

Are we taking Indonesia seriously?

Howard Dick on a worrying lack of urgency as an important relationship is neglected

Australia still struggles to take Indonesia seriously. Everyone understands the rise of China but who talks about the rise of Indonesia? Yet only last month Indonesian President Susilo Bambang Yudhoyono sat down with the leaders of the United States, Japan, China, India, major European powers and Australia at the Group of 20 summit in London. Indonesia has been a democracy for 10 years and just held its third general election. These 240 million people will influence our future much more than 6 million Papua New Guineans or 4 million New Zealanders. But are we engaged? And could we do better?

In 2009, official Australia-Indonesia relations appear to be back on a firm footing after the turbulence of the John Howard-George Bush years. The Jakarta embassy is Australia's largest overseas post, ahead of London and Washington; Indonesia is Australia's leading aid recipient and its 11th biggest trading partner. The Australia-ASEAN free-trade agreement has been ratified and an Australia-Indonesia free-trade agreement is well advanced.

If there is any danger, it is sheer complacency on Australia's part. We have been slow to rise to the challenges and opportunities of a more prosperous, democratic and sophisticated neighbour and are squandering our intellectual expertise.

In Indonesian eyes, the defeat of the Howard government in 2007 marked a firm break with the past. Notwithstanding his personal relationship with Yudhoyono, former prime minister Howard was not seen as a friend of Indonesia. The end of the Bush-Cheney administration in the United States and the inauguration of Barack Obama, with his Indonesian background, have also helped to create a more relaxed diplomatic climate. Despite the recent execution of the Bali bombers, good intelligence and police co-operation have avoided further terrorist incidents.

Aid is the clearest Australian commitment to the long-term relationship. Indonesia now ranks ahead of Papua New Guinea as Australia's No. 1 aid recipient under a five-year program. The Howard government had pledged an additional \$1 billion over five years in 2005 as post-tsunami aid under a new Australia Indonesia Partnership for Reconstruction and Development.

In June 2008, Prime Minister Kevin Rudd and Yudhoyono rolled this into a new Australia-Indonesia Partnership agreement for \$500 million a year in aid until 2013. The priorities are education, health and development.

Economic relations are also strengthening. By 2007 two-way trade had reached \$10 billion, albeit much less than with Thailand (\$14 billion) or Malaysia (\$15 billion). Service trade is a fast-growing component. Indonesia has overtaken Malaysia and Singapore as the main South-East Asian source of international students, with about



Australia has been slow to engage our more prosperous, democratic and sophisticated neighbour.

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15,000 enrolled in Australian schools and universities. But tourist flows have fluctuated wildly in response to terrorist bombings and remain below their 1997 peak.

Investment is still weak. Figures from the Australian Bureau of Statistics indicate the stock of all types of Australian investment in Indonesia has risen slowly from \$2.9 billion in 2001 to \$3.4 billion in 2007, just 0.3 per cent of total outward investment. Indonesians invested \$400 million in Australia, so the net outflow was only \$3 billion.

Foreign direct investment (FDI) where the parent company exercises managerial control may be a better indication of long-term commitment: this figure rose from \$500 million in 2001 to \$1.8 billion in 2007. Yet despite a strong trend, the 2007 total was only 0.6 per cent of outward FDI, compared with 2.5 per cent for China and Hong Kong and 15 per cent for New Zealand.

Why doesn't proximity encourage Australian firms to pay more attention to investing in Indonesia? It cannot be lack of business opportunities. An economy of 240 million people growing until recently at about 6 per cent a year is generating plenty of opportunities. Indonesia's investment climate, however, is a problem. Investment and labour regulations, weak legal protection and erratic local government policies combine to deter investment. Nevertheless, for most Australian firms Indonesia is simply not on the radar screen.

The Australian government's stubborn persistence with a level four travel warning to "reconsider your need to travel" to Indonesia is a stumbling block to closer relations. Indonesia and East Timor are treated on a par with countries such as the Democratic Republic of Congo, Nigeria, Pakistan and Yemen. These are not neighbouring countries and, with

the exception of Pakistan, we do not seek closer relations with them.

After quiet diplomacy failed to have the ban lifted, the Indonesian Foreign Minister made a forthright public request at recent bilateral talks for the warning to be downgraded. The Australian government's tired response was that the matter is continually reviewed, acting on expert advice.

