

# CRS Report for Congress

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## **Indonesia: Domestic Politics, Strategic Dynamics, and American Interests**

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# Indonesia: Domestic Politics, Strategic Dynamics, and American Interests

## Summary

Indonesia is the world's fourth most populous country and the most populous Muslim nation. It is also a moderate Muslim state which is strategically positioned astride key sea lanes which link East Asia with the energy resources of the Middle East. Indonesia is also seen by many as an increasingly valuable partner in the war against radical Islamist militants in Southeast Asia. Jakarta is continuing to democratize and develop its civil society and rule of law under the leadership of President Susilo Bambang Yudhoyono, who many view as effective and reform minded. However, a legacy of abuse of human rights by the military which stems from the era of former President Suharto remains unresolved.

United States foreign policy concerns have focused on building relations with Indonesia to more effectively counter the rise of militant Islamist extremists as well as develop relations with a geopolitically important state through which strategic sea lanes link the Middle East and Northeast Asia. The United States has also sought to promote democracy, the rule of law, and human rights in Indonesia in addition to promoting American trade and investment interests there.

This report surveys key aspects of Indonesia's domestic politics and strategic dynamics in addition to providing general background information on Indonesia. It also provides an overview of the bilateral relationship between the United States and Indonesia. The report examines issues of ongoing congressional interest, including Indonesia's role in the war against violent Islamist extremists, international military education and training (IMET), human rights, religious freedom, promotion of democracy and good governance, trade, foreign assistance, and regional geopolitical and strategic interests. The report seeks to provide a broader context for understanding the complex interrelated nature of many of these issues, several of which are explored in greater detail in other CRS reports.

There have been several cases of avian flu in humans reported in Indonesia, and there have been concerns that Indonesia does not have the resources sufficient to contain a large scale outbreak should one occur. Thus far the government has been reluctant to pursue large scale culls of poultry to stem its spread.

For additional information on Indonesia see the following Congressional Research Service (CRS) reports: CRS Report RL33260, *Papua, Indonesia: Issues for Congress*, by Bruce Vaughn; CRS Report RS22136, *East Timor Potential Issues for Congress*, by Rhoda Margesson and Bruce Vaughn; CRS Report RS20572, *Indonesian Separatist Movement in Aceh*, by Larry Nicksch; CRS Report RS21753, *Indonesia-U.S. Economic Relations*, by Wayne Morrison; and CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn (coordinator), Emma Chanlett-Avery, Richard Cronin, Mark Manyin, and Larry Nicksch. This report will be updated.

## Contents

Introduction .....	1
Issues for Congress .....	2
Military-to-Military Ties and Human Rights .....	2
The Tsunami .....	3
Avian Flu .....	4
Historical Background .....	4
Political Transition .....	6
Structure of Parliament .....	7
The Role of the Military .....	7
Autonomous and Secessionist Movements and	
Inter-Communal Strife .....	9
East Timor .....	10
Aceh .....	12
Papua .....	13
Inter-Communal Strife and Pan Islamic Movements .....	14
Economy .....	15
Foreign Policy .....	17
Indonesia and the War Against Terrorism .....	18
United States-Indonesian Relations .....	19
Human Rights .....	20
Geopolitical and Strategic Interests .....	21
U.S. Security Assistance to Indonesia .....	21
Options and Implications for the United States .....	24

## List of Figures

Figure 1. Map of Indonesia .....	28
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## List of Tables

Table 1. U.S. Foreign Assistance to Indonesia .....	23
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# Indonesia: Domestic Politics, Strategic Dynamics, and American Interests

