

# Between Aspiration and Reality: Indonesian Foreign Policy After the 2014 Elections

On October 20, 2014, Indonesia—the world’s fourth-largest nation, third-largest democracy, and largest Muslim-majority country—after a decade of stable leadership under Susilo Bambang Yudhoyono, inaugurated former Jakarta governor Joko Widodo as its new president. Jokowi, as he is popularly known in Indonesia, will face the daunting task of addressing the country’s myriad domestic problems, while also maintaining its role abroad as a regional leader in Southeast Asia as well as a global player in important international fora like the G20 and the United Nations. Indonesian foreign policy will likely display significant continuity with the Yudhoyono years. But in translating Indonesia’s foreign policy aspirations into reality, Jokowi will confront major challenges ranging from nagging resource constraints at home to incomplete political transitions and rising nationalism among Indonesia’s neighbors abroad. These challenges have profound implications for U.S. policy toward Indonesia, given the closer ties between the two countries over the past few years. U.S. policymakers should factor in these realities as they fashion next steps for U.S.–Indonesia relations.

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## Yudhoyono's Mixed Legacy

**U.S. policymakers should factor in these realities as they fashion their next steps.**

Since its independence in 1948, Indonesia has sought to play what its former vice president Mohammad Hatta called a “free and active” (*bebas-aktif*) role in world affairs, demonstrated by its hosting the historic Bandung Asia–African Conference in April 1955, which led to the founding of the Non-Aligned Movement (NAM). But the Asian financial crisis of 1997 and the overthrow of long-time Indonesian autocrat Suharto led the country to turn inward amid fears of impending Balkanization. After years of turmoil and a succession of weak leaders, Yudhoyono came to power in 2004 determined to both rebuild the country and gradually restore its leadership role in the region and the world. A decade later, he leaves behind a mixed legacy: he has provided the political stability and economic growth necessary for Indonesia to begin to be more active in the foreign policy realm, but he has also left several formidable domestic challenges unaddressed which will constrain his successor both at home and abroad.

**Indonesia has always sought to play a “free and active” (*bebas-aktif*) role in world affairs.**

On one hand, Yudhoyono's decade in power has been a period of extraordinary political stability and respectable economic growth. That, in turn, has begun to provide both the capabilities and confidence for Jakarta to be more active in foreign policy. During Yudhoyono's tenure, Indonesia not only recaptured its role as *primus inter pares* in the Association of Southeast Asian Nations (ASEAN), but began to play a leading role in organizations like the G20 as well as the United Nations, and to take independent positions on key issues ranging from Syria to climate change. Indeed, Jakarta's rising profile has led some to classify it as a “middle power,” a term reserved for a few influential medium-sized states (like India, South Korea, and Turkey) with the capability and willingness to employ proactive diplomacy with a global vision, including between the developing and developed world.<sup>1</sup>

Yudhoyono himself embraced this role for Indonesia regionally and globally. In his first ever foreign policy speech, delivered to the Indonesian Council on World Affairs in 2005, he said Indonesia needed to go beyond its traditional “free and active” foreign policy and adopt a “constructive approach” to engage regional and global actors and function as a peacemaker, confidence builder,

problem solver, and bridge builder.<sup>2</sup> Regionally, he has proposed the idea of a “dynamic equilibrium” to replace the traditional, adversarial “balance of power” concept. Under a dynamic equilibrium, ASEAN countries would work with others to build mechanisms—including the East Asia Summit (EAS), the ASEAN Defense Ministers’ Meeting Plus (ADMM+), and perhaps even an Indo–Pacific treaty of friendship and cooperation—where no power is dominant or excluded, and all parties make up part of a web of mutually beneficial relationships that leads them to work toward common security despite trust deficits and differences.<sup>3</sup>

Separately, Indonesia also founded the Bali Democracy Forum in 2008, an annual event that brings together dozens of countries, irrespective of regime type, to promote democracy in the Asia–Pacific through inclusive dialogue and sharing best practices. Jakarta has also actively supported ASEAN’s development, as was made clear in July 2012 when Foreign Minister Marty Natalegawa shuttled between Southeast Asian capitals to bridge divides and salvage a six-point consensus on the South China Sea issue, after the organization’s unprecedented failure to issue a joint communique at its summit.