In March 2009, Australia and Indonesia signed a memorandum of understanding to allow more flexible work and holiday visas for young, tertiary-educated people. The Australian Immigration Minister observed the travel warning had not stopped Australians from visiting Indonesia.

Australia's position is therefore like that of bus drivers steering with one foot on the brake. When challenged they defend it as a safety measure, but add, "Don't worry, the brake isn't working!"

Perhaps the greatest obstacle to closer long-term relations is that the Australian public remains largely ignorant and deeply suspicious of Indonesia. This is partly the old bogey of "the threat from the north" — there are a lot of people in Indonesia, ergo they must covet expansion to Australia. The fact that most Indonesians are Muslim makes the equation with terrorism. Finally, Indonesia is seen to be corrupt and its judicial system hopeless.

"Border security" therefore translates subliminally into protection against threats from Indonesia: terrorism, boat people, disease, drugs and so on.

The Indonesian public, for its part, is suspicious of Australia. Goodwill carried over from Australian support for Indonesian independence in the late 1940s dissipated in 1999 because of Australia's support for the independence of Indonesia's East Timor province. After supporting

annexation for more than 20 years, Australia's sudden change of policy and its military intervention, albeit under United Nations auspices, was seen as a grievous betrayal. Indonesia's harsh rule and military atrocities in East Timor were not known to the Indonesian public, who saw their country as having generously funded the development of its newest and poorest province.

Then came the terrorist attacks on the US in September 2001. Howard's clumsy remark about Australia's role as deputy-sheriff for the US reverberated in Indonesia and encouraged those who saw Australia as an emerging military threat.

Fortunately, the spontaneous response of the Indonesian public to the aid appeal for the Aceh tsunami and the government's pledge of aid cast Australia in a more generous light, and this paved the way for a personal relationship between Howard and the incoming president, Yudhoyono.

In 2005 a trade and investment framework agreement was signed between trade ministers, followed in 2006 by a comprehensive framework of security co-operation. This Lombok Treaty is now the formal basis for the broad diplomatic relationship. A key principle is that both countries will "refrain from the threat or use of force against the territorial integrity or political independence of the other".

Education is the best way to improve public understanding in both countries. Here Australia lags well behind Indonesia. For university-educated Indonesians, proficiency in English has become essential as a means to access to global networks. English is taught in most secondary schools, though usually not very well.

In Australia, enrolments in Indonesian language at schools and universities have been in marked decline, accelerated by the Howard

government's withdrawal of federal funding for Asian language programs. Between 2001 and 2005 the number of Indonesian language students in government schools fell by 19 per cent — more than double the rate of decline in overall language numbers.

The government's inflexible, high-level travel alert hardly encourages the study of Indonesia. Parents are given official reason to believe that Indonesia is too dangerous. For students who do persist, the travel warning leads to an insurance obstacle: secondary students seeking in-country study of Indonesian get no closer than Darwin.

The flow-on is that the number of students studying Indonesian language and society in Australian universities is also in rapid decline — the Asian Studies Association of Australia reports a 24 per cent fall between 2001 and 2007. Because staff numbers are tied to student enrolments, academics are being retrenched, programs shut down and departments closed.

Vital research expertise on Indonesia is thereby being whittled away and there is little opportunity for aspiring young academics. Australia had built up an enviable international reputation as the world centre for Indonesian studies. On present trends, this will soon cease to be the case. A vital piece of the nation's soft infrastructure will be lost.

In terms of its architecture, the Australia-Indonesia relationship is falling into place. The big issue now is complacency. For all the warm rhetoric, there is no sense of urgency that building a common future requires a large investment in Asia education to create a society that can envisage a shared future. Student interest is collapsing in schools and universities; teaching and research expertise is dissipating. With some notable exceptions, Australian business sees no future in its own region. Hence there are almost no career paths for Indonesia experts outside an attenuated public service.

In 2009, Australia has still not made up its mind whether it wants to engage with Indonesia. Our hearts, minds and wallets are still elsewhere. Even the Australian government, having been twice surprised by bombings in Bali, clings doggedly to an official policy of discouraging Australians from visiting Indonesia. This is absurd. Let the travel advice advise Australians about the risks, provide information on sensible strategies and, as in the case of most other countries, advise on the provinces or cities or places that are best avoided. The Nanny Australia warnings do us all a disservice. Advance Australia Timid?

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This is part of a series of essays commissioned by Asialink at the University of Melbourne exploring key issues in Australia's engagement with Asia. The full version can be found at www.asialink.unimelb.edu.au