

Strategic Analysis Paper

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Indonesian Foreign Policy: The US Factor

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Key Points

- The United States and Indonesia share a healthy bilateral relationship.
- They are the world's second- and third-largest democracies, respectively, and share many democratic norms and institutions.
- There have been some setbacks in the relationship but it has, overall, continued to progress.
- Given the current strains in the Asia-Pacific region and shared perceptions of a common aggressor, it is likely that the relationship will continue to strengthen.

Summary

The United States-Indonesia relationship has assumed an increasing importance for both countries for a variety of reasons. Besides being the world's third-largest democracy, possessing the world's largest Muslim population and having the seventh-largest economy in the world in purchasing power parity (PPP) terms, Indonesia also borders the South China Sea, which, given its maritime traffic and geostrategic location, is of prime importance to the United States.

The United States was one of the first countries to establish diplomatic relations with Indonesia in 1949 after it gained independence from the Netherlands. The country's increasing turn towards democratic norms after 1998, when President Suharto was removed

from office, has seen its political institutions stabilise and its economy grow more or less steadily. It has, thus, become a prime target for the US to further develop their bilateral relationship. As this paper will demonstrate, however, both countries have their own visions of what form that relationship should be, based on their individual objectives and goals.

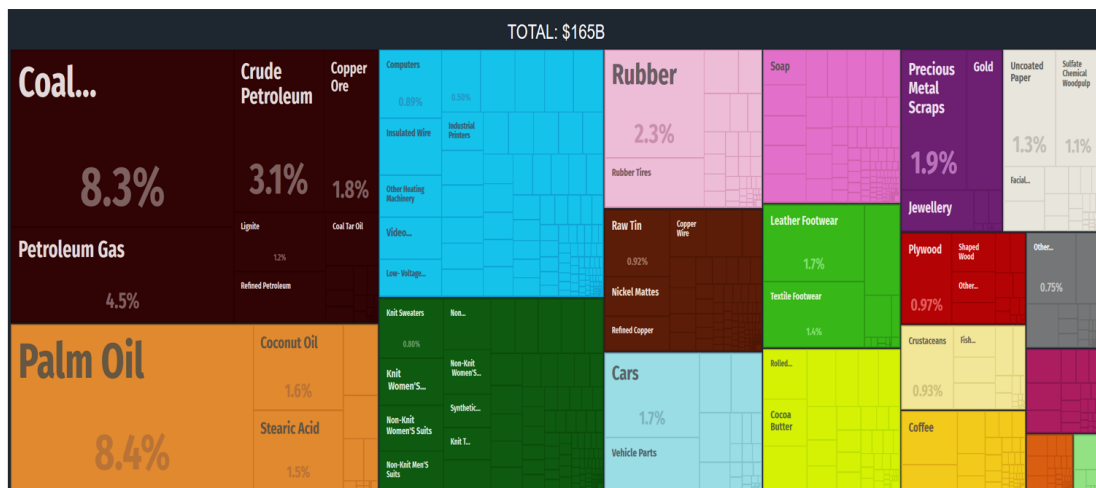
Analysis

The Indonesian archipelago, which straddles the equator, consists of approximately 17,000 islands, of which around 6,000 are inhabited. The largest islands are Sumatra, Java (the most populous), Bali, Kalimantan (the Indonesian part of Borneo), Sulawesi (Celebes), the Nusa Tenggara islands, the Moluccas Islands and West Papua (the Indonesian half of the island of New Guinea). With a population of around 250 million (2014 estimate), Indonesians constitute one of the world's most diverse nations. There are at least fifteen ethnic groups, including the Javanese, who constitute over 40 per cent of the total population, the Sundanese (15 per cent), Malays at close to four per cent, the Batak people who also make up close to four per cent, the Balinese at 1.7%, the Achinese at 1.4%, ethnic Chinese who constitute around 1.2% and various other ethnicities who together make up around 15 per cent of the population. Muslims constitute around 87 per cent of the population, Christians around ten per cent, Hindus over 1.5% and others around one per cent. The official language is Bahasa Indonesia, but English, Dutch, Javanese and more than 580 other languages and dialects are also spoken.

Such wide-ranging diversity makes it all the more remarkable that the vast majority of the people rose up together in 1998 to liberate themselves from the shackles of authoritarianism and to work towards creating their own democratic norms and institutions.

