

We should do more for Indonesia

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When Indonesian President Susilo Bambang Yudhoyono lands in Australia tomorrow, he will be well aware that despite Australia's love affair with Bali, for most Australians Indonesia doesn't bring to mind particularly happy thoughts.

On the business front, things aren't rosy -- Australia does far more trade with New Zealand, which has less than 2 per cent of the population and an economy one-fifth the size of Indonesia's.

While government relations are better, there's a tendency to focus on negative issues such as terrorism, people-smuggling and illegal fishing. The underdone relationship presents a serious challenge because Indonesia matters to Australia, and its importance will probably increase. It's time for a rethink of our approach and some major leadership gestures.

Indonesia is the world's fourth most populous country, the third-largest democracy and our second-nearest neighbour. Not surprisingly, its economic significance is increasing. Unlike in the 1997-98 Asian financial crisis, Indonesia survived the global economic crisis largely unscathed.

Internationally, Indonesia is becoming more assertive, commensurate with its size. And others are beginning to notice. US President Barack Obama will be visiting Indonesia this month with plans to develop a "comprehensive partnership".

Despite Indonesia's importance, Australia's relationship with Jakarta has been in a rut. Public perceptions of the country are in a poor state. Lowy Institute polling shows more than half the Australian population do not trust Indonesia to act responsibly in the world, and polling in Indonesia suggests the lukewarm feelings are mutual.

Government relations are in a better state. There is wide-ranging security co-operation, and on the aid front Australia is Indonesia's largest bilateral donor.

Despite the close government-to-government links, there is a tendency -- at least from the Australian side -- to focus on negatives. Our foreign affairs department, for instance, lists among the things we co-operate with Indonesia on: "Counter-terrorism, illegal fishing, people-smuggling, avian flu, climate change and interfaith dialogue."

All of these areas -- important as they are -- are in some sense a negative focus on threats to Australia and Indonesia.

Even incremental improvements will be hard to make without dramatic leadership gestures to provide a much-needed jolt to the relationship.

A scoping study on an Australia-Indonesia free trade agreement has been completed, but there is a risk any agreement will be perceived as just another FTA. While pushing ahead with the deal is a good idea, a useful addition would be to negotiate a multi-decade vision for the economic relationship.

The Closer Economic Relations Treaty with New Zealand is 27 years old, and the process of economic integration is continuing. Australia and Indonesia could use a similar time horizon to set out a common approach for integrating the two economies.

While the agreement could be non-binding, it would set out a clear vision for both countries on where the economic relationship is headed and guide efforts to reduce internal barriers to trade. The negotiation of detailed commitments could be done gradually over a long period.

Another major gesture would be to use the projected increase in Australia's aid program to fund a new Colombo Plan for Indonesia. Aid spending is set to increase from \$4.2 billion in 2009-10 to \$5bn by 2011-12, with more to come. Allowing Australian universities the opportunity to tender for a pool of the additional funds in return for setting up joint ventures in Indonesia would be one way to spend the money usefully. And there's enormous scope to apply our successful TAFE model in Indonesia to boost vocational training. In 2007-08, about 350,000 Indonesians were undertaking vocational training. In Australia, with less than 10 per cent of the population, 1.7 million people were undertaking similar training in 2008, suggesting a huge unmet need in Indonesia.

To shift the focus of the government-to-government relationship away from negatives, Australia should look to develop a more outward-looking co-operation agenda with Indonesia. Co-operation at other levels is already occurring, so much of the shift will be in rhetoric and tone -- but there is also scope to expand the range. Joint membership of the G20 offers one such avenue to explore a range of common interests beyond security threats. Both governments could agree on a set of regional and global issues on which they will co-operate to advance common interests. And there may be room to explore a more outward-looking defence agenda if the US restarts joint training with Indonesia's Kopassus special forces.

Finally, to address the public perception problems, Australia and Indonesia should seek to agree on a new approach to public diplomacy. Canberra could take the somewhat unorthodox step of committing itself to promoting an accurate, broader-based and positive image of Indonesia in Australia, with Jakarta agreeing to do the same in the other direction.

Australia has informally committed itself to similar arrangements in the past, the most obvious being the bipartisan support the US relationship enjoys in Australia, even in the face of widespread public ambivalence towards some US foreign policies.

Australia's relationship with its most important neighbour is in a serious rut. If it is to be improved, then major leadership gestures will be needed.

Fergus Hanson is a research fellow at the Lowy Institute, and author of the policy brief 'Indonesia and Australia: Time for a step change', released today.