## Introduction

Indonesia is the world's most populous Muslim nation and is the world's fourth most populated nation overall. It has extensive natural resources. A large percentage of world trade transits the strategically important straits of Malacca which link the Indian Ocean littoral to the South China Sea and the larger Pacific Ocean basin. Indonesia is also perceived by many as the geopolitical center of the Association of Southeast Asian Nations (ASEAN), which is a key actor in the geopolitical dynamics of the larger Asia-Pacific region. Indonesia is still emerging from a period of authoritarian rule and is struggling to consolidate its status as one of the world's largest democracies. For the most part, Indonesia also represents a moderate form of Islam that has the potential to act as a counterbalance to more extreme expressions of Islam. Despite this, radical Islamists and terrorist cells operate amidst the country's many social, economic, and political uncertainties. Ongoing internal strife and social dislocation stemming from inter-communal discord, autonomous and secessionist movements, political machinations among elites, Islamic extremism, pervasive government corruption, and a faltering economy all undermine stability in Indonesia. Despite this, Indonesia has begun to consolidate democratic gains, build a more robust civil society and further strengthen its economy which suffered setbacks during the Asian financial crisis of 1997/98. The report will identify key issues for Congress before returning to the broader Indonesian context within which those issues are set.

### Indonesia at a Glance

**Population:** 242 million (2005 est.) with a growth rate of 1.45%, 2005 est. Life expectancy 69.57 (2005 est)

**Area:** 1,826,440 sq. km (about three times the size of Texas )

**Geography:** An archipelagic state of 17,000 islands, including some 6,000 occupied islands, which straddles the equator. Key sea lanes linking the Indian Ocean and the Southwest Pacific pass through Indonesia.

**Capital:** Jakarta, 8.8 million 2004 est.

**Ethnic Groups:** 490 ethnic groups, Javanese 45%, Sundanese 14%, Madurese 7.5%, coastal Malay 7.5%, others 26%.

**Languages:** Bhasa Indonesia, official modified form of Malay, and local dialects including 270 Austronesian languages and 180 Papuan. 13 languages have over one million speakers.

**Literacy Rate:** 87.9% (2005 est.)

**Religion:** approximately 87% Muslim.

**GDP growth:** 5.3% (2005 est.).

**Per capita GDP ppp:** \$3,700 (2005 est.)

**Unemployment rate:** 10% (2005 est.)

**Main exports:** Oil, natural gas, appliances, textiles

**Sources:** U.S. Department of State, CIA World Fact Book, Economist Intelligence Unit, BBC News.

## Issues for Congress

A series of policy decisions taken in 2005 mark a fundamental shift in the U.S. approach toward Indonesia. Specific actions over the past year have helped deepen the bilateral relationship. The Bush Administration's lifting of restrictions on International Military Education and Training (IMET), Foreign Military Financing (FMF), and Foreign Military Sales (FMS) in 2005 has laid the groundwork for improved relations. Indonesia has also moved on issues of concern to the United States. The relationship has improved for a number of reasons as outlined below.<sup>1</sup>

- The expansion and consolidation of Indonesia's democracy through the 2004 parliamentary and presidential elections.
- The election of President S.B. Yudhoyono, who is seen as effective and reform oriented.
- The goodwill towards, and increased understanding of, Indonesia in the wake of the December 26, 2004 tsunami.
- The perception of Indonesia as an increasingly valuable partner in the war against militant Islamist extremists.
- East Timor's desire to develop positive relations with Indonesia.
- The arrest of Anthonius Wamang, a suspect in the shooting of two Americans near Timika.
- Progress in peace talks between the government and rebels in Aceh.
- Increasing appreciation in the U.S. of the strategic and geopolitical importance of Indonesia.
- Prospects that Indonesian military reforms will proceed.
- Indonesia's position on the East Asian Summit.<sup>2</sup>

Though there was much positive momentum in the relationship created over the past year, unresolved human rights issues may yet limit the extent of the bilateral relationship particularly in the area of military-to-military cooperation. While President Yudhoyono is seeking to reform the military and prevent future abuses he may not wish to expend limited political power to prosecute past abuses by the military.