Globally, Indonesia has served as an influential actor in a diverse array of international fora. In the G20, Jakarta has proposed initiatives in a number of areas, including multilateral development bank reform and assistance for emerging markets to achieve growth during global crises. As one of the co-chairs of a UN High-Level Panel on the post-2015 global development agenda, Yudhoyono emphasized the importance of poverty alleviation and sustainable prosperity. And in the field of climate change, Indonesia, the world’s fourth-largest greenhouse gas emitter, has projected itself as a leader, unilaterally declaring in 2009 an ambitious target of cutting emissions by 26 percent (or 41 percent with international assistance) by 2020.

But while Yudhoyono has helped lay the foundation for his successor to further advance Indonesia’s “middlepowermanship,” so to speak, he has also left a vast array of domestic challenges. Politically, religious intolerance against minorities rose in Indonesia and anti-corruption efforts ran into major setbacks during his second five-year term. While the president was re-elected in 2009 with a 70 percent approval rating, many believed he squandered this strong mandate by giving in to his coalition partners and opponents instead of advancing a reform agenda in the national interest. Indeed, the disappointment in Yudhoyono’s second term looms so large that when the party of his successor, Jokowi—the Indonesian Democratic Party of Struggle (PDI-P)—underperformed in legislative elections in April, some already forecasted that Jokowi’s ambitious reform agenda to tackle these unaddressed political challenges would be similarly stymied by an unwieldy and fragmented coalition and obstructionist opposition.

Economically, even though Indonesia did grow by an average of 5.8 percent per year under Yudhoyono, he also made little progress on addressing the country's structural deficiencies.<sup>4</sup> Indonesia's barely functioning infrastructure, Byzantine bureaucracy, rigid labor market, unsophisticated manufacturing sector, and ailing education and health systems continue to act as constraints on growth and spook some foreign investors. Rising economic nationalism has led to a surge of protectionist policies over the past few years, including a trade and industry law favoring domestic companies. In 2013, Morgan Stanley featured the Indonesian rupiah in its "Fragile Five" emerging market currencies under the most pressure against the U.S. dollar, and the rupiah ended up being Asia's worst performing currency that year.<sup>5</sup> At an international seminar in Bali last December, Finance Minister Chatib Basri warned that these trends could cause Indonesia to become caught in what economists called the "middle-income trap"—the growth slowdown that many developing countries experience once they reach middle-income levels.<sup>6</sup> That would prevent Indonesia from realizing its goal of becoming a high-income country by 2025.

In the military domain, even though Indonesia's defense budget has more than tripled in the last decade, it has never constituted more than one percent of GDP (unlike some of its neighbors such as Malaysia, Vietnam, and China.)<sup>7</sup> As a result, the country is unable to perform even basic functions, like controlling its own territorial waters. According to recent figures, Indonesia has only 25 working, seaworthy ships available at any one time to patrol the world's second-longest coastline.<sup>8</sup> And while Indonesia has purchased a wide variety of weapon platforms over the past decade, a questionable procurement process and incoherent strategic doctrine continue to impose severe constraints on military modernization. By one estimate, the Indonesian military today operates 173 different medium and advanced weapon platforms from seventeen different countries, which amplifies difficulties in terms of maintenance, personnel training, and interoperability.<sup>9</sup> Meanwhile, aspects of Indonesian military doctrine still remain rather outdated, with concepts like the army- and continental-centric "Total People's Defense," based on territorial guerilla warfare during the country's struggle against the Dutch in the 1940s.<sup>10</sup> The country's plan to achieve a so-called Minimum Essential Force by 2024 also does little to address structural problems, such as inter-service coordination and platform alignment.<sup>11</sup>

## **Jokowi's Foreign Policy Challenges**

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Jokowi's victory in Indonesia's July 9 presidential elections, confirmed by Indonesia's Election Commission on July 22, was nothing short of historic. By

choosing a 53-year-old former furniture exporter over Prabowo Subianto, a former general and son-in-law of late dictator Suharto, Indonesians have elected their first ever president from outside the Jakarta elite in the hope that he can clean up the country's corrupt politics and institute fundamental change.