With the largest economy in South-East Asia, Indonesia is today the *de facto* leader of the Association of South-East Asian Nations (ASEAN) grouping. Its [nominal gross domestic product](#) in 2016 was US\$932 billion and, measured in PPP terms, is US\$3.4 trillion. Its nominal per capita GDP in 2016 was around US\$11,600. The traditional focus on developing the country's agricultural base has, since the late 1960s, given way to increasing industrialisation and, consequently, a growing urban population. That shift in focus has seen a corresponding one in exports, from oil to manufactured goods. Also in 2016, Indonesia's exports were calculated to be worth US\$164 billion and imports at US\$135 billion, resulting in a positive trade balance of US\$29 billion. The country's main exports in that year were palm oil, coal briquettes, petroleum gas, crude petroleum and rubber. Its top imports were refined petroleum, crude petroleum, telephones, vehicle parts and aircrafts.

Indonesia's Exports



Source: Observatory of Economic Complexity

The figures make Indonesia a prime destination for US exports. Not surprisingly, as Indonesia recovered from the Asian Financial Crisis, it received increasing attention in Washington for economic and strategic reasons. The US sought to build upon its existing relationship with Indonesia which was, by and large, cordial enough after President Suharto established his New Order government in 1966. Indonesia, given its bruising encounter with communism, saw the United States as the less-threatening superpower. No matter its stated non-alignment, Jakarta also recognised the political and military role that Washington played in South-East Asia to maintain the stability of the region and, accordingly, sought to develop the bilateral relationship. By 1991, the US trade with Indonesia had surpassed its trade with all of Eastern Europe.

There were, nevertheless, several issues that strained the relationship in the 1990s. As it does at the present time with China, the US rejected Indonesia's claim to the deep water channels that link the Indian and Pacific Oceans. Indonesia, for its part, worried about the effects on its exports by what it perceived to be the growing protectionism in US trade policy. In a situation that is a close parallel to the current strains in the Sino-US trade relationship, Indonesia's concerns led to a dispute with the US over intellectual property rights, a dispute that ended when Jakarta was forced to acquiesce to Washington's threat to impose trade sanctions on it.

It was, however, the East Timor issue that caused the greatest rift in the bilateral relationship. Jakarta did not take kindly to what it perceived to be unnecessary and exaggerated US human rights concerns given to this matter by the US Congress. That unwanted attention, Jakarta believed, led to further attention from, and action by, human rights groups. Jakarta perceived that state of affairs to be hypocritical; Washington declared on the one hand that Jakarta contributed to regional peace and stability but made persistent allegations about human rights abuses in East Timor by Indonesian troops. Worse, Washington also sought to punish Jakarta by terminating its military assistance. Despite the protestations of government officials in Washington that sanctioning Indonesia would jeopardise the bilateral relationship altogether, the US Government believed it needed to work with Indonesia on a broad range of issues and not pander to it for temporary or

superficial gain. It wished to work with Indonesia, in other words, as one mature country would with another, both of which continued to respect human rights as they pursued the development and strengthening of their relationship.

Despite those bumps, the healthy relationship continued. In 2009, Hillary Clinton visited Indonesia on her first international trip as Secretary of State and, in November 2010, during his visit to Jakarta, President Obama signed the US-Indonesia Comprehensive Partnership with President Susilo Bambang Yudhoyono. The Partnership sought to elevate bilateral relations by enhancing co-operation and upgrading strategic consultations on key bilateral, regional and global issues. Secretary Clinton and Indonesian Foreign Minister Marty Natalegawa chaired the inaugural session of the Joint Commission in September 2010 in Washington, DC.

According to the Partnership, the two countries would co-operate in three key areas, which were denoted in a Plan of Action: political and security co-operation, co-operation in economics and development and, finally, co-operation in the socio-cultural, educational and science and technology fields. The Plan of Action also allowed for the establishment of six working groups that were made responsible for co-ordinating strategies and highlighting policy priorities. Bilateral co-ordination was planned in the fields of energy, security and trade and investment. New working groups were formed to co-ordinate efforts on democracy and civil society, education and climate and the environment. The Plan of Action also witnessed increased co-operation in military exercises, educational exchanges and the development of institutional relationships between the governments, businesses, academia and civil societies.