**Military-to-Military Ties and Human Rights.** In 2005, the Administration of President George Bush moved to open International Military and Education and Training (IMET), Foreign Military Financing (FMF), and Foreign Military Sales (FMS) programs for Indonesia. This was viewed by many as a first step toward normalizing the military-to-military relationship. Indonesia is perceived as a key player in the war against terror in Southeast Asia and as an increasingly important geopolitical actor in the Asia-Pacific region. Despite these developments, many

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<sup>1</sup> This is an expanded version of a list developed by CRS Specialist Larry Niksch.

<sup>2</sup> Indonesia reportedly worked to have a more expansive membership in the recently formed East Asian Summit to include Australia, New Zealand and India in addition to the ASEAN states, China, Japan, and Korea. Other countries, led by China, reportedly favored a more exclusive grouping that left out India, Australia, and New Zealand. This move was viewed by some observers as favorable to American interests. Sunny Tanuwidjaja, "The East Asian Summit and Indonesia," *The Jakarta Post*, February 1, 2006.

continue to have concern over human rights abuses in Indonesia.<sup>3</sup> Senator Patrick Leahy has stated “a key gap remains regarding justice for the victims of atrocities.” Other Members, however, have emphasized the progress Indonesia has made in several areas. Senator Christopher Bond, for instance, has stated that President Yudhoyono has made “a strong commitment to reform, to a recognition of human rights and to fighting corruption.”<sup>4</sup>

During the Cold War, the United States was primarily concerned about communist influence in Indonesia. After the Cold War, congressional views on Indonesia were more influenced by ongoing concerns over human rights abuses by the Indonesian National Defense Forces (TNI). The events of 9/11 added the concern of how best to pursue the war against terror in Southeast Asia. Some Members of Congress remain dissatisfied with progress on bringing to justice Indonesian military personnel and police responsible for human rights abuses in East Timor. The January 2006 arrest of Anthonius Wamang, who is thought to have led an attack near Timika Papua that killed two Americans, may resolve what has been an irritant in the relationship. As the United States has moved from the post-Cold War world to fight the war against terror, human rights concerns have increasingly been weighed against American security interests, and particularly the need to develop effective counterterror cooperation with Indonesia to combat radical Islamic groups. There is also increasing appreciation of Indonesia’s geopolitical position within Southeast Asia among American decision-makers. Many observers view such cooperation as critical to effectively fight terrorism in Southeast Asia.

Some analysts have argued that the need to obtain effective counterterror cooperation and to secure American strategic interests in the region necessitates a working relationship with Indonesia and its key institutions, such as the military. Other Indonesian observers take the view that the promotion of American values, such as human rights and religious freedom, should guide U.S. relations with Indonesia while others would put trade and investment first. Some have viewed military cooperation between the U.S. military and the Indonesian military during relief operations following the December 2004 tsunami in Sumatra as having focused attention on the issue of the need for military to military cooperation. (For further information see CRS Report RL33260, *Papua, Indonesia: Issues for Congress*, by Bruce Vaughn, and CRS Report RS22136, *East Timor: Potential Issues for Congress*, by Rhoda Margesson and Bruce Vaughn.)

**The Tsunami.** On December 26, 2004, an undersea earthquake off the coast of Sumatra triggered a tsunami wave that killed an estimated 122,000 (with an additional 114,000 missing) and left over 406,000 displaced persons in Indonesia. Most of the devastation was in Aceh in northwest Sumatra, which was the closest landfall to the epicenter of the Indian Ocean earthquake. This disaster led to a massive international relief effort in which the United States played a leading role. In Indonesia, this included helicopter-borne assistance from the aircraft carrier *USS*

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<sup>3</sup> “US Determined to Restore Ties with Indonesian Military, Naval Chief,” *Associated Press Newswire*, May 6, 2005.

<sup>4</sup> Ken Guggenheim, “Fight Looms in Congress Over Easing Indonesia Military Restrictions,” *Associated Press*, February 2, 2005.

