



SPECIAL ASSESSMENT

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## Asia's Bilateral Relations

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# Australia-Indonesia Relations: Getting Beyond East Timor

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## Executive Summary

- Successive Australian governments have developed a defense strategy predicated on a threat from and a need for stability in the north, giving observers the impression that Indonesia is a major concern that has loomed large in Australia's strategic vision (rather than vice versa). Historically, Indonesia's defense planners have also had concerns about a northern threat but there are indications that they now see Australia as a latent threat.
- In the past, officials in Australia have worked hard to build a special relationship with Indonesia, which included generous Australian aid, and—in Canberra's view—tacit support for Indonesia's acquisition of East Timor. Although the relationship may have had slightly less significance from Jakarta's point of view, Australian support for its stability was considered highly desirable.
- The East Timor crisis of 1999 had altered Indonesia's perception of its neighbor and poisoned Australia-Indonesia relations, ending what had been an intimate relationship. While Australia scrambled to keep pace with East Timor's looming independence, Indonesia blamed Australia for the territory's secession from the Republic. Today, Indonesians believe that Australia is the primary threat to national cohesion.
- After September 11 and, especially, the October 12, 2002 Bali bombings that killed eighty-eight Australians, Indonesia figured prominently in Australian security. Australia believes conditions there may pose a threat to its citizens and Australian assets overseas.
- In the wake of difficulties to the bilateral relations, both Canberra and Jakarta are trying to restore elements of past cooperation. For example, in the aftermath of the Bali blast, Australian police were instrumental in assisting their Indonesian counterparts in dismantling the culpable *Jemaah Islamiyah* cells.
- For the United States, Australia's links with Indonesia have always been useful because they helped shore up Indonesia's security and stability. However, today in the wake of East Timor and Bali, Canberra-Jakarta links are shaken, and the United States needs to be realistic about the limitations of the Australia-Indonesia relationship. Furthermore, Australia's close alliance with the United States has proven to be a liability in normalizing Australia-Indonesia relations; many Indonesians see the United States as having negative designs on their country for which Australia is a willing partner.

## INTRODUCTION

Since the end of World War II, Australia has been aware that Indonesia is of crucial importance to Australian security. Australia has worked hard since Indonesian independence to establish a “special relationship” between Jakarta and Canberra. Indonesia has also valued its relationship with Australia. Indonesia even gave Australia a sweetheart deal in divvying up the oil in the Timor Gap, most likely in exchange for Australia’s acquiescence to Indonesia’s controversial absorption of East Timor. However, because of Australia’s role in the independence of East Timor, Indonesia ended a defense agreement with Australia and relations grew sour. So sour in fact that key Indonesian leaders have cited Australia as the primary threat to its cohesion, particularly in relation to the troubled province of Papua.

Australian officials have worked hard to revitalize the relationship. At the functional level there is substantial cooperation. Australia has maintained its aid program and has assisted the Indonesian police in their Bali blast investigations. Restoration of military-to-military ties is in the works. Yet Australia has struggled to establish high-level visits. Both Indonesian presidents Wahid and Megawati have cancelled planned trips to Australia, most likely because of nationalist pressures emanating from the Indonesian Parliament and the general public.

## RELATIONS POST-1945

In the aftermath of World War II, Australia was very conscious of the fortunes of its giant neighbor to the north. Australia supported independence for Indonesia in its struggle against the Dutch. Although relations deteriorated during the latter Sukarno years, including the crisis of Irian Jaya and *Konfrontasi* with Malaysia from 1963–66, Australia was mindful of future relationships. During Britain’s effort to contain Indonesian incursions into East Malaysia, for instance, Australia played an auxiliary role thereby limiting direct military engagement with Indonesia.

From 1965 Australian-Indonesia relations improved with the slow demise of the Sukarno regime and the emergence of Soeharto. Ties between democratic Australia and authoritarian Indonesia under Soeharto, while well received at the elite level, proved deeply controversial among the Australian public. Although Indonesia had not historically claimed Portuguese Timor (East Timor)—the tiny territory that occupied half the island of Timor at the eastern end of the archipelago—events inside this colony would greatly affect Indonesia. By 1975 it was evident that East Timor was about to go through a period of instability. During the resulting civil war, the left-leaning Fretilin Party assumed power and unilaterally declared independence. Having failed to influence East Timorese politics through surreptitious means, Indonesia planned and executed an invasion of East Timor under the guise of being invited.