The two presidents reaffirmed their support for the US-Indonesia Comprehensive Partnership in November 2011. The Comprehensive Partnership witnessed the creation of a US\$600 million compact under which the Millennium Challenge Corporation would invest in renewable energy, maternal and child nutrition, the modernisation of Indonesia's procurement system and "green prosperity". The Corporation sought to provide alternative livelihoods for Indonesians eager to take part in their country's economic rise without degrading its environment.

The bilateral dialogue, importantly, witnessed a growing recognition of Indonesia's role in maintaining maritime security in the South China Sea dispute. Foreign Minister Natalegawa's shuttle diplomacy between the various ASEAN claimant states of the South China Sea waters earned Indonesia and he the respect due for their endeavours to settle the long-term dispute.

Indonesia and the United States conducted the *Garuda Shield 2012* joint military exercises in June 2012, which involved 450 Indonesian and 100 US troops, the sixth iteration of the exercises since *Garuda Shield* was established in 2007. The two countries also participate in several regional exercises, including *Cobra Gold* in Thailand. The US provided Indonesia with military funds to upgrade its C-130 cargo planes and [agreed](#) to sell two dozen refurbished F-16s to Jakarta.

A year after taking office, President Joko Widodo paid an official visit to the US in November 2015. President Obama and he decided to elevate the existing Comprehensive Partnership to a strategic one during that trip. The new level of engagement reflected a desire by the two countries to push for deeper and broader collaboration. The renewed relationship was dictated by current circumstances. The Obama Administration, recognising the deteriorating influence of the US in the Asia-Pacific region vis-à-vis China, sought to engage emerging powers like Indonesia that also had democratic ideals, norms and institutions similar to those in the US to help address regional and global challenges. Indonesia, for its part, sought to cement ties with major players, including the US, to support its own rise as a regional power with global interests.

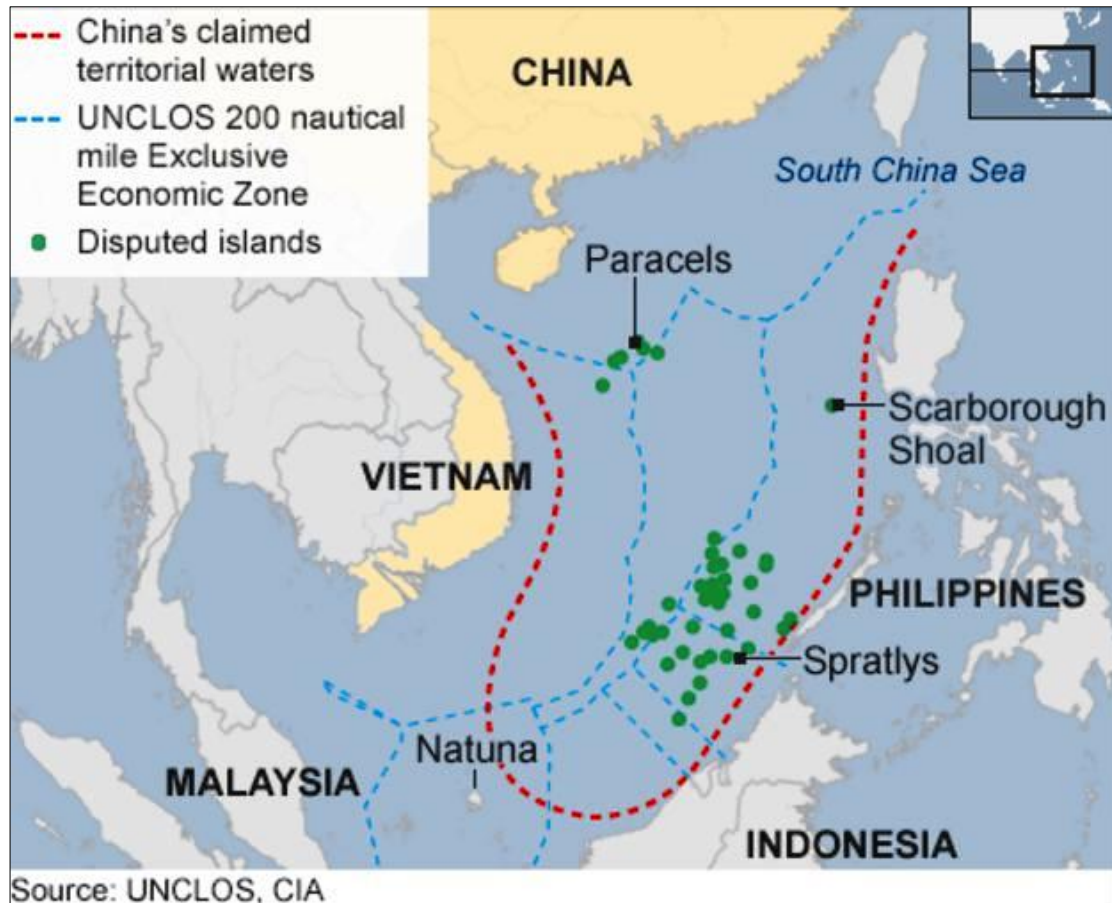
President Widodo's trip resulted in the strengthening of diplomatic, security and economic ties. The two countries established a new annual ministerial strategic dialogue that aimed to hold regular high-level consultations and the existing Track 2 Dialogue was broadened and President Obama announced that Indonesia would join the Trans-Pacific Partnership.