*Abraham Lincoln*, which was accompanied by the *USS Bonhomme Richard*, and the *USS Fort McHenry*. Before their departure from the area 2,800 relief missions were flown, some 2,200 patients were treated, and 4,000 tons of relief supplies were delivered.<sup>5</sup> In the wake of the tsunami, the U.S. government pledged a total of \$397.3 million in humanitarian and recovery assistance for Indonesia.<sup>6</sup> (For further information see CRS Report RL32715, *Indian Ocean Earthquake and Tsunami: Humanitarian Assistance and Relief Operations*, Rhoda Margesson, Coordinator.)

**Avian Flu.** Since 2004, the United States Navy Medical Research Unit at the U.S. Embassy in Jakarta has provided assistance to Indonesia to help Indonesia fight the spread of avian flu.<sup>7</sup> Over 90 people worldwide have been killed by avian flu. Of that number 20 have been killed by the H5N1 virus in Indonesia. Nine of the 20 killed by the virus in Indonesia have been killed in 2006. This is a larger number of fatalities than in any other country in 2006. So far most cases are thought to have been transmitted through contact with birds and are not thought to have been transmitted between people. There is much concern however, that the virus could mutate and become communicable between people. One source has stated that the virus killing birds in Indonesia is different from the one killing humans.<sup>8</sup> Indonesian inspectors have sought to disinfect areas where birds are kept and promote improved hygiene but face a daunting challenge as many in Indonesia keep small numbers of birds. It is estimated that some 500,000 birds are kept in Jakarta alone. Authorities have been reluctant to initiate mass culls of birds.<sup>9</sup> (For further information see CRS Report RL33219, *U.S. and International Responses to the Global Spread of Avian Flu: Issues for Congress*, coordinated by Tiaji Salaam-Blyther, and CRS Report RL33349, *International Efforts to Control the Spread of the Avian Influenza (H5N1) Virus: Affected Countries' Responses*, coordinated by Emma Chanlett-Avery.)

## Historical Background

Modern Indonesia has been shaped by the dynamic interaction of indigenous cultures with external influences — especially the succession of influences of Hinduism, Buddhism, Islam, Dutch colonial rule, and a powerful and nationalistic independence movement.<sup>10</sup> The geographic definition of modern Indonesia began to

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<sup>5</sup> “Indonesia: Tsunami Reconstruction,” USAID, May 11, 2005, [<http://www.usaid.gov>]

<sup>6</sup> “USAID Rebuilds Lives After the Tsunami,” *USAID Tsunami Reconstruction*, March 24, 2006. [<http://www.usaid.gov>]

<sup>7</sup> Embassy of the United States, Jakarta, Indonesia, “More Avian Flu Outbreaks in Indonesia,” [<http://www.usembassyjakarta.org>]

<sup>8</sup> Frank Walker, “Indonesia Risks Bird Flu Pandemic,” *The Sun Herald*, February 26, 2006.

<sup>9</sup> T. Soetjipto and T. Nathalia, “Indonesia Confirms 20<sup>th</sup> Human Bird Flu Death,” *Reuters*, February 25, 2006.

<sup>10</sup> Much of the background information is drawn from a comprehensive chapter by Harvey Demaine, “Indonesia: Physical and Social Geography,” in *The Far East and Australasia* (Surrey: Europa Publications, 2002).

take shape under Dutch direct colonial rule, which began in 1799.<sup>11</sup> The Dutch East Indies were occupied by Japan during World War II. Following the Japanese surrender in 1945, independence was declared by nationalist leader Sukarno. After a four-year anti-colonial insurrection, the Republic of Indonesia gained its independence from the Dutch in 1949.

