

Background

No. 2381
March 4, 2010



Published by The Heritage Foundation

U.S.–Indonesia Relations: Build for Endurance, Not Speed

Walter Lohman

Abstract: *The relationship between America and Indonesia can and should expand far beyond its current level. There are critical interests around which the two countries can build a strong, mutually beneficial partnership, such as trade, counterterrorism, military-to-military cooperation, and democracy promotion. But a new and deep U.S.–Indonesian partnership must be given time to develop and remain focused on the big picture. Heritage Foundation Asia expert Walter Lohman explains how the U.S. can build an enduring relationship with the fourth-largest country in the world.*

In preparation for his planned November 2009 inaugural swing through Asia, President Barack Obama had some disappointing news for Indonesia: He would not be able to include Indonesia on his itinerary as anticipated.¹ Now, on the eve of the President's rescheduled trip to Indonesia in the second half of March 2010, the earlier disappointment serves as a cautionary tale about managing expectations.

President Obama has the opportunity to position the United States and Indonesia for an entirely new partnership, one that can serve multiple U.S. foreign policy goals and long outlive his presidency. To do that, the Administration must keep the U.S.–Indonesia relationship in perspective, not burden it with more than it can bear, and focus on the big picture.

When prioritizing relationships with partners in Asia, the President of the United States must begin with treaty allies, particularly Japan and South Korea.

Talking Points

- President Obama's goal should be to leave his successor with a U.S.–Indonesia partnership that is an enduring fixture in America's network of vital Asian security and economic partnerships.
- Indonesia is by far the largest country in Southeast Asia by geography, population, and economy. It is strategically located, at the center of Southeast Asian diplomacy, and a thriving new democracy.
- The Obama Administration must build the relationship carefully and deliberately, with a focus on big-picture priorities: counterterrorism and counter-extremism measures, economic freedom, the geopolitical shape of the Asia Pacific, democracy promotion, and the efficacy of ASEAN.
- There are limitations on the relationship that cannot be overcome easily or quickly.
- The Bush years in U.S.–Indonesian relations are a foundation to build upon, not a legacy to be overcome.

This paper, in its entirety, can be found at:
www.heritage.org/Research/AsiaandthePacific/bg2381.cfm

Produced by the Asian Studies Center

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

U.S. relationships with these countries are big, robust alliances that accommodate tens of thousands of U.S. troops and dozens of U.S. military bases. China is next, which by virtue of its size, military modernization, and potential as a peer U.S. competitor, is critical to American interests in the region. Indonesia is simply not on the same priority list. Indonesia may one day assume a spot at the level of Australia, the Philippines, and Thailand, but it is not there now.

There are limitations on the U.S.–Indonesia relationship that will take time to navigate—stubborn differences in priority and political context too great to be ignored. There are natural differences between the way a rich country and poor country see the world, the international relationships they cultivate, and their global responsibilities. The democratic political systems of the two countries are vastly different—Indonesia is at an early stage of development. To an American eye, its decision making is opaque and unpredictable. There is no American equivalent to Indonesia’s Islamic politics—an incongruity that is both a source of well-founded concern and misunderstanding in Washington.

There is also a history of American involvement in Indonesia that remains very much alive in the Indonesian consciousness: support for an armed anti-Communist rebellion in Sumatra and Sulawesi (1957–1958), partisan interference in Indonesia’s first national elections in 1955, and decades-long support for anti-Communist dictator Suharto. Support for the anti-Communist rebellion backfired badly. It was Sukarno, later deposed by Suharto, who made elections a moot point in 1959 by instituting his authoritarian “guided democracy.” For the U.S., support for Suharto in an era that began in 1967 was the lesser of two evils—the other being what had become the largest Communist movement in the world outside of China and the Soviet Union.

But in play today are not the specific American policies of the last six decades; the problem is that America’s history of involvement in Indonesia has created a vague suspicion in the minds of many Indonesians that at any given time the U.S. may be manipulating events behind the scenes. An example

The U.S. has a compelling interest in forging a closer relationship with Indonesia.

is the controversy over the presence of the U.S. Naval Medical Research Unit No. 2 (NAMRU-2) in Jakarta, a 40-year-old U.S.–Indonesian collaboration focused on studying infectious diseases—a critical global issue, especially for East Asia.² Being too close to America is a charge that must be accounted for by any Indonesian politician in this democratic era.

The U.S. has a compelling interest in overcoming these challenges and forging a closer relationship with Indonesia. Indonesia is by far the largest country in Southeast Asia by geography, population, and economy. It is situated at the southern entry points to the strategically and economically vital South China Sea. It is the indispensable participant in Southeast Asian regional diplomacy. It is a thriving democracy with strong constitutional underpinnings—the freest country in Southeast Asia.³ It is the world’s largest Muslim-majority nation and has a tradition of constitutionalism and pluralism that well complements American global interest in freedom. Indonesia is also a critical partner in the global war on terrorism.

