DEFENCE WHITE PAPER SUBMISSION

The Opportunities and Limitations of Defence Engagement with Indonesia to 2035

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EXECUTIVE SUMMARY

Periodic diplomatic ruptures between Indonesia and Australia, seen most recently in Indonesia's response to spying allegations levelled against Canberra, belie the systemic forces enhancing Australia's utility to Indonesia. Australia and Indonesia are both significant regional middle powers committed to defending the global maritime commons and preventing Chinese hegemony. These facts are not lost on Jakarta's foreign policy elite despite the frustrations. The new Indonesian government's policy emphasis on the maritime domain is a highly positive development for bilateral defence relations and one likely to transcend political change in Jakarta. This provides an opportunity for Defence to facilitate closer trilateral cooperation with India and Indonesia in the Indian Ocean Rim Association (IORA) and to enhance maritime surveillance, information sharing and other maritime training activities, such as submarine escape and rescue and visit; boarding, search and seizure (VBSS). Defence science and technology cooperation germane to Indonesia's maritime geography will also be of high interest to Indonesian government agencies. Australia's Defence Cooperation Program (DCP) is one of the few areas of the defence relationship that has been somewhat immune from diplomatic tensions in the past. In partnership with the Australian Government, Australian universities, the private sector and think-tanks are well placed to deepen the skills and subject matter expertise of Indonesian security agencies more broadly.

The realisation of the defence and security aspects of Widodo's maritime axis doctrine, however, will, require a long term investment beyond a five year presidential term. It is also contingent upon solid economic growth rates and the competing imperatives of service delivery in health and education, as well as much-needed investment in infrastructure and agriculture. In the longer term Indonesia may experience democratic regression, with early signs of an emerging struggle between liberal reformists and oligarchic elites. Without further security sector reform measures, TNI personnel will remain exempt from Indonesia's civil and criminal codes, ensuring an ongoing level of impunity and opportunity to engage in rent-seeking behavior. Limitations to Australian defence engagement with Indonesia are by no means limited to the Indonesian side. The DCP has declined in real terms over the last ten years. Moreover, the Department of Defence appears affected by declining Indonesia expertise, which manifests itself in a general lack of understanding of Indonesia's role in ASEAN, its relations with key major powers, and its strategic importance in the Indo-Pacific region. Political tensions will continue to disrupt continuity in Australia's strategic partnership with Indonesia. Reducing its impact on the defence relationship warrants closer attention by policy planners.

PART 1. OPPORTUNITIES

Strategic Utility

Although Australian policy-makers understand the integral importance of Australia's defence engagement with Indonesia to the broader bilateral relationship, they are less inclined to understand its vulnerability to politics. In simple terms, the defence relationship with Indonesia does not operate in isolation from political tensions. On the contrary, defence engagement activities can provide a useful weapon with which Jakarta can vent its frustrations with Canberra. Over the next two decades, it is likely that Australia's defence relationship with Indonesia will remain hostage to the peaks and troughs of politics between proximate but very different neighbours.

Yet Australia is not exceptional in its diplomatic challenges with Indonesia. Malaysia and Singapore, for example, have also been the subject of Indonesia's ire in the past. Tensions have arisen over a number of issues, including competing maritime territorial claims between Kuala Lumpur and Jakarta, and more recently Indonesia's naming of one of its Corvettes after two Indonesian marines executed for their role in the 1965 bombing of McDonald House, Singapore. 1 Malaysia and Singapore's bilateral relations with Indonesia, like Australia's, are shaped by residual suspicion, as well as a strong imperative to cooperate.

