly includes strict regulations to otherwise protect the forests above – which would require major technical analysis and careful planning – it highlights the tensions often present in these kinds of resource-related decisions.<sup>116</sup>

Agriculture is perhaps the largest competitor for land and the conversion of forests and peatlands to agricultural use, sometimes for crops to produce biofuels, is a growing policy concern. Many of the proposed solutions to date involve what may seem to be a simple swap: Targeting some land for development while preserving some major carbon sinks (forests and peatlands) to further mitigate the emissions related to their destruction. For example, the Indonesian government released a plan in early 2010 to lease 1.6 million hectares in Paupau to domestic and foreign investors to dramatically increase agricultural production in order to become a major world supplier of palm oil, rice, sugar and other crops. At the same time, it is also still allowing some peatlands and forests to be developed into plantations for palm oil and other crops.<sup>117</sup>

Competition with forests aside, growing energy demands may trigger a food-versus-fuel tug-of-war as Indonesia continues to commit more acreage to growing plants in order to increase biofuels production. Many observers point to other countries' biofuels and food policies as major contributors to the competition of these crops with forests as well. For example, a draft European Union policy document to classify palm oil plants as equivalent to the forest they'd displace with regard to sustainability rules sparked debate that such policy drives toward biofuels could come at the expense of Indonesia's rain forests.<sup>118</sup>

Though, until recently, a member of the OPEC, Indonesia is a net oil importer and its production has declined steadily since 1996. Its natural gas production more than quadrupled since 1980 and it ranks as the seventh-highest natural gas exporter in the world, though its production has also declined since 2004.<sup>119</sup> The more important indicator, however, is often a country's reserves to production (R/P) ratio, which indicates "the length of time that those remaining reserves would last if production were to continue at the previous year's rate" (to employ British Petroleum's (BP)

commonly used definition). Indonesia's R/P ratio for oil is just 10.2 years, although it is 19 years for coal and 45.7 years for natural gas.<sup>120</sup>

Working with international partners such as the United States and the World Bank, Indonesia has also increased investments in renewable and alternative energy production. In 2007, the U.S. Trade and Development Agency granted Indonesia over 1 million dollars toward developing its coal bed methane resources and palm oil-based biofuels.<sup>121</sup> The World Bank announced that it would provide up to 400 million dollars to Indonesia to bolster its use of geothermal energy, as it is estimated to have one of the highest geothermal production potentials in the world.<sup>122</sup> It has even begun feasibility studies for nuclear energy. Before President Obama's rescheduling of his March 2010 trip to Indonesia, the media reported that alternative energy partnerships would be a major component of this strategic partnership, although China and other countries are vying to play a similar role in Indonesia's energy growth.<sup>123</sup>

Overall, Indonesia's energy use per capita is currently low. It produces more than twice the energy its people consume and oil and gas account for only about 20 percent of Indonesia's export income.<sup>124</sup> Economic growth trends indicate a commensurate increase in demand for electricity, projected by the International Energy Agency (IEA) at around 5 percent per year through 2030. This type of growth in energy consumption will require improving Indonesia's poor infrastructure (including transportation and electric transmission) and increasing energy efficiency, all of which will require financing. It may also alter Indonesia's trade patterns. Indonesia, one of the world's top coal exporters, could choose to use more of its coal to meet domestic demands, depending on prices and other factors.

Directly tied to Indonesia's fuel consumption is the government's significant subsidy of domestic

fuel consumption, which in 2010 was estimated to reach 1 to 1.3 percent of Indonesia's GDP.<sup>125</sup>

The International Monetary Fund estimated that Jakarta could narrow its budget deficit by almost 17 percent, and reduce emissions by 14 to 17 percent if it halved fuel subsidies.<sup>126</sup>

Historically, Indonesia's energy industries also have a direct connection not only to its economic path but to its security troubles as well. Profits from these industries have also served as points of tension within Indonesia. Exxon-Mobil's natural gas facilities in Aceh once served as targets for separatists groups, who long complained about remission of 80 to 90 percent of that province's natural resources revenues to Java.<sup>127</sup>

An energy cooperation agreement with Indonesia can allow the United States to share the results of an Ocean Thermal Energy Conversion demonstration project in Hawaii and allow further research on Indonesian venues. There is a huge potential market for solar home systems, hybrid power plants and other technologies applicable for small and remote islands. U.S. companies in these fields that have already broken into the Philippine market could do the same in Indonesia if its investment rules were more attractive.