**Jokowi is the first president ever elected from outside the Jakarta elite.**

Most analysts agree that Jokowi is unlikely to depart from Yudhoyono's basic foreign policy vision, which has sought to balance raising Indonesia's leadership profile in regional and international fora with ensuring that its commitments do not undermine its prized autonomy or overstretch its limited capabilities. There is broad agreement on this general idea in Indonesia at the elite level, and the official policy platform Jokowi's vice president, Jusuf Kalla, released in May signaled significant continuity with Yudhoyono's foreign policy agenda, including advancing Jakarta's role as a middle power.<sup>12</sup>

However, Yudhoyono's mixed legacy means that Jokowi will have to navigate several foreign policy challenges as he balances maintaining Indonesia's middlepowermanship abroad while tacking unaddressed challenges at home. As an ambitious reformer from outside the traditional elite, he will also likely face fierce opposition in the legislature on some of his domestic reforms, including possibly from within his own party. In order to successfully advance a foreign policy agenda in Yudhoyono's stead, Jokowi will have to manage resource constraints, contain rising nationalism, navigate past democratic challenges, confront unfavorable geopolitics, and overcome rising frustration in some circles regarding the utility and pace of regional cooperation.

First, Jokowi will have to adroitly manage the gap between Indonesia's commitments and the limited resources it has to implement them—the so-called Lippmann Gap first observed by U.S. journalist Walter Lippmann during World War II.<sup>13</sup> On climate change, for instance, while Yudhoyono has begun to make some progress in meeting Indonesia's ambitious emissions target, it will be up to his successor to expend significant political capital to actually achieve it. Addressing deforestation and forest degradation alone, which accounts for over half of Jakarta's emissions, will require significant reforms, including sorting out the complex division of labor between federal, provincial, and local authorities and enforcing a moratorium on new logging project licenses.<sup>14</sup> If he is serious about prioritizing climate change, Jokowi will also need to empower the brand new REDD+ Management Agency (RMA) created in August 2013.

In the military realm, Jokowi must ensure that his campaign commitment to increase the defense budget to 1.5 percent of GDP is actually realized, even in the face of other challenges, so Indonesia can better resource its ongoing

**Jokowi must ensure that Indonesia's rising nationalism does not damage its global reputation.**

military modernization.<sup>15</sup> But it is equally important for Jakarta to manage existing resources more wisely. For example, finding creative ways to restructure defense spending distribution so it is not skewed significantly toward personnel costs (two-thirds by some estimates), rather than procurement or research and development, would go a long way in helping Jakarta do more with the same resource allocation.

Second, Jokowi must work to ensure that Indonesia's rising nationalism does not undermine its internationalist outlook or damage its reputation worldwide. With respect to economic nationalism, for instance, Indonesia's next president should strike a better balance between addressing populist concerns about foreign exploitation with the country's need to bring in overseas investment and preserve its international image. Take the country's lucrative mining sector, which makes up about a fifth of all foreign direct investment: Indonesia's controversial decision to ban the export of mineral ores in January 2014 to ensure companies process them domestically may eventually add value to exports. But it has also reduced foreign earnings in the short term as the necessary infrastructure is being built, exacerbated concerns about its current account deficit, and fed global fears about rising protectionism there. Last year, the WTO concluded that the country should improve its trade and investment policies to "better reflect Indonesia's ambition to have a leading role in the global stage."<sup>16</sup> Given all this, a Jokowi administration should work with mining companies to find creative ways to either relax the ban or contemplate more productive instruments.