1 In the past, the ill-treatment of domestic workers by Malaysian employers, along with territorial disputes and alleged appropriation of Indonesia's cultural heritage, became a lodestone for Indonesian public criticisms of Malaysia. In February 2014, Singapore banned the Indonesian Navy Corvette KRI "Usman Harun" named after the two executed marines from entering its territory or engaging it in joint exercises. This preceded an incident in March, when a Singaporean delegation walked out of the Jakarta International Defence Dialogue (JIDD) after two TNI personnel posed as the executed marines.
In fact, periodic diplomatic ruptures between Indonesia and Australia, seen most recently in Indonesia's response to spying allegations levelled against Canberra, belie the systemic forces enhancing Australia's utility to Indonesia. Since the late 1980s, Australia and Indonesia have engaged successfully in a collaborative middle power diplomacy to shape the global economic and security architecture in their mutual interests. Australia's utility to Indonesia is most clearly seen in the multilateral arena. The Mexico, Indonesia, South Korea, Turkey and Australia (MIKTA) grouping, the ASEAN Regional Forum (ARF) and the G20, for example, are all areas where common politico-economic goals trump bilateral spats. In strategic terms, Australia and Indonesia are both significant regional middle powers committed to defending the global maritime commons and preventing Chinese hegemony. These facts are not lost on Jakarta's foreign policy elite despite the frustrations.

- **Australia and Indonesia share common democratic values and a commitment to international maritime law.**
  
  Shared democratic identities and common security goals should be reflected in defence narratives on Indonesia.

**Global maritime axis (poros maritim)**

One highly positive development for the bilateral defence relationship is the new Indonesian government's policy emphasis on the maritime domain. Such a development is likely to transcend political change in Jakarta. Indeed, the fluid strategic responses in the wider Indo-Pacific region to China's rise will likely exert a strong influence on future Australian defence cooperation with Indonesia. It is clear, for example, that Beijing's increasing encroachment into Southeast Asia states Exclusive Economic Zones (EEZs) has shaped the thinking of President Joko Widodo's strategic advisors as well as senior TNI officers. Despite the immediate political constraints of a hostile legislature for Widodo, building Indonesia's air, naval and maritime policing capabilities will, on the whole, attract strong and enduring bipartisan support in Jakarta.

Australia is well-situated to take advantage of Indonesia's increasing preoccupation with its maritime sovereignty. By virtue of its geography, Australia is central to Indonesia's new maritime axis doctrine (poros maritim). The geopolitical component of a broader development doctrine, poros maritim calls for a reconceptualisation of Indonesia's vital interests as an archipelagic state strategically located at the crossroads of contending major power interests in the Indo-Pacific. The Widodo government seeks to integrate the Indian and Pacific Oceans as the primary theatre for its foreign policy implementation. In order to realise Indonesia's active role in the Indo-Pacific region, the government will accord priority to Indian Ocean fora such as the Indian Ocean Rim Association (IORA) and intensify its regional defence diplomacy.  

- **Indonesia's focus on both its maritime potential and vulnerabilities provides an opportunity for Defence to facilitate closer trilateral cooperation with India and Indonesia in the Indian Ocean Rim Association (IORA).**
  
  There is further potential to enhance cooperative measures in the Indian Ocean Naval Symposium (IONS), the ASEAN Defence Ministers Meeting Plus (ADMM Plus) and the Expanded ASEAN Maritime Forum (EAMF).

- **Enhanced maritime surveillance and information sharing; submarine escape and rescue training, Visit; Boarding, Search and Seizure (VBSS) training, and defence science and technology germane to Indonesia's maritime geography will be of high interest to Indonesian government agencies.**

**DCP Education and Training**

Australia is a valued defence partner for Indonesia and it is important to understand that Indonesia is selective in the defence engagement activities it suspends in response to perceived slights by Canberra. Indonesian Armed Forces (TNI) and Ministry of Defence (Kemhan) personnel prize the suite of training and education opportunities offered under the auspices of the Defence Cooperation Program (DCP) Indeed, it is one of the few areas of the defence relationship that is somewhat immune from diplomatic tensions. Aspects of education and training provided under the DCP even managed to survive the nadir of Australia-Indonesia relations during the East Timor crisis. Although President Widodo's policy platform places a greater emphasis on building skills in strategic research, law of the sea