Indonesia's opportunity to profit from natural resources does not end at its shores. Its 1.2 million square miles of exclusive economic zone support livelihoods for millions of Indonesians. In addition to its abundant land-based mineral resources, its coastal and seabed mined deposits include tin, sand and gravel. Trade from its aquaculture, for example, supported more than two million families and was valued at about 2.1 billion dollars for 2006, with production and resulting income rising quickly over the past decade with improved technology and wider availability of compound feeds.<sup>128</sup>

Unfortunately, just as Indonesia's aspiration to improve forestry policy will be insufficient on its

own to curb illegal logging, Indonesia's aquatic resources cannot escape illegal activities. Indeed, protecting aquatic natural resources is a major component of Indonesia's maritime security needs. Some estimates indicate that as much as a third of Indonesia's potential income from fisheries is poached by illegal foreign boats. Given the 86 percent decline of fish populations over the past 50 years within its own waters, Thai trawlers have provoked violent altercations with Indonesian fishermen, often using armed boats to fish in foreign economic zones.<sup>129</sup> This challenge is steep, as described by one report:

...at one time as many as 130 vessels from China, Thailand, Vietnam, Taiwan and the Philippines were impounded in Indonesian ports, while as many as 500 crew members were in jail on charges of illegal fishing. But the navy is still a long way away from winning this battle. It has only 20 ships available for a mission that requires at least 50, according to an admiral investigating the illegal fishing cases.<sup>130</sup>

Biodiversity loss in Indonesia is closely intertwined with all of these issues. Such losses are a difficult aspect of environmental change to monitor as reports indicate that at least half of Indonesia's biodiversity is not currently catalogued.<sup>131</sup> Biodiversity loss can degrade ecosystems from coral reefs to agricultural crops to aquatic habitats. The loss of forests is perhaps one of the more worrisome contributors to biodiversity loss. The forests of Indonesia, Malaysia and southern Thailand contain about 25,000 vascular plant species, about 60 percent of which are endemic to that region, and more than 160 animal species that live nowhere else on earth.

### Addressing Natural Security in the U.S.-Indonesia Partnership

In formulating a long-term, enduring partnership, there are ample opportunities for the United States and Indonesia to exchange information, technology, knowledge and experience to assist Indonesia

in meeting its natural security goals. Underlying all of Indonesia's natural resources challenges are poor law enforcement and governance, corruption and a tendency to treat these issues in isolation from one another. Enduring solutions will require a comprehensive framework that addresses a range of natural security challenges.

The United States should consider all natural resources assistance to Indonesia based on how well it balances often-competing environmental, economic and security goals. One-off projects focusing on energy, conservation or forestation can certainly be effective, but they cannot create large-scale improvements for Indonesia's resources without consideration of the effects of such plans on all other resources. For example, a major energy initiative that involves converting large swaths of forest to grow fuel crops would likely harm Indonesia's chances of meeting its climate change pledges. These resource-related tensions can certainly be mollified, but they will require careful planning and management.

If serious progress on protecting resources is to be achieved, illicit exploitation must be reduced. But combating illegal logging and fishing will require more than just money or people. The United States should assist Indonesia in identifying appropriate metrics to show real progress against this problem and to identify which policies are effective and ineffective. Today, most data put forth as evidence of success focus on numbers of arrests and interceptions of illegal shipments rather than results. It is surely difficult to quantify illegal activities, but this does not mean that progress is unimportant.

In fact, across the range of natural resource issues, a helpful role for the United States in the partnership would be sharing technology and know-how related to collecting and quantifying information. In some areas, the U.S. government is already conducting this work. The research vessel *Okeanos* from the National Oceanic and Atmospheric

Administration is collecting data on ocean minerals resources and fisheries in cooperation with the Indonesian government.<sup>132</sup> In order to understand its alternative energy potential, the United States could assist with data collection and modeling to map Indonesia's low-carbon energy resource potential. American academics, non-government organizations and scientists could also form stronger partnerships to catalogue Indonesia's biodiversity and formulate conservation plans.

For its part, the United States will also need to map what natural resources-related capabilities and knowledge it can offer and in what circumstances the best partners will come from nonprofit organizations or private industry. For example, the Department of Energy (DOE) and the National Labs have a strong focus on basic science, data collection and advanced climate and energy modeling, but universities and private companies are often the best resources for applied science and technology.

Such cooperation will involve a truly whole of government approach from the U.S. side. For example, much of the knowledge relevant for long-term natural security for Indonesia resides with current and former officials from the U.S. Department of Interior, who work to balance activities such as energy production and mining with conservation, forest management, environmental-data collection and even climate change adaptation. DOE's National Labs should be key supporters of this partnership as well. Constructing an enduring natural security framework and implementing policies to support it will require good coordination among the multiple U.S. government agencies involved – and indeed, one key benefit will be showcasing how promoting national security interests is not just the purview of the Departments of State and Defense.

Protecting Indonesia's natural security will also involve recognizing Indonesia's partnerships with other countries. On minerals, energy and

environmental matters, for instance, it is conducting similar mapping, scoping and research activities with China, Australia, Japan and others.

President Yudhoyono certainly understands the critical importance of these issues. In a March 17, 2010, speech at the International Seminar on Defence, noting the rising world population and rising middle classes among it, he stated that if we fail to understand and plan for a rising demand for food, energy and water, they “could become a new source of conflict” in the future. He also suggested that solutions will lie in all countries seeking technical innovation to natural resources challenges in order to mitigate the chances that stressed supplies will lead to conflict.<sup>133</sup>

The United States and the rest of the world cannot meet global natural security needs without Indonesia. The United States must therefore develop a comprehensive framework to aid Indonesia's long-term promotion of natural security by providing technical expertise and advice regarding the governance of natural resources. Moreover, given the broad range of natural resources issues where cooperation is mutually beneficial – not to mention the connections with Indonesia's security and economic challenges – this stands to be one of the most important aspects of an enduring U.S.-Indonesia strategic partnership.

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