The election of Donald Trump appears to have altered the bilateral relationship. President Widodo stated that he was optimistic about US-Indonesia relations under a Trump presidency, [saying](#), 'Our relationship will still be good, particularly in trade, America is a major investor in Indonesia and I believe that will not change.' He added: 'I also invite the President-elect of the United States to continue to work together to build peace and create prosperity for the world.' The present US administration appears to place as much, if not greater, emphasis on a reciprocal economic relationship than on one predicated on human rights and other democratic norms, however. To be fair, the Trump Administration has not singled out Indonesia in that regard but, nevertheless, will pressure Indonesia to work towards a more balanced trading relationship wherein the US does not suffer from a major imbalance in trade figures. For a developing country like Indonesia, which depends on exports to maintain its development, that would not be welcome news. Jakarta is liable to perceive that development as more than a mere bump in the relationship.

An added disadvantage is President Trump's so-called Muslim ban. No matter that Indonesia is not one of the seven Muslim-majority countries whose citizens were barred from travelling to the US by the ban, the Trump Administration's action has caused some discomfort in Indonesia. The country has, after all, the world's largest Muslim population and, while the Islamic ethos as it exists in Indonesia is not as harsh or all-consuming as the equivalent in some other Muslim-majority countries, its citizens still feel a sense of kinship with those to whom the ban applies. A ban on Muslims, after all, implies that it is the religion that is at odds with the democratic values of the US, despite the fact that Indonesia is also a democracy. Given its struggle towards becoming democratic, moreover, the ban on Muslims, as it is perceived to be, sits uncomfortably with most Indonesians.

Amid that situation, the China factor is an added complication. China has been aggressive in claiming close to the entire South China Sea as its territory or "blue soil". While Jakarta has been at pains to demonstrate that it does not seek to upset its relationship with, or provoke, Beijing, it has had no compunctions in demonstrating that it will not abide any challenge to its territorial integrity, [sinking](#) Chinese fishing boats that strayed either deliberately or by

accident into its territorial waters in the South China Sea or [firing](#) upon them. Now that the Trump Administration seeks to form a coalition of sorts to counter China’s aggressive tactics, it would do well to ensure that it takes measures that would attract Indonesia towards any such coalition. The much-debated Quadrilateral, or “Quad”, comprising Australia, India, Japan and the US, would be boosted by the presence of South-East Asia’s largest economy and the de facto regional leader in that configuration. It would make a great deal of sense, therefore, if the US – and the other members of the Quad, for that matter – works towards bringing Jakarta into the grouping.



The US-Indonesia bilateral relationship has remained strong despite some setbacks. If its history is any indicator, the perceived drawbacks to the relationship at the present time will not have too great a negative effect on it, either. The two countries are drawn together by mutual need – the US to remain an influence in South-East Asia and Indonesia to retain its US market – and by circumstance – China’s current aggression in the region. It is, therefore, unlikely that their relationship will be truly endangered. That being the case, it is likely that the bilateral relationship will continue to advance.

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