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2 Chinese diplomats in Jakarta have reportedly been warned that Indonesia will not tolerate the kind of rough treatment recently meted out to Vietnam and the Philippines. Confidential discussion with Widodo advisor, Jakarta, 3 September 2014. To illustrate the point that Indonesia's defence posture was too passive, one of Jokowi's defence advisors quipped recently to seminar participants that instead of providing a credible military deterrent, 'Natuna [islands] would be snatched and Indonesia forced to snatch it back again! Confidential views of Jokowi advisor, Jakarta, 3 September 2014. See also Greta Nabbs-Keller, "Is Indonesia shifting its South China Sea policy?", The Interpreter, Lowy Institute for International Policy, 16 April 2014, http://www.lowyinterpreter.org/post/2014/04/16/Indonesia-Natuna-shift-south-china-sea-policy.aspx?COLLCC=1491051479&

and asset recovery in the foreign ministry (Kemlu),\textsuperscript{4} Indonesian government security agencies including TNI and Kemhan, remain hungry for more opportunities proffered by Australia. Australian universities, the private sector and think-tanks in partnership with the Australian Government are well placed to facilitate not just the research skills of Indonesia's diplomatic corps, but to deepen the skills and subject matter expertise of Indonesian security agencies, more broadly.

- Defence, in a whole-of-government approach, might give consideration to boosting professional training courses offered to Indonesian defence, security, and foreign ministry personnel.
- Defence planners should identify extant funding mechanisms to provide such training or indeed recommend the development of new ones to support such strategic goals.

PART 2. LIMITATIONS

**Competing Imperatives, Political Instability**

The realisation of the defence and security aspects of the maritime axis doctrine, such as safeguarding Indonesia's maritime sovereignty and securing natural resources in Indonesia's EEZ, will require a long term investment which will not be realised within a five year presidential term. The desired increase in Indonesia's defence spending to 1.5% of GDP\textsuperscript{5} is contingent upon solid economic growth rates and the competing imperatives of service delivery in health and education, as well as much-needed investment in infrastructure and agriculture. At the domestic political level, meanwhile, there are early indications that Widodo's Working Cabinet (\textit{Kabinet Kerja}) will face an obstructionist legislature, determined to frustrate elements of the government's policy agenda. Although Widodo's election win was acclaimed as a victory for Indonesia's democracy, it is possible that in the longer term Indonesia may experience democratic regression in a struggle between liberal reformists and oligarchic elites, the latter personified in individuals such as Prabowo Subianto.\textsuperscript{6}

- Potential illiberal developments in Indonesia, including growing human rights violations and/or greater military involvement in politics, may impact negatively on Australian public perceptions of Indonesia.
- As a consequence, Australian domestic political support for defence cooperation with Indonesia may be diminished, in a relationship paradigm reminiscent of the Suharto period.

**Institutional Constraints**

There are also institutional constraints to further reform within Indonesia's security bureaucracies. Deep rivalry between TNI and the Indonesian National Police (Polri) since their separation in 1999 has long frustrated closer coordination and undermined the implementation of overarching national security legislation termed (UU Kamnas).\textsuperscript{7} Both TNI and Indonesian National Police (Polri) commanders retain their cabinet positions despite earlier pressure from individual ministers, legislators and security sector reform representatives to place them under the authority of civilian ministries.\textsuperscript{8} Meanwhile, TNI personnel remain both exempt from the jurisdiction of Indonesia's Corruption Eradication Commission's (KPK), as well as the country's Criminal Codes (KUHP and KUHAP). Indonesia is currently ranked at a relatively low 114 among 177 countries in Transparency International's Corruption Perception Index.\textsuperscript{9}