To fully realize American interests, the Obama Administration should advance the relationship slowly, keep expectations low, and focus on broad areas of common interests, such as counterterrorism and counter-extremism, economic freedom, the geopolitical shape of the Asia Pacific, democracy promotion, and the efficacy of ASEAN. Cer-

1. “Obama to Visit Indonesia this Year, Says SBY,” *The Jakarta Post*, April 4, 2009, at <http://www.thejakartapost.com/news/2009/04/04/obama-visit-indonesia-year-says-sby.html> (February 19, 2010).
2. “Namru-2 for Who,” *The Jakarta Post*, April 28, 2008, at <http://www.thejakartapost.com/news/2008/04/28/editorial-namru2-who.html> (February 19, 2010).
3. Freedom House, “Map of Freedom in the World: 2009,” at <http://www.freedomhouse.org/template.cfm?page=363&year=2009> (February 19, 2010).

tainly, presidential-level issues like these will not be fully formed by the time of President Obama's March visit, or soon thereafter. They can be spotlighted, however, and given a presidential stamp of approval. Small, concrete "deliverables" are useful, but it is more important to have the President's stamp on big ideas.

The Bush Years: Foundation to Build Upon, Not a Legacy to Overcome

Former Indonesian President Megawati Sukarnoputri was among the first world leaders to condemn the attacks of 9/11 and express sympathy to the American people. She did so in person on a visit to the White House on September 19, 2001. On that same occasion, she and President George W. Bush "vowed to open a new era of bilateral cooperation based on shared democratic values and a common interest in promoting regional stability and prosperity."⁴ At the end of the Bush Presidency, Megawati's successor, Susilo Bambang Yudhoyono, recognized the progress made on this vision by calling President Bush one of the most pro-Indonesian U.S. Presidents in history.⁵

From the end of the Cold War until 2001, America's Indonesia policy had bounced back and forth between Indonesia's perceived market potential and America's concerns about human rights in Indonesia. Under President Bill Clinton, the U.S. Department of Commerce identified Indonesia as

one of the top ten emerging markets in the world. But since 1992, Indonesia had also been subject to U.S. sanctions, various iterations of restrictions and conditions on military-to-military (mil-to-mil) contacts—the Foreign Military Sales (FMS) program, Foreign Military Financing (FMF), and International Military Education and Training (IMET). Indonesia's "big emerging market" status vanished during the 1997–1998 economic crisis. The accompanying demise of the Suharto regime and rise of democracy, however, barely registered on the sanctions debate in Washington. Sanctions were embedded even deeper into America's Indonesia policy as a result of deadly violence after East Timor's 1999 vote for independence from Indonesia—violence that was aided and abetted by the Indonesian military.⁶

After 9/11, the U.S.–Indonesia relationship was buffeted further by vastly different assessments of the terrorist threat driving American policy. Many Indonesians were unhappy with the American war on terrorism. They saw a contradiction between America's traditional promotion of human rights and its wars in Afghanistan and Iraq.⁷ They were also in denial; Indonesian vice president at the time, chairman of the Islamist United Development Party (PPP) and consummate America-basher Hamzah Haz, achieved a low point with his infamous declaration in mid-2002 that "there are no terrorists in Indonesia."⁸

4. Press release, "U.S. and Indonesia Pledge Cooperation," The White House, September 19, 2001, at <http://georgewbush-whitehouse.archives.gov/news/releases/2001/09/print/20010919-5.html> (February 19, 2010).
5. "Indonesia and America: A 21st Century Partnership," Speech by Dr. Susilo Bambang Yudhoyono, President of the Republic of Indonesia, USINDO Luncheon, Washington, D.C., November 14, 2008, at <http://www.presidenri.go.id/index.php/eng/pidato/2008/11/15/1032.html> (February 19, 2010).
6. The final report by the Indonesia–Timor Leste Commission for Truth and Friendship (CTF), a commission established jointly by the governments of Indonesia and Timor Leste to investigate the 1999 violence concluded the following: "TNI [the Indonesian military] personnel, policy and civilian authorities consistently and systematically cooperated with and supported the militias in a number of significant ways that contributed to the perpetration of the crimes enumerated above [murder, systematic rape, torture, severe deprivation of physical liberty, and deportation and forcible transfer]. The evidence also demonstrated that TNI personnel sometimes directly participated in the operations that led to these crimes. Such participation included direct participation in the actual commission of the crimes by members of TNI units and the direction of militia operations by TNI officers who were present when the crimes were committed." *Per Memoriam Ad Spem: Final Report of the Commission of Truth and Friendship: Indonesia-Timor Leste*, March 31, 2008, p. xv, at <http://www.cja.org/downloads/Per-Memoriam-Ad-Spem-Final-Report-of-the-Commission-of-Truth-and-Friendship-Indonesia-Timor-Leste.pdf> (March 4, 2010).
7. Richard C. Paddock, "Indonesia Sees the U.S. as a Tyrant," *Los Angeles Times*, April 9, 2003, at <http://articles.latimes.com/2003/apr/09/news/war-indonesia9> (February 19, 2010).

The terrorist attacks in Bali later that year and major subsequent attacks in Jakarta complicated this easy appeal to the Indonesian public. The terrorist attacks recast Indonesia's relationship with the United States, and put it on a track to realize the collaborative vision laid out during the 2001 Bush–Megawati meeting. Criticism of America gradually took a back seat to the urgency of Indonesia addressing its own home-grown terrorist problem. The U.S. and Indonesia now shared a clear priority.