Nationalism in the political domain also needs to be tamed. Nationalistic passions naturally tend to be aroused when a foreign country slights Jakarta's pride, but pragmatic policymakers should apply the brakes and seize any opportunity to deepen the relationship to better weather future crises.<sup>17</sup> This is especially pertinent as Canberra and Jakarta mend their relations during the rest of 2014 following allegations that Australian intelligence tapped the phones of Yudhoyono, his wife, and several cabinet ministers.<sup>18</sup> As relations defrost with progress on a code of conduct on intelligence sharing, a Jokowi administration should gradually consider how to further institutionalize security cooperation among elites to build trust as well as boost education exchanges between publics to promote greater awareness. Potential steps could range from working with Australia to boost its recently launched New Colombo Plan—which aims to bring undergraduates to Indo-Pacific countries including Indonesia—to greater law enforcement cooperation on issues like cybercrime and joint efforts in other countries in the region.<sup>19</sup>

Third, Jokowi should not only strive to maintain, but improve, Indonesia's own democracy and human rights record so it can enhance its soft power abroad. That requires countering hardline Islamic groups such as the Islamic Defender's Front and their powerful political patrons which have been trying—at times successfully—to curtail the rights and freedoms of minority Ahmadi, Shi'ite, and Christian communities by fiat or by force during the Yudhoyono years. This also means addressing the grievous human rights violations and chronic underdevelopment that continue to plague Indonesia's eastern region of Papua, where Jakarta has been struggling with a low-intensity insurgency for a half-century. If soft power begins at home, as Joseph Nye famously argued, Indonesia's failure to get its own house in order as the world's third-largest democracy and largest Muslim-majority nation will undermine the credibility of its efforts, like the Bali Democracy Forum, to spread these values abroad.<sup>20</sup>

Fourth, a Jokowi administration must continue to place a strong emphasis on Indonesia's regional leadership in ASEAN in spite of growing frustrations in some circles regarding its utility and pace. While some are understandably aggravated when non-democratic member states water down Indonesia's forward-leaning measures in ASEAN, the organization and its wider complex of institutions are nonetheless useful platforms through which Indonesia can fulfill its middle-power ambitions and engage great powers on initiatives like the dynamic equilibrium.<sup>21</sup> Indonesia's next president should thus play an active role in preserving ASEAN's cohesion and shaping its development. For example, Indonesia should embrace the goal of creating a single regional common market of ASEAN countries—known as the ASEAN Economic Community (AEC)—more fully as it nears completion by the end of 2015. Even though there are challenges to Indonesia realizing the full benefits of the AEC, such as corruption and limited infrastructure, Jokowi and his advisers should view this as an opportunity to simultaneously undertake domestic reforms to address them and commit to the AEC, rather than seeing these two things as mutually exclusive.<sup>22</sup>

Jokowi could also encourage strengthening the ASEAN Intergovernmental Commission on Human Rights (AICHR), a consultative body to address human rights issues in the region founded in 2009. While AICHR is considerably weaker than Indonesia had initially intended, Jakarta can still work with other like-minded Southeast Asian states like the Philippines and Thailand to gradually expand its reach. This could include, for example, an ability to receive official human rights complaints from the region and possibly conduct on-site visits and consultations, as Jakarta invited AICHR members to do in 2013.

Fifth, and lastly, Jokowi should be prepared to adapt the country's middlepowermanship to the potentially unfavorable geopolitical realities it

confronts. For instance, China's coercive actions against several ASEAN states in the South China Sea since 2009 can be read as a direct challenge to Jakarta's dynamic equilibrium concept and the Indo-Pacific wide treaty of friendship and cooperation, which are both based on common security and shared norms. As a result, while Indonesia under Jokowi should continue to push for these initiatives as ideals in the future, it will also have to contemplate other measures to cope with reality in the present.

For example, with respect to conflicting territorial claims in the South China Sea between China, Taiwan, and four Southeast Asian countries (Brunei, Malaysia, the Philippines, and Vietnam), Jokowi has already indicated that his approach will not depart significantly from that of Yudhoyono, with Indonesia maintaining its status as a non-claimant while remaining prepared to help facilitate a solution.<sup>23</sup> But even if Jakarta's overall position remains unchanged, a Jokowi administration must be ready to undertake a full spectrum of initiatives depending on how the issue evolves. Gradual measures like encouraging ASEAN South China Sea claimants to narrow their differences and build a more united front against China, including by highlighting Indonesia's experience in completing a maritime boundary negotiation with the Philippines this May, are still worthy endeavors to pursue.<sup>24</sup> But they may need calibration with other more immediate moves, be it diplomacy of the kind Minister of Foreign Affairs Marty Natalegawa used in early 2014 to try to deter Chinese efforts to erect a potential Air Defense Identification Zone (ADIZ) over the South China Sea, or buttressing Indonesia's own military capabilities to protect its own sovereignty and enhance its identity as a "maritime nation," as Jokowi himself has mentioned.<sup>25</sup>