Independence was followed by a period of parliamentary democracy, which was replaced in 1959 by President Sukarno's "Guided Democracy" that lasted until 1965.<sup>12</sup> In the late 1950s the United States provided clandestine assistance to military rebellions in outlying provinces of Indonesia out of fear that communist PKI was gaining control of the country.<sup>13</sup> On September 30, 1965, the military, under General Suharto, neutralized Sukarno. The official version of events is that the military stepped in to avert a communist coup. In the aftermath, over 160,000, and possibly up to a million, Indonesians lost their lives. President Suharto ruled Indonesia until 1998. During this 32-year period, his authoritarian "New Order" provided the political stability thought necessary by his supporters for fast paced economic growth. Indonesia's economy grew at an average annual rate of almost 7%<sup>14</sup> from 1987 to 1997.<sup>15</sup>

A period of reform, or "*reformasi*," followed Suharto's fall. Suharto was succeeded by B.J. Habibie (1998-99), Abdurrahman Wahid (1999-2001), and Megawati Sukarnoputri (2001-04). Despite the political instability during this period, a number of key reforms designed to enhance good governance and expand democracy were implemented. However, by 2003, the momentum for reform appeared to be faltering.<sup>16</sup>

Key reforms, such as divesting the military of its substantial business interests and fighting corruption, including corruption in the courts, remain to be completed. Recent efforts under President Yudhoyono's administration are viewed by many as cause for optimism. In 2004 the parliament ordered the military to get out of business

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<sup>11</sup> Harvey Demaine, "Indonesia: Physical and Social Geography," *The Far East and Australasia* (Surrey: Europa Publications, 2002). p. 493.

<sup>12</sup> Michael Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order* (London: Routledge Publishers, 1998). p. 1.

<sup>13</sup> John Bresnan, ed. *Indonesia: The Great Transition*. (Lanham: Rowman and Littlefield, 2005) pp. 245-7.

<sup>14</sup> "Background Note: Indonesia," Department of State, Bureau of East Asian and Pacific Affairs, October 2003.

<sup>15</sup> Michael Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order* (London: Routledge Publishers, 1998). p. xviii.

<sup>16</sup> "Survey of Indonesian Electorate," *Asia Foundation*, December 9, 2003.



by 2009.<sup>17</sup> Yudhoyono is a former general and went through US IMET training earlier in his career. He is viewed as sympathetic to military reform.<sup>18</sup>

The source of legitimacy, or lack thereof, for government has changed for the Indonesian people over time. The Dutch colonial administration was viewed as illegitimate. The Sukarno Presidency sought to base its rule on moral concepts but it did not provide sufficient economic development. This was subsequently provided by President Suharto until 1997, when the Asian financial crisis undermined his ability to do so. At that point, with economic growth declining, Indonesians were no longer prepared to accept what was increasingly viewed as a corrupt and authoritarian regime. This brought on the era of democratic reform whose energy had appeared to be dissipating before fully completing its goal of instituting responsive and representative government. A key test for President Yudhoyono's government will be its ability to establish its political legitimacy based on good governance and a more firmly established civil society while also delivering the benefits of economic prosperity to the people.<sup>19</sup>

## Political Transition

There are a number of signs that Indonesia has made significant progress toward institutionalizing its democracy and more firmly establishing civil society.<sup>20</sup> The General Elections Commission functioned well during the 2004 elections.<sup>21</sup> A vigorous and open media has taken root.<sup>22</sup> Indonesia's parliamentary elections in April 2004, and Presidential elections of July and September 2005, deemed by international observers to be free and fair, did much to instill confidence in Indonesia's democratic process.

Indonesia did much to consolidate its democratic reform process following the Suharto era. Since his departure, civil society has expanded, and an open media has emerged. In addition to the first direct election of the president, the military no longer has seats in parliament and the police have separated from the military.

A distinction also needs to be made between the rise of political Islam and Islamist radicals. While there is increasing affinity between Muslims on the periphery

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<sup>17</sup> Donald Greenless, "Indonesia Wants its Military out of Business," *International Herald Tribune*, May 4, 2005.