President Megawati and President Bush met again in October 2003, this time in Bali. The very act of President Bush's brief visit was packed with symbolic value. He made a point of emphasizing Indonesia's "powerful example" of Muslim democracy,⁹ and together, the two took a slice of the five-hour visit to meet with moderate Muslim, Christian, and Hindu

One of the main points of the U.S.–Indonesia relationship became broad counterterrorism cooperation.

religious leaders. Minutes after the meeting, echoing sentiments he had expressed in the 2001 meeting and at many other times, President Bush told the Indonesian press, "We know that Islam is fully compatible with liberty and tolerance and progress, because we see the proof in your country and in our own. Terrorists who claim Islam as their inspiration defile one of the world's great faiths. Murder has no place in any religious tradition..."¹⁰

During the 2003 visit, Bush and Megawati identified the war on terrorism as a common priority; they also focused on democratic development, economic reform, anti-corruption efforts, trade and investment ties, and proper Indonesian civil–military relations. President Bush used the occasion to announce one of the most widely praised elements of American assistance to Indonesia, a multi-year \$157 million program to improve Indonesian education.

The rehabilitation of relations between the two countries was complete with the normalizing of mil-to-mil relations in 2005,¹¹ and reinforced by American perceptions of Indonesia's seriousness in the war on terrorism. One of the main points of the relationship became broad counterterrorism cooperation: "Assistance for financial intelligence unit training to strengthen anti-money laundering, counterterror intelligence analysts training ... funds for the establishment of a national police counterterrorism unit and for counterterrorism training for policy and security officials," including assistance in establishing Indonesia's elite and effective counterterrorism unit Detachment 88.¹² In 2005, Indonesia was selected for the U.S. Millennium Challenge Corporation's threshold program (upgraded to compact-eligible status in 2008). Contact between the U.S. and Indonesian presidents through bilateral meetings in Washington or on the sidelines of the Asia–Pacific Economic Cooperation (APEC) forum continued, and President Bush made a return trip to Indonesia in November of 2006.

-
8. "Indonesian Vice President's Dinner Sorts Out Nice Guys from Terrorists," *The Sydney Morning Herald*, May 16, 2002, at <http://www.smh.com.au/articles/2002/05/15/1021415013912.html> (February 19, 2010).
 9. Press release, "U.S. and Indonesia Joint Statement." The White House, October 22, 2003, at <http://georgewbush-whitehouse.archives.gov/news/releases/2003/10/20031022-1.html> (February 19, 2010).
 10. Press release, "President Bush, Indonesian President Megawati Hold Joint Press Conference" The White House, October 22, 2003, at <http://georgewbush-whitehouse.archives.gov/news/releases/2003/10/20031022-2.html> (February 19, 2010).
 11. U.S. Department of State, "Background Note: Indonesia," Bureau of East Asia and Pacific Affairs, January 2010, at <http://www.state.gov/r/pa/ei/bgn/2748.htm> (February 19, 2010): "In November 2005, the Under Secretary of State for Political Affairs, under authority delegated by the Secretary of State, exercised a National Security Waiver provision provided in the FY 2006 Foreign Operations Appropriations Act (FOAA) to remove congressional restrictions on Foreign Military Financing (FMF) and lethal defense articles. These actions represented a reestablishment of normalized military relations, allowing the U.S. to provide greater support for Indonesian efforts to reform the military, increase its ability to respond to disasters and participate in global peacekeeping operations, and promote regional stability."
 12. Bruce Vaughn, "Indonesia: Domestic Politics, Strategic Dynamics, and American Interests," Congressional Research Service *Report for Congress*, August 7, 2009, p. 30.

The Obama Administration capitalized on this progress and on President Obama's personal associations with Indonesia by accelerating diplomatic engagement. In February 2009, Secretary of State Hillary Clinton visited U.S. treaty allies Japan and South Korea, China, and Indonesia. Secretary of Defense Robert Gates visited Indonesia later that same month. Combined with Obama–Yudhoyono conversations at the G-20 meetings and APEC Summit, and President Obama's phone calls to President Yudhoyono, the Administration appears to be fully deployed diplomatically.

Most significantly, the Administration has agreed to pursue a “comprehensive partnership” with Indonesia—an idea first proposed by President Yudhoyono after the 2008 U.S. presidential election. This partnership will cover a range of initiatives in the broad areas of economics, security, and “people-to-people contacts.”¹³ The longstanding plan has been for President Yudhoyono and President Obama to sign an official agreement for such a partnership during President Obama's first visit to Indonesia.

Counterterrorism Cooperation Remains Most Critical Shared Interest

American and Indonesian priorities intersect most closely in the area of counterterrorism. Indonesia is home to the Islamist terrorist group Jemaah Islamiyah (JI). In the 1990s, JI was responsible for stoking the horrendous conflicts in the Indonesian islands of the Mulukus and Sulawesi. JI perpetrated the spectacularly well-coordinated Christmas Eve bombings of 2000 in multiple Indonesian cities. JI (or elements of it) was responsible for the major attacks in Indonesia between 2002 and 2005. Those attacks on Bali, the Jakarta Marriott, the Australian embassy, and Bali (again) resulted in the deaths of 250 innocent people.

Then followed a four-year period without a major attack. The lull elicited international praise for Indonesian counterterrorism measures.¹⁴ During that time, many high priority terrorists were captured or killed by Indonesian authorities. Three of the most valuable convicts from a public relations perspective—the “Bali bombers”—were executed in Indonesia in 2008. That same year, major terror plots were squelched in South Sumatra and North Jakarta.