Documents released by the Australia Department of Foreign Affairs and Trade (DFAT) now confirm that Australian officials not only knew of the invasion plans, but were convinced by their Indonesian counterparts that a speedy absorption of the territory was the best resolution to the situation. Australia gave *de jure* recognition to the “annexation,” one of the few countries at the United Nations (UN) to do so, and was rewarded in 1989 with a generous deal on oil reserves in the Timor Sea known as the Timor Gap Treaty. This treaty gave Australia 90 percent of the returns from oil in a region

known as “Zone A” which sits in the middle of the small sea between the two countries. (This treaty was later renegotiated to marginally favorable terms for East Timor after its independence.) Another noteworthy point was the treaty’s questionable legal status. According to international law, Portugal was still considered the legal representative of East Timor’s land and sea boundaries.

Australia’s elite-level dealings with Indonesia over East Timor proved deeply controversial with the Australian public—from left to right on the political spectrum—and ultimately set the two countries on a collision course. Australia’s war generation spoke of the “blood debt” owed to East Timor following support of Australian troops in the territory during World War II. Indonesia’s invasion of East Timor not only involved a great deal of violence but also resulted in the deaths of five Australian-based journalists who were murdered in Balibo. While Australia had hoped for a quick absorption of the territory, it may not have envisioned the brutal occupation that resulted in a hundred thousand deaths within the first decade after the invasion. During the 1991 Santa Cruz massacre, East Timorese students were gunned down, which resulted in greater international attention to the issue and harmed Indonesia’s bilateral relations with a number of friendly countries including Australia. (The United States, for example, cut military-to-military ties at the time.)

The political mismatch between the two countries was evident in another incident that caused enormous displeasure in Jakarta. In 1986 Indonesia expressed its anger over press reporting in the Australian media (notably a *Sydney Morning Herald* article) that exposed the corruption of Soeharto’s children. Indonesia sanctioned Australia by expelling a number of tourists. Ali Alatas, Indonesia’s long-time former foreign minister, made it clear in a 1989 speech to Australia’s National Press club that the Indonesian government did not appreciate the constant negativity from the Australian press. The fact that the Australian government is in no position to muzzle its press or other actors in its free society continues to be a sore point with Indonesia.

Despite everything that had transpired, Australia continued to work on ironing out problems in the relationship. In December 1995 the two countries signed the Agreement on Maintaining Security (AMS). The secret deal was a great surprise given Indonesia’s supreme reluctance to sign such agreements since its independence. The Australian government under Prime Minister Keating lobbied hard for the agreement. Soeharto viewed this as a gift to Keating, but it came with the expectation that Australia would limit its pressure on Jakarta over East Timor and human rights.

Differences between the Australian government and the Australian public over the country’s relationship with Indonesia would be scrutinized again over East Timor. In December 1998, Prime Minister John Howard, who succeeded Keating, sent a letter to Indonesian President Habibie that seemed to indicate a change in Australian policy. It urged Indonesia to grant autonomy to East Timor but did not actually mention independence.

In January 1999, Habibie—in a move that is still puzzling—decided to hold a referendum in the territory to determine once and for all whether the East Timorese wanted to be part of Indonesia. Habibie, like much of the Indonesian public, may have believed in a favorable outcome, having been reared on a diet of misleading information about opinions in East Timor. When nearly 80 percent of East Timor chose independence, Indonesian military-sponsored militia groups destroyed much of East Timor’s infrastructure, killed hundreds of independence supporters, and transported 200,000 people across the border. The Indonesian public, incredulous at the results of the ballot, were not only shielded from accurate news coverage of the violent aftermath (by an ad hoc military-enforced ban on coverage) but were informed in various ways by senior military officers that Australian intelligence operatives

had been active in the territory and had somehow rigged the UN balloting process. Both General Wiranto and Major General Kiki Syahnakri testified to the Indonesian parliament that Australian intelligence was a major irritant in the balloting process. The inability of the Indonesian population to accept the loss of East Timor or to understand the real nature of events continues to feed the perception that Australia is a “two-faced” friend.

Australia’s subsequent leadership of the International Force East Timor (INTERFET) operation in September 1999 to stem militia violence seemed to confirm Indonesia’s perception of Australia’s unnecessary meddling. The Habibie administration immediately revoked the AMS. The East Timor crisis caused a near meltdown of relations between Australia and Indonesia.

## RELATIONS POST-EAST TIMOR

In the aftermath of East Timor, Indonesia experienced a wave of nationalist sentiment aimed against Australia. Conspiracy theorists in Indonesia see Australia attempting to break Indonesia apart. Despite numerous Australian assurances that it supports Indonesia’s territorial integrity—and lobbies other countries in the South Pacific to follow suit—Australia is unable to shake the perception that it remains a serious threat. (These reassurances have been viewed by the Indonesian government as vital, and the Department of Foreign Affairs has expended a great deal of energy in obtaining them, especially after East Timor’s independence.) Imron Cotan, Indonesia’s ambassador to Canberra, revealed in a March 2004 interview that 95 percent of 200 potential diplomats interviewed had expressed “anti-Australian sentiments.” Two successive ministers of defense in the government of Abdurrahman Wahid (1999–2001) openly cited Australia as a threat to national cohesion, particularly in the case of Papua. These official statements failed to differentiate between the actions of the Australian government and a number of Australian nongovernmental organizations (NGOs) who are indeed committed to Papuan independence. Nonetheless, the threat that Australia represents—from Indonesia’s standpoint—is one of soft power influence (stirring up independence sentiments) backed by hard power (such as the soldiers and assets employed during the East Timor crisis).