## Implications for the United States

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Indonesia's future foreign policy trajectory and the challenges Jokowi will face have important implications for the United States. While the U.S. historical legacy in Indonesia is complex, contemporary U.S.–Indonesia ties have warmed significantly, with both countries upgrading their relations to the level of a comprehensive partnership in 2010.<sup>26</sup> From the outset, the Obama administration has seen Indonesia as both a critical emerging power to help solve global problems like climate change as well as a useful regional partner as it unveiled its "pivot" (later renamed "rebalance") to the Asia-Pacific.<sup>27</sup> Given this, Washington should factor in the foreign policy challenges that Jakarta will face as the United States fashions its next steps in U.S.–Indonesia cooperation.

First, Washington needs to broaden its relationship with Indonesia by engaging constituencies beyond Jakarta's executive branch to promote greater awareness about, and trust in, the United States. U.S. historical involvement in



supporting anti-communist rebellions in Indonesia in the 1950s, combined with the current climate of rising nationalism, tends to produce Indonesian elite and public conspiracy theories that can negatively affect ties. For example, in November 2011, when the United States announced the rotational basing of 2,500 marines in Darwin, Australia, some Indonesians feared that U.S. forces could once again be used to intervene in the country, as they were in the late 1950s on behalf of the often security-beleaguered PT Freeport Indonesia, a giant U.S. mining company.<sup>28</sup>

One logical place to start would be more legislative exchanges between the two sides, since some on Capitol Hill continue to think of Indonesia in terms of human rights violations committed by the military and security forces in East Timor in the 1990s, while their counterparts in Jakarta may not be able to separate conspiracy theories from the realities of U.S. foreign policy in the Asia-Pacific.<sup>29</sup> Another would be boosting educational exchanges between the two countries. The United States and Indonesia have already set up a Higher Education Partnership, but actually getting more Indonesian students to study in the United States will require creative solutions to address cost concerns. It will also require equipping potential candidates with the necessary skills to eventually apply to U.S. higher education institutions.

Second, U.S. businesses should seek to boost and diversify their presence in Indonesia to successfully compete in a climate of rising economic nationalism. According to Indonesia's former trade minister, Gita Wirjawan, in order to sustain a 6 percent growth rate over the next few years, his country needs about a 25 percent increase in investment.<sup>30</sup> U.S. companies, which have previously been cautious about investing in Indonesia, are already expected to ramp up their involvement there over the next few years due to the country's political stability, market size, and economic potential. Former Deputy Chief of Mission to the U.S. embassy in Jakarta, Ted Osius, has recommended that these U.S. companies target two growth areas that are already key domestic priorities for the Indonesian government—namely infrastructure and civil aviation.<sup>31</sup>

The more pressing concern, however, is the distribution of U.S. business involvement in Indonesia. According to a recent study, up to 95 percent of the \$65 billion that U.S. companies have already invested in Indonesia over the past nine years has been in extractive industries (oil and gas and mining).<sup>32</sup> In an environment of economic nationalism, getting U.S. companies involved in a greater diversity of sectors, such as manufacturing, can help dispel notions that U.S. firms continue to view Indonesia as a third-world country whose natural resources are to be exploited as they were decades ago. As U.S. ambassador to Indonesia Robert Blake pointed out in March 2014, this change also needs to be accompanied by educating the Indonesian public about U.S. investments and the value that U.S. companies add to the country, including through the U.S.

embassy's highly successful, high-tech cultural center, @America, located in the Pacific Place mall in Jakarta.