The reality of the terrorist threat in Indonesia re-emerged in July 2009 when a JI splinter group led by the notorious Malaysian terrorist Noordin Top bombed the Jakarta Marriott and Ritz-Carlton hotels causing seven deaths. Top has since been killed by police, as have key accomplices. But his attack was a warning that the terror threat, while degraded, remains potent and lethal.

Renowned expert on Indonesian terrorism Sidney Jones of the International Crisis Group calls “the continuation of violent extremism in Indonesia” “likely.” “Until Indonesia comes to grips with the fact that an ideology that feeds on indiscriminate violence has taken root and prospered...the chance of a new generation of terrorists emerging is high,” says Jones. She singles out at-large Noordin Top lieutenants, a rich recruiting pool, and the continuation of Top's organization either under a new leader or splintered into different factions.¹⁵ Several terrorism analysts have pointed to the new difficulty of tracking a splintered JI. And there are other smaller, well-networked terrorist groups. The existence of pro-bombing and anti-bombing factions among the militants (the latter claiming that some attacks were premature, the victims not properly warned, the bombings were strategically unwise or involved too many Muslim victims) is hardly reassuring.

Indonesia's interest in combating terrorism on its soil is apparent. It is an interest America shares for

13. U.S. Department of State, “Developing a Comprehensive Partnership with Indonesia,” Hillary Rodham Clinton, Secretary of State, Remarks with Indonesian Foreign Minister Noer Hassan Wirajuda, Jakarta, Indonesia, February 18, 2009, at <http://www.state.gov/secretary/rm/2009a/02/119424.htm> (February 19, 2010).
14. According to the Indonesian police, a total of 455 militants have been detained since 2000, of which 352 have been convicted. “Indonesian Antiterror Squad Demands More Tools, Say Radical Groups Waiting to Strike,” *Jakarta Globe*, November 19, 2009, at <http://thejakartaglobe.com/national/indonesian-antiterror-squad-demands-more-tools-say-radical-groups-waiting-to-strike/342674> (February 19, 2010).
15. Sidney Jones, “Top Target: Militant deaths hit extremism in Indonesia,” *Jane's Intelligence Review*, November 2009.

several reasons. First, the U.S. government, from the President on down, has as its first priority the protection of American citizens. Americans have been among the killed and injured in Indonesia's attacks and could be in the future. Second, the terrorists have regional connections and aspirations. A major plot uncovered in Singapore in 2001, not in Indonesia, first brought JI to international attention. The U.S. cannot allow these groups to flourish in one isolated corner of Southeast Asia because that corner may have the potential to cause destruction and death thousands of miles away. Third, the U.S. has an interest in Indonesian stability: Indonesia's successful democracy is an example of Asian democracy as well as of the compatibility of liberal democracy and Muslim-majority polities. Indonesia's political stability is also important to its role as keeper of the Malacca, Sunda, and Lombok Straits through which more than half the world's annual merchant fleet tonnage passes.

Struggle Against Islamist Extremism

The United States and Indonesia share an interest in stemming Islamist extremism of the non-violent kind. First, the line between Islamist ideology and violence is a thin one; second, civil, political, and religious freedoms are worth pursuing in their own right; and third, America's traditional commitment to Indonesia's territorial integrity and stability should preclude threats, not just address them once they materialize. Given Indonesia's vast ethnic and religious diversity, left unchecked, non-violent Islamist extremism could lead to conflict along ethnically determined geographic lines.

A non-sectarian ideology, Pancasila, is at the heart of Indonesia's founding and constitution. Pancasila encompasses five principles: belief in God, just and civilized humanity, the unity of Indonesia, representative democracy, and social justice. Pancasila provides a tolerant philosophical base for a

The line between Islamist ideology and violence is a thin one, and religious freedoms are worth pursuing in their own right.

vast multi-ethnic, multi-religious country that cannot be recreated in the current political climate. It also has the broad support of the Indonesian public.¹⁶ The Indonesian parliament defeated efforts to overturn Pancasila in 1959, and twice more since the 40-year freeze on democracy was lifted in 1998.

However, there are forces continuing the fight against Pancasila, from the national level to the provincial, district, sub-district, and municipal levels. Islamist parties more or less held their own in the 2009 national parliamentary elections at about 16 percent of the vote, down from 20 percent in 2004. After the presidential election that same year, the chief Islamist standard bearer, the Prosperous Justice Party (PKS), emerged as the principal partner to the winning Democratic Party in a cabinet that includes six of the nine parties that qualified for representation in parliament. PKS picked up four ministerial posts, including the plum posts of communications and agriculture. The Islamists were passed over in favor of a technocrat and brilliant economist for the vice president slot, and PKS lost its post as chairman of the joint People's Consultative Assembly (MPR) to a non-sectarian party. As a result of these setbacks, the Islamists are less a formal force of power than they were before the 2009 elections—but they do serve in the president's coalition, a concoction that requires constant tending by the Indonesian president to ensure it stays united in purpose.