Australian policy toward Indonesia has been to balance support for “Indonesia’s unity and territorial integrity” with human rights concerns in the far flung corners of the Indonesian archipelago. In its September 2003 *Indonesia Country Brief*, the Australian DFAT stated that: “Australia has consistently urged the Indonesian Government to exercise restraint in Aceh and Papua, and to use the special autonomy process to address local grievances.” A message much like this one on East Timor, from Prime Minister Howard to President Habibie, was the “trigger” that caused the then-Indonesian president to call for a referendum on independence. Balancing Australia’s liberal-democratic concerns for human rights with a policy of convincing Indonesians that it does not support independence for disaffected regions has proved extremely difficult.

East Timor relations soured to such an extent that a series of planned high-level meetings between Australia and Indonesia were postponed. Wahid announced his intention to visit Australia on various occasions only to withdraw, most likely under pressure from Parliament and Wahid’s own supporters. After delays and cancellations, Prime Minister Howard visited President Megawati in Jakarta from August 12–13, 2001. He used the opportunity to meet with an array of political leaders including the vice president, key ministers, and parliamentary leaders.

## RELATIONS POST-BALI

On October 12, 2002 two bombs went off in the Kuta area of Bali killing two hundred and two people, including eighty-eight Australians, and injuring many more. Testimonial evidence from Amrozi and Imam Samudra, two of the conspirators, indicated that the bomb was not specifically targeted at Australians—the former, in fact, indicated a desire to kill Americans. Nonetheless, with so many Australians among the dead and permanently injured, the Bali blast was a national tragedy on par with September 11. The incident strengthened Australia's resolve to tackle terrorism in the region, especially since it may endanger Australian lives and property overseas. Osama bin Laden's very public threats against Australia, on the grounds that Australia interfered in East Timor and joined the wars against Afghanistan and Iraq, add to real concern.

The massive numbers of Australian tourists to Indonesia—especially Bali—tapered off in the aftermath of the Bali blast. The Australian government still requests that its citizens put off nonessential travel, and particularly warns against travel to Aceh, Maluku, West Timor, Sulawesi, Kalimantan, and Papua. Pundits in the Indonesian media have subsequently blasted Australia for choking off the tourist industry.

But the war on terror has not driven a wedge between the two countries, largely because the Megawati government and Indonesia's security forces have come to realize the magnitude of the terrorist problem, albeit belatedly. At the functional level, cooperation between the Indonesian police and the Australian Federal Police over arresting those culpable for the Bali blast has been a model of success. More than eighty *jihadi* have been arrested at one time or another on the basis of careful forensics and detective work. When Jakarta handed down death penalties to two of the Bali bomb organizers, Amrozi and Imam Samudra, there was a mixed reaction among some of the victims' relatives since a minority, perhaps, did not support capital punishment. Any concerns that the Australian government might object to the ultimate punishment for these crimes were put to rest when Prime Minister Howard highlighted that his government would not protest these sentences, which was a departure from previous policy to oppose the death penalty in other contexts. Critics in Australia saw this as pandering to the voting public still angry over the blasts. (It made little impact in Indonesia itself, where the death penalty does not provoke public controversy.)

Even prior to the Bali blast, Australia had come to view terrorism as the primary threat. Bali confirmed the view that a secure partnership with Indonesia would be key to controlling the problem. Australia's number one priority in Indonesia is to sustain Jakarta's commitment to the war on terrorism. As Australia's 2003 Defence White Paper makes abundantly clear, the war on terrorism is now the major focus of Australia's defense policy.

Aside from cooperation between the two countries' police forces, Australia and Indonesia now cooperate through a range of multilateral and bilateral institutions. Alongside existing forums like the Association of Southeast Asian Nations (ASEAN) Dialogue, the ASEAN Regional Forum, and Asia-Pacific Economic Cooperation, both countries agreed to the South-West Pacific Dialogue and a trilateral meeting between Australia, East Timor, and Indonesia. A bilateral Joint Investigation and Intelligence Team was established in October 2002. An Australia-Indonesia Ministerial Forum, which was established in 1992, continues to operate. This forum has also featured the so-called Australia-Indonesia Development Area (AIDA), which remains a political statement of intent rather than a commercial agreement with teeth. However any hopes of a return to

the halcyon days of the Keating-Soeharto defense agreement will be dashed. The defense agreement was perhaps unimportant in itself, but it was a symbol of Australia-Indonesia security ties. Such a high-profile statement would be politically unpopular in both countries. Military-to-military cooperation will be restored in time, but significantly, it is still largely a severed link.