Third, the United States should pursue opportunities to increase trade with Indonesia to the extent that circumstances allow. According to data from the U.S. Census Bureau and the ASEAN Secretariat, U.S. trade with Indonesia in 2012 was only about \$26 billion, or around an eighth of U.S. overall trade with ASEAN, even though Indonesia makes up nearly half of Southeast Asia's combined economic output.<sup>33</sup> At present, Indonesia appears unlikely to sign on to the Trans-Pacific Partnership (TPP), a high-standard trade agreement Washington is now negotiating with 11 other countries, including four from Southeast Asia (Brunei, Malaysia, Singapore, and Vietnam). Jakarta does not seem ready to undertake restructuring on key areas like labor reform or state-owned enterprises, and its economy still has relatively high trade barriers, including various technical requirements, rules of origin, or quotas on specific items. Nonetheless, Washington should continue to engage Jakarta on these issues within the U.S.–ASEAN Expanded Economic Engagement (E3) Initiative, which seeks to lay the groundwork for all ten ASEAN countries including Indonesia to eventually join the TPP. After all, Indonesian officials have expressed desire to possibly join the TPP in the future, and some estimates suggest that the agreement could boost Indonesia's economic output by up to 4 percent by 2025.<sup>34</sup>

Fourth, Washington should continue to expand cooperation with Jakarta on security issues of mutual concern as Indonesia modernizes its military. Both countries have established a solid foundation for their security relationship over the past decade through training, joint exercises, and equipment purchases. Restrictions on U.S. foreign military sales to Indonesia have been eased since 2005, and the two countries now cooperate in 200 exercises and other engagements a year.<sup>35</sup> But there are still opportunities to broaden the scope of that engagement, including boosting training for Indonesian officers in the United States and gradually lifting remaining restrictions on Indonesian Special Forces (Kopassus)—after addressing lingering human rights concerns—so they can train freely with U.S. forces.

Another potential growth area in the security domain beyond the military is law enforcement. When then-U.S. Attorney General Eric Holder Jr. met Indonesia's Minister of Law and Human Rights Amir Syamsuddin in May 2014, they discussed a range of issues of mutual interest, including anti-terrorism and international child abduction, and worked on institutionalizing cooperation in this area under Jakarta's Ministry of Law and Human Rights. But law enforcement cooperation can also include conservation in the forestry, wildlife, and fisheries sectors, where Indonesia's record has been weaker and more inconsistent and where U.S. NGOs are able to contribute significant

expertise. In this way, Washington will be able to help Jakarta as its partner seeks to find the balance between economic development and environmental preservation.

Fifth and lastly, the United States should expand joint initiatives with Indonesia to help Jakarta narrow its own Lippmann Gap. The South–South and Triangular Cooperation (SSTC) framework, which both countries officially inked in February 2014, offers the ideal model: the focus on joint development assistance and capacity-building in areas of mutual interest moves beyond a traditional donor-recipient relationship, but also combines resources to reduce the burden on Jakarta and Washington individually. This addresses the Lippmann Gap by reducing resource constraints overall. U.S.–Indonesia triangular cooperation programs, triangular in the sense that they involve the two parties plus the area or country of concern, have already been implemented in the areas of disaster risk management and sharing democracy experiences, but they can be expanded in the future to include areas like training Myanmar’s military on human rights issues. Aside from expanding across areas, Washington can also seek the help of its allies and friends in the region, such as Japan, to enhance program effectiveness, since these partners may have greater experience working with Indonesia or other countries on such programs or similar ideas.

## Long Road Ahead

At first glance, Indonesia’s geopolitical heft, along with the political stability and modest economic growth during the Yudhoyono decade, suggest that the country will probably sustain, and perhaps even expand, its role in the region and the world over the next few years. In fact, Indonesia’s foreign policy trajectory is far from assured. Yudhoyono’s mixed legacy has left Jokowi with the unenviable balancing act of tackling formidable problems at home while maintaining the country’s growing influence abroad. U.S. policymakers should keep this in mind as they attempt to advance the U.S.–Indonesia comprehensive partnership and work with Indonesia’s new president in the coming years. Indonesia has come a long way since the days of the Asian financial crisis, but it still has a lot to do just to sustain, let alone advance, on its path to becoming the global player so many hope that it will be.

**Indonesia has come a long way, but still has a lot to do on its path to becoming a global player.**

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