It would be complacent to disregard the threat that Islamists continue to pose to Indonesia's governance. Islamist parties have a record, from Pakistan to Bangladesh to Malaysia, of catalyzing the political

16. Surveys of Indonesian public opinion routinely confirm Indonesian preference for non-sectarian government. A survey by Lembaga Survei Indonesia (LSI) cites 85 percent support for democracy and Pancasila as the foundation of the state. Lembaga Survei Indonesia, "Partai Islam Kian Tak Diminati" (Islamic parties more and more unattractive), October 16, 2006, in Indonesian, at <http://www.lsi.or.id/liputan/162/partai-islam-kian-tak-diminati> (March 2, 2010). Another sample survey puts support for Pancasila at 69 percent and support for Islamic government at 11 percent. Lingkaran Survei Indonesia, "Mayoritas Publik Idealkan Pancasila" (A majority hold Pancasila as their main principle), September 7, 2006, in Indonesian, at <http://www.lsi.co.id/artikel.php?id=475> (March 2, 2010).

environment and achieving their undemocratic aims without ever seizing formal control of government. Although the number of local jurisdictions in Indonesia imposing Islamic law appears to have leveled off,¹⁷ there are a number of disconcerting signs. Following their failure to overturn Pancasila at the national level, Islamist groups not only turned to local government, they have increasingly turned to preparing the grassroots through *dakwah* (proselytizing).¹⁸ There are as many as 50 radical *pesantren* (Islamic boarding schools) in Indonesia that serve as “a source of recruits and supporters.”¹⁹ Ahmadiyya, an Islamic sect many devout Muslims consider heretical, was essentially banned in 2008. Permits to build Christian churches are extremely difficult to obtain in Indonesia, and even if they are built, are sometimes forcibly closed down.²⁰ Stories of a thousand people assembling in suburban Jakarta and descending on a church—unimpeded by police—as happened this past December,²¹ are disturbing to say the least. When police do take precautions, the magnitude of the precautions themselves are large enough to raise eyebrows. One cannot help but wonder what forces are at work that require the deployment of 79,000 police to secure Christmas Eve and New Year celebrations.²²

The U.S. and Indonesia share an interest in combating Islamist extremism—but in Indonesia, Islamist ideology is a domestic political issue, and Indonesia’s politics are given to consensus-building and grand coalitions. Indonesian leaders are comfortable granting limited political power to illiberal political forces. Yet, needlessly accommodating Islamists could have terrible political implica-

tions—that, in the context of expanding U.S.–Indonesia relations, would receive more American public scrutiny and threaten areas of the relationship that are currently bearing fruit.

The Rise of China

The most serious geopolitical challenge facing the East Asia and Pacific region is the rise of China. China’s massive economic growth, rapid military modernization, and weighty presence in the diplomatic world are things that both the U.S. and Indonesia must take into account in their foreign policies. The U.S. and Indonesia, however, approach the China challenge from vastly different angles.

The most serious geopolitical challenge facing the East Asia and Pacific region is the rise of China.

The U.S. perspective is one of a superpower with 60 years experience as the guarantor of peace and stability in the Asia–Pacific region. America is a global power with global interests at stake in its relationship with China. The U.S.–China relationship, economically one of the world’s most important, is marked by both competition and cooperation. Over the past decade, a rough consensus has developed in Washington around a “hedging strategy,” preparing for negative outcomes associated with China’s rise, for example, great power rivalry and conflict, while engaging China in ways that promote peace, freedom, prosperity, and security.

17. Richard G. Kraince, “The Challenge to Religious Liberty in Indonesia,” Heritage Foundation *Background* No. 2279, June 1, 2009, at http://www.heritage.org/Research/AsiaandthePacific/bg2279.cfm#_ftn16.

18. Noorhaidi Hasan, “Islamic Militancy, Sharia, and Democratic Consolidation in Post-Suharto Indonesia,” Rajaratnam School of International Studies, RSIS *Working Paper* No. 143 (October 23, 2007).

19. “Indonesia: Noordin Top’s Support Base,” International Crisis Group, *Asia Briefing* No. 95, August 27, 2009.

20. Kraince, “The Challenge to Religious Liberty in Indonesia.” See also U.S. Department of State, “International Religious Freedom Report 2009: Indonesia,” October 26, 2009, at <http://www.state.gov/g/drl/rls/irf/2009/127271.htm> (February 19, 2010).

21. Hasyim Widhiarto, “Residents Attack Church in Bekasi,” *The Jakarta Post*, December 19, 2008, at <http://www.thejakartapost.com/news/2009/12/19/residents-attack-church-bekasi.html> (February 19, 2010).

22. Arientha Primanita, Farouk Arnaz, and Zaky Pawas, “Indonesian Police Will Deploy 78,500 Officers to Secure Christmas and New Year,” *The Jakarta Globe*, December 22, 2009, at <http://thejakartaglobe.com/home/indonesian-police-will-deploy-78500-officers-to-secure-christmas-and-new-year/348735> (February 19, 2010).

Indonesia's perspective is first and foremost that of a developing country emerging from the political, social, and economic turmoil that ensued after the fall of Suharto in 1998. Indonesia is the heart of the Association of Southeast Asian Nations (ASEAN), but its influence beyond ASEAN is essentially limited to East Asia. Even then, its influence is mostly the passive impact of its geographical position between the Indian and Pacific oceans.²³

Any developing country has as its first priority economic development. A developing country's economic priorities are often short-term and sometimes acute. Indonesia does not presume anything approaching the international responsibilities of the United States—presumptions that might cause it to conflict with larger Chinese interests. Indonesia is separated from a direct Chinese threat by miles of sea. As a result, China represents far more economic opportunity to Indonesia than a geopolitical threat.