\textsuperscript{4} Ibid, pg. 14.
\textsuperscript{5} Ibid.
\textsuperscript{6} There is an argument this is already happening of course. Indonesia's parliament (DPR) dominated by Prabowo's Gerindra-led "Red and White Coalition" has ended the direct election of governors, district and sub-district heads. Prior to July's presidential election, Prabowo made comments suggesting that Indonesia return to the original August 1945 Constitution, which concentrated power in the executive. See Edward Aspinall, "Indonesia's democracy is in danger", \textit{New Mandala}, 17 June 2014, http://asiapacific.anu.edu.au/newmandala/2014/06/17/indonesias-democracy-is-in-danger/.
\textsuperscript{7} Indonesian Security Sector Reform analysts, for example, widely attribute the rejection of the National Security Bill (UU Kamnas) by the DPR to rivalries between TNI and Polri. Polri fears TNI dominance in a proposed National Security Council (Dewan Keamanan Nasional), a key component of UU Kamnas bill, and has so far resisted plans to place the Polri chief under a civilian minister. There are also broader institutional jealousies and turf rivalries between Polri and TNI personnel that on occasion erupt in violence.
\textsuperscript{8} Both former defence ministers Juwono Sudarsono and Susilo Bambang Yudhoyono (SBY), whilst Coordinating Minister for Politics, Legal and Security Affairs publically discussed the merits of placing the TNI commander under the civilian minister for defence. In the DPR, the National Awakening Party (PKD) previously supported the idea. Widodo's 2014 policy platform in fact calls for Polri to be placed within a state ministry; he makes no mention of the TNI commander. See "House wants TNI under defense Ministry", \textit{The Jakarta Post}, 3 September 2004, http://www.thekajartapost.com/news/2004/09/03/house-wants-tni-under-defense-ministry.html; and Jokowi-Jusuf Kalla 2014, \textit{Jalan Perubahan Untuk Indonesia Yang Berdaulat, Mandiri Dan Berkepribadian: Visi, Misi Dan Program Aksi}, pg. 15.
Without further security sector reform measures, TNI personnel remain insulated from Indonesia's civil and criminal codes, ensuring an ongoing level of impunity and opportunity to engage in rent-seeking behavior.

In the absence of stronger civilian oversight, the professionalism and effectiveness of TNI personnel will remain constrained, undermining aspects of bilateral defence engagement.

**Australian Resourcing Constraints**

Limitations to Australian defence engagement with Indonesia are not just limited to the Indonesian side. Defence resourcing constraints, including human resources, present challenges for defence engagement. The DCP with Indonesia, for example, has declined in real terms over the last ten years from approximately AUD 7.4 million in Financial Year (FY) 04-05 to 3.7 million in FY 13-14. The Department of Defence, moreover, appears to be affected by declining Southeast Asia expertise more generally. This manifests itself in a general lack of understanding at the mid-ranking APS levels (APS6 to EL2) of Indonesia's role in ASEAN, its relations with key major powers, and its strategic importance in the broader Indo-Pacific region. This is not just a Defence human resource issue, of course, but a larger educational and public policy issue within Australia.

- Defence could first seek to determine through commissioned research, whether a lack of regional and language expertise acts as a constraint on policy advice to government and indeed bilateral defence engagement objectives.

- Subject to the findings of such research, the department may seek to increase the training of Defence policy and intelligence officers, increasing their exposure to Indonesian diplomats and representatives of academia, think-tanks and the private sector.

**Perceived Disrespect**

Although Australia has an enduring strategic utility for Indonesia, relations will be constrained by a perceived lack of disrespect at the political level.

- How policy planners reconcile the impact of these two competing influences on the defence relationship, will require policy innovation and in-depth country understanding over the coming decades.

For Indonesia, this perceived disrespect manifests itself in a lack of consultation on policy matters of vital national importance and general disregard for Indonesia's sovereignty. The 2011 ban on live cattle exports, announcement of a Darwin US marine deployment, repeated maritime border incursions and spying activities in cahoots with the United States have caused lasting irritation among Jakarta's foreign policy elites. The difficulty of managing such issues for Australia stems from the fact that they are also based on deeper suspicions and frustration with Australia borne from Indonesia's historical experience and marked socio-cultural differences.

- Political tensions will continue to disrupt continuity in Australia's strategic partnership with Indonesia. Reducing its impact on the defence relationship warrants closer attention by policy planners.

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11 This is an opinion, unsubstantiated by qualitative research. It is based on observations and interactions with mid-ranking Defence civilians over a five year period and through experience gained through the academic supervision and assessment of Defence personnel.