Aid, despite the ups and downs of the relationship, has continued to form a key component of the relationship. Australian aid patterns reflect its often-stated concerns for stability and good governance in its near neighbors. Australia's allocation for Indonesia now stands at US\$110 million, which reflects a modest increase over the year before. Australia's recent decision to double its aid budget to the Pacific has moved Indonesia to third place behind Papua New Guinea (US\$300 million) and the Solomon Islands (US\$139 million). Aid to Indonesia is just over double that given to the next highest recipients in Southeast Asia—Vietnam and the Philippines. Recently A\$15 million was given to Indonesia for parliamentary elections. A bipartisan observer team was also sent to Indonesian, and it gave an endorsement of the election as being free and fair. Australia's stated aims for Overseas Development Assistance (ODA) are to reduce poverty, assist in economic recovery, and further democratization in Indonesia. Australia has also aimed to channel aid to the handful of conflict zones in Indonesia that continue to simmer.

The trade relationship between Australia and Indonesia had grown by leaps and bounds until it leveled off in the financial crisis. From 1988 to 1998 trade rose from A\$1.2 billion to a respectable A\$5.7 billion, remaining stable but slightly down at A\$5.1 billion in 2000. The growth in the service trade also represents a strong potential, particularly with roughly 17,000 Indonesian students studying in Australia.

Clearly the relationship between Australia and Indonesia is still recovering from one of its lowest points. Indonesia remains suspicious of Australian intentions and Canberra's tight relationship with Washington. Despite the remaining obstacles, real gains have been made in areas of functional cooperation. In this sense, the relationship has picked up to some extent following its low point in 1999. Canberra and Jakarta formed a strong partnership to cooperate against terrorist elements. Both countries have also held meetings and come to an understanding on controlling the flow of illegal migrants that pass through Indonesian waters in an attempt to land in Australia. Australia also has plans in the pipeline to restore military-to-military relations. Although Australia does not face the same sort of formal, legalistic, congressional restraint as the United States in restoring this aspect of the relationship, any such moves will be controversial among the Australian public. As Australia looks toward its future working relationship, it faces uncertainty about who will be the Indonesian head of state by the end of the year. The entrance into the presidential contest of General Wiranto as the Golkar Party candidate—who has been cited in various reports for his less-than-exemplary role in the East Timor crisis—raises the possibility of a leader who has criticized Australia in the past. The Australian government, aware that Wiranto is a controversial person in Australia, has issued a statement saying it could work with the former general if he wins. Alexander Downer told the *Australian Broadcasting Company*: "If we start attacking General Wiranto now, that might turn out to be a bit of an election winner for him." Even if Australia would rather see the top job in Indonesia go to someone else, public criticism of the Golkar candidate would backfire badly.

## CONCLUSION

Australia highly values its relationship with Indonesia, but at times its proximity to Washington has created difficulties. Indonesian anger at Washington and Canberra has tended to go hand-in-hand; the two are seen as inseparable. Although Australia's historically close alliance with the United States is not necessarily a problem in itself, statements emanating from the Howard administration have not helped. In 1999 press reports erroneously attributed the infamous "deputy sheriff" remark to Howard, whereby Australia would act as an agent of U.S. foreign policy. Even though Howard never made this remark, he was slow to correct it, leaving many in the wider region with the impression that he had intended to convey something like this. In more recent times Howard not only endorsed the Bush Administration's "preemption doctrine," which has caused alarm in Indonesia, but announced an Australian version. Given that many in Indonesia (and other parts of Southeast Asia) assumed that they were the intended target, Howard drew considerable heat.

In the past, and to some extent in the present, Australia's strategic and defense role in Southeast Asia is welcomed in Washington. Police cooperation in Bali, although not strictly a defense operation, has been highly successful in taking down Jemaah Islamiyah cells. However, any improvements in the relationship between Australia and Indonesia will come slowly, and Washington cannot expect Australia to push harder. Officials in Washington—hoping that Australia will undertake roles that it realistically cannot—may be disappointed to find that Australia is even more constrained. Still, the distinct pattern in the relationship is one of reemerging ties. In time Australia will be able to restore much of the pre-1999 Australia-Indonesia relationship.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, U.S. Pacific Command, the U.S. Department of Defense, or the U.S. Government.

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