Concerns that Indonesia may have from time to time about China's intentions in the region are marginal enough that it prefers to deal with them through ASEAN's collective embrace. Indonesia reaps the economic upsides mostly through its bilateral relationship. Like the rest of ASEAN, Indonesia is not interested in risking these near-term benefits by challenging the Chinese about their intentions and future capabilities. In the short term, the U.S. will not receive meaningful support from Indonesia for America's array of concerns about China (for example, military modernization, military balance in the Taiwan Strait, and human rights).

Where U.S. and Indonesian interests intersect is on the engagement part of a "hedging" strategy. The United States has major interests in productive economic relations with China. Both the U.S. and Indonesia have an interest in maximizing the benefits of Chinese economic growth and minimizing economic disruptions. Indonesia and the U.S. share an interest in areas such as financial market stability and product and food safety.

Addressing U.S.–Indonesian shared interests in engaging China means American support for Chinese investment and trade in ASEAN. And it demands America's own energetic involvement in ASEAN so as not to cede the field to the Chinese. The U.S. will find a willing partner in Indonesia in this regard.

The U.S. should continue to build military relationships with Indonesia that support immediate priorities like the war on terrorism, but which will also mitigate the long-term impact of Chinese military outreach to Indonesia. The U.S. and Indonesia can also share information on China's military modernization, policy, and movement of its forces on a regular basis, and help address ASEAN's concerns over the Chinese military presence in the South China Sea.

By focusing constructively on mutually shared objectives regarding China—and playing down concerns about threats not currently animating Indonesian policymakers, the U.S. will build capital for the time when the longer-term concerns regarding China's rise come into clearer focus for Indonesia.

Making the Most of ASEAN

The U.S. and Indonesia share an interest in an effective, integrated, independent, outward-looking ASEAN. ASEAN has played an indispensable role in facilitating peace and dialogue on security issues that are in the interest of both countries. This historic purpose remains ASEAN's principal contribution to the Asia–Pacific region. Since 1992, ASEAN has also been at the center of a process of regional economic integration—the organizational side of which culminated in the adoption of the ASEAN charter in November 2007, and ratification by all members in late 2008.

For the Indonesians, an effective ASEAN provides opportunity to compete and build integrated supply chains and new markets for their products. An integrated ASEAN is also a more attractive destination for American investment and exports. U.S. assistance to, and consistent engagement with,

23. There is a latent dispute over China's claim to the South China Sea. China's claim encompasses resource-rich Indonesian waters near Natuna Island. But the conflict is distant—even more so than regional disputes over the Spratlys and Paracels. Indonesia is not generally considered one of the disputants in discussions about the South China Sea.

ASEAN is in Indonesia's interest. Indonesia's leadership in ASEAN may be in America's interest in a way it has never been previously.

Because of its size, Indonesia is ASEAN's indispensable power. Over the last several years, it has gradually resumed a leadership role from which it had strayed after President Suharto's departure. The professionalism, priorities, and sensitivities of Indonesia's foreign ministry have not changed much from the Suharto years. But the ministry now faces an active policy debate at home and a parliament that demands results from ASEAN. At the center of the new Indonesian seriousness about ASEAN's purpose is its concern that ASEAN live up to its newfound voice on human rights and the principles enshrined in the new ASEAN charter.

This concern made Indonesia the last to ratify the charter. In the end, its ratification took place with something approaching a caveat. Specifically, the People's Representative Council (DPR) called for advancing and defending human rights with an effective human rights commission, and penalties for serious violation and non-compliance with the charter, including suspension of membership rights. Comments by members of the special committee appointed to study ratification further elaborated their expectation that the charter would be amended to the satisfaction of DPR guidance by end of 2012.

Driving many of the most vocal critics of ASEAN's new charter is concern over human rights violations in Burma. Other actions that the DPR has taken to express its concern include rejecting and delaying confirmations of ambassadors to and from Burma, inviting Burmese parliamentarians in exile to attend annual budget speeches, and allowing Burmese dissidents to use the DPR building for an international conference when the Indonesian government had denied permission to convene elsewhere in Jakarta.

By ASEAN standards, this is extraordinary action by parliament. But there are important limitations

on the DPR to keep in mind as the U.S. explores the potential for U.S.–Indonesian collaboration on human rights. The DPR operates mostly by consensus; so on a high-profile international issue like the ASEAN charter, a cross section of concerned legislators with the support of the Speaker can punch far above their weight. The noise created on any given issue may be greater than the sum of its parts. The other limiting factor is that, as daring as legislators have been on these international issues, the DPR is uncertain of its power. Turnover in the DPR last year has also created uncertainty about who the next leaders will be on human rights issues.

The four years that parliamentarians have suggested for progress on the charter may coincide with the DPR figuring out what role it has to play in Indonesia's foreign policy. The U.S. should be prepared for the possibility of it being much more of a driver in this regard and be prepared to make the most of it. It is quite possible that American and Indonesian interests in the development of ASEAN will increasingly converge. The U.S. and Indonesia have a common interest not only in creating an organization that can hold its own in a competitive neighborhood and implementing more than the mere 30 percent of its agreements it now honors.²⁴ Both countries have a common interest in helping ASEAN live up to its charter's stated intention to "promote and protect human rights and fundamental freedoms."

Many Indonesians say that their concerns about human rights are driven purely by ethical concerns. They have fresh memories of the Suharto era that made them especially sympathetic to Burma's plight. Americans have the same interest in upholding human rights. But the U.S. also has another interest. ASEAN is at a tipping point—half its members are "free" politically; half are "unfree."²⁵ The way ASEAN debates and decides issues related to Burma will determine the resolution of the contradiction at the heart of the charter: "Respect for human rights" versus "non-interference in internal affairs." Decision in favor of the former means closer association with the United States and its regional allies.

24. Tommy Koh *et al.*, "Charter Makes ASEAN Stronger, More United and Effective," *The Straits Times*, August 8, 2007.

25. Freedom House, "Map of Freedom in the World: 2009."

Closer Trade and Investment Ties Can Underpin Partnership

The basic fact of the U.S.–Indonesia economic relationship is that the U.S. exports approximately \$6 billion in goods to Indonesia, making it America's 37th-largest market; and imports approximately \$16 billion in goods from Indonesia.²⁶ Indonesia exports twice as much to Japan as it does to the U.S., and exports about the same amount to China as it does to the U.S. U.S. private investment in Indonesia is about \$17 billion—of \$153 billion in total U.S. investment in Southeast Asia.²⁷ Needless to say, a relationship between the third-largest and fourth-largest countries in the world should generate more economic activity. More economic activity could ultimately help form the basis for real partnership.

The basic fact of the U.S.–Indonesian economic relationship is that the U.S. exports approximately \$6 billion in goods to Indonesia, making it America's 37th-largest market.

Where are the bottlenecks in the economic relationship? It has to start with the state of economic freedom in Indonesia. Indonesia ranks 114th in the 2010 *Index of Economic Freedom* compiled by *The Wall Street Journal* and The Heritage Foundation, with an overall score that is below the global average. It performs particularly poorly in investment freedom because of “corruption; unpredictable, inconsistent, and non-transparent regulations; weak contract enforcement; labor market rigidities; and inadequate infrastructure.”²⁸

When it comes to corruption, Indonesia has improved from 143rd to 111th place in Transpar-

ency International's annual *Corruption Perceptions Index*,²⁹ but corruption is still pervasive, with Indonesia remaining in the bottom half of the 180 countries surveyed.

Trade freedom in Indonesia fares much better than investment freedom. Yet, the *Index of Economic Freedom* notes: “import and export bans and restrictions, services market access barriers, non-transparent and arbitrary regulations, import and export licensing requirements, restrictive sanitary and phytosanitary regulations, state trading, weak enforcement of intellectual property rights, and inconsistent and corruption-prone customs valuation add to the cost of trade.”³⁰

All of these problems are borne out in the complaints of the American business community and catalogued annually in the U.S. Trade Representative's annual National Trade Estimate Report on Foreign Trade Barriers (NTE).³¹ Currently, the most troublesome issues include a requirement that pharmaceutical companies manufacture locally or in partnership with Indonesian firms in order to sell in the Indonesian markets; an onerous and slow process for registering food, beverage, and other products for sale in Indonesia that has real impact on American exports; local content requirements in the telecommunications sector; and restrictions on import and distribution of foreign films.

On the investment side, the *Index of Economic Freedom*, the NTE, and American business community all single out the impact of Indonesia's 2007 Investment Law and associated list of sectors closed to foreign investment or otherwise conditioned. According to the NTE, while providing “much needed improvements in transparency as well as a range of investor protections...it significantly

26. United States Trade Representative, “Foreign Trade Barriers: Indonesia,” 2009, at http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file255_15479.pdf (February 19, 2009).

27. Bureau of Economic Analysis, “U.S. Direct Investment Position Abroad on a Historical Cost Basis: Country Detail by Industry, 2008,” U.S. Department of Commerce, at http://www.bea.gov/international/xls/pos_long_08.xls (February 19, 2010).

28. Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009).

29. *Corruption Perceptions Index 2009*, Transparency International, at http://www.transparency.org/policy_research/surveys_indices/cpi/2009 (February 19, 2010).

30. Miller and Holmes, *2010 Index of Economic Freedom*.

31. United States Trade Representative, “Foreign Trade Barriers: Indonesia.”

increased the number of restricted sectors and increased foreign equity limitations in sectors of interest to U.S. investors.” There have also been problems with the law being applied retroactively, and with restrictions at the ministry level that go beyond the restricted sectors listed.

All of these issues hinder the real degree to which the American private sector can become involved in the Indonesian economy. Ultimately, the Yudhoyono administration, like the Obama Administration, must determine where free commerce fits into their national visions, and thereby their visions for the U.S.–Indonesia relationship. Resolving this broad political issue is essential to expanding the economic relationship beyond its current state.

What the Obama Administration Should Do

- The Administration must keep its eye on the geopolitical ball. With regard to the President’s trip and the signing of a U.S.–Indonesia Comprehensive Partnership, the immediate priority is not to secure concrete “deliverables”; it is to establish a framework that commits the U.S. and Indonesia publicly to developing the relationship, and promotes regular consultations and cooperation on the most important areas of that relationship: counterterrorism and counter-extremism measures, economic freedom, geopolitics, democracy promotion, and the efficacy of ASEAN.
- The Administration should maintain a priority focus on counterterrorism cooperation. Today, that cooperation is robust. Among other things, it includes U.S. assistance for police emergency response and criminal investigation skills; training in crisis response, surveillance, and information-gathering; training of prosecutors, judges, and corrections officers; and support for a task force in the Indonesian Attorney General’s office, which is responsible for convicting more than 40 JI terrorists since 2006.
- Cooperation on regional promotion of democracy, particularly in Burma, should be a critical part of the new U.S.–Indonesian Strategic Dialogue established by the Obama State Department, and should include representation from the DPR. This initiative is a useful complement to the ongoing U.S.–Indonesia security dialogue. Indonesia’s profession of a values-based foreign policy is an excellent opportunity to achieve mutual objectives beyond traditional security concerns.
- The Administration and Congress should support counter-extremism programs in Indonesia. By building and strengthening liberty-minded Muslim networks, media, and school curriculums, organizations like the LibForAll Foundation³² are working actively to attack Islamism at its ideological roots. The Obama Administration appears to have reverted to a pre-9/11 American reluctance to “do Islam.”³³ The Administration must understand that there is a political battle of ideas going on in Muslim communities around the world, one that the U.S. cannot simply hope ends well for the values Americans and friends and allies abroad hold dear. The U.S. can and should play a role in this struggle by empowering the side supporting liberty.
- The Administration and Congress should focus the vetting of Indonesian officers for participation in IMET on individual accountability, and should increase the total number of Indonesian participants in the program. Current law and administrative procedure prohibit IMET training for “units” involved in human rights violations.³⁴ Effectively, this bars members of Indonesia’s Special Forces (KOPASSUS), the country’s most capable military organization, from IMET train-

32. LibForAll, “Programs Overview,” at <http://www.libforall.org/programs.html> (February 19, 2010). For more on the virtues of counter-radicalization, see Magnus Ranstorp, “Preventing Violent Radicalization and Terrorism: The Case of Indonesia,” Swedish National Defence College, December 18, 2009, at http://www.libforall.org/media/reports/Indonesia-Report_Magnus-Ranstorp.pdf (March 2, 2010).

33. Andrew Higgins, “As Indonesia Debates Islam’s Role, U.S. Stays Out,” *The Washington Post*, October 25, 2009, at <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/24/AR2009102402279.html> (February 19, 2010).

34. John Haseman and Eduardo Lachica, *The US–Indonesia Security Relationship: The Next Steps* (The United States–Indonesia Society, 2009), p. 113.

ing for abuses carried out ten or more years ago. The blanket prohibition misses opportunities to shape an understanding of Indonesian military professionalism; and it prevents the U.S. military from establishing valuable personal relationships with the Indonesian officer corps.

- The Administration should restore the Joint Combined Exercise Training (JCET) programs with KOPASSUS.³⁵ JCET programs provide tailor-made training opportunities for Indonesians with fully vetted human rights records. The U.S. should engage with KOPASSUS in order to prepare for regional contingencies, as well as for domestic counterterrorism operations. It is in America's interest to enable as full a range of options as necessary for Indonesia to be able to respond effectively to terrorism at home. JCET also gives U.S. Special Forces the opportunity to train in real environments and build familiarity with foreign forces with which they may have to work in the future.
- The U.S.–Indonesia partnership should address barriers to trade and investment with a focus on priority market access issues. Beyond the benefit to the investor or exporter, resolutions of such issues will send signals beyond the specific sector concerned and affect broader perceptions of the business climate. A U.S.–Indonesia Bilateral Investment Treaty (BIT) should be negotiated to provide access, consistency, and transparency for American investors, and to improve Indonesia's attractiveness as an investment destination.
- The U.S. Agency for International Development (USAID) should continue its main focus on education. According to USAID, its Indonesia Education Initiative to improve the quality of

education in Indonesia has reached more than 346,000 students, and almost 24,000 administrators and teachers from more than 1,470 schools.³⁶ The key elements of that \$157 million program, announced in 2003, expire this year. They should be continued. Providing a quality education is vital for preparing Indonesia's workforce to meet the demands of a modern economy—essential to the country's development and political stability—and is a way of countering radicalization in Islamic boarding schools.³⁷

Conclusion

The United States and Indonesia are poised for a much closer relationship. President George W. Bush and successive Indonesian presidents have labored through difficult conditions to forge the basis of an enduring partnership. If the U.S. plays its hand well (nothing, not even Barack Obama's popularity in Indonesia, can be taken for granted), a true partnership can develop that serves a range of common interests. In time—longer than the term of one U.S. or Indonesian administration—consistent cooperation on common interests and values has the potential to transform the U.S.–Indonesian relationship. President Obama's overarching goal for U.S.–Indonesia relations should be to leave to his successor a relationship that is an enduring fixture in America's network of Asian alliances. He can best do that treading carefully and deliberately, remaining focused on big-picture priorities.

—Walter Lohman is Director of the Asian Studies Center at The Heritage Foundation. Portions of this paper were first prepared for a Center for Strategic and International Studies project entitled "U.S. Alliances and Emerging Partnerships in Southeast Asia."

35. Haseman and Lachica, *The U.S.-Indonesia Security Relationship*, p. 52.

36. USAID, "Asia: Indonesia," October 8, 2009, at <http://www.usaid.gov/locations/asia/countries/indonesia/indonesia.html> (February 12, 2010).

37. Vaughn, "Indonesia: Domestic Politics, Strategic Dynamics, and American Interests," p. 17.