<sup>18</sup> Jane Perlez, "Bush Seeks to Heal Long Indonesia Rift," *The New York Times*, February 8, 2005.

<sup>19</sup> Muthia Alagappa, ed. *Political Legitimacy in Southeast Asia: The Quest for Moral Authority* (Stanford: Stanford University Press, 1995).

<sup>20</sup> John McBeth, "The Betrayal of Indonesia," *Far Eastern Economic Review*, June 26, 2003.

<sup>21</sup> Christine Tjhin, "Civil Society After Akbar's Acquittal," *The Jakarta Post*, February 17, 2004.

<sup>22</sup> Tim Meisburger, ed. *Democracy in Indonesia: A Survey of the Indonesian Electorate in 2003* (Jakarta: The Asia Foundation, 2003). p. 55.

of the Islamic world, in places like Indonesia, and Muslims at the perceived centre in the Middle East, this does not translate into broad-based militancy in largely moderate Indonesia. Rather, it has increased the importance of issues, such as Iraq, and Israel and Palestine, on the Muslim consciousness of Indonesia. This process of identification has been facilitated by an increasingly globalized media which can serve to link the world-wide Islamic community.

**Structure of Parliament.** Indonesia's national legislative structure consists of three separate bodies. First is a House of Representatives (DPR) of 550 members elected from party lists in multi-seat districts. The DPR has the primary role in passing laws. Second is a new 128 seat Regional Representative Council (DPD) whose members are elected directly. The DPD does not yet have a clearly defined legislative role. Third is the People's Consultative Assembly (MPR) which is composed of members of both the DPR and the DPD. It is responsible for passing constitutional amendments and conducting presidential impeachments.

The parliament as a whole is still finding its way and is beginning to play a more proactive role on legislation and with the budget. The support for the parliament is still under the administration of the executive secretariat, which is under the executive branch. The DPR has come under criticism for focusing on party concerns and passing only 10 of 55 bills in the first year of its five-year term. More than 70% of the 550 legislators who assumed office in September 2004 are legislators for the first time. Forty-nine percent of legislators have a university degree and 33% have an advanced degree.<sup>23</sup>

## The Role of the Military

The Indonesian National Defense Force (TNI) is generally regarded as the strongest institution in Indonesia. Its origins date to the struggle for independence. The TNI traditionally has been internally focused, playing a key role in Indonesian politics and preserving the territorial integrity of the nation — largely from internal threats — rather than focusing on external security concerns. Its strong tradition of secular nationalism has acted to help integrate the nation. Government expenditures on the military in 2003 totaled only 1.3% of GDP.<sup>24</sup> The key elements of the military in Indonesia are the Army Strategic Reserve Command, the Army Special Forces Command, other special forces, and the Military Regional Commands. There are also Air Force and Naval commands. While the military now has a less formal role in the politics of the nation than it had in the Suharto era, it remains a key actor behind the scenes.<sup>25</sup> That said, some observers are concerned about its indirect influence over

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<sup>23</sup> Ridwan Max Sijabat, "DPR Criticized for Bad Performance," *The Jakarta Post*, October 4, 2005.

<sup>24</sup> Asia Society, "Indonesia," [<http://www.asiasource.org>].

<sup>25</sup> Rizal Sukma, "The Military and Politics in Post-Suharto Indonesia," in Thang Nguyen and Frank Jurgen Richter, eds., *Indonesia Matters: Diversity, Unity, and Stability in Fragile Times* (Singapore: Times Media Private Ltd. 2003).

politics. The Indonesian military has attracted negative attention through reports of involvement with human rights abuses in East Timor, Aceh, Papua, and Maluku.

Efforts to reform the military that were begun in the post-Suharto *reformasi* period now appear to be moving forward once again. Indonesian Defense Minister Juwono Sudarsono is reported to have estimated that the defense budget of \$2.8 billion must be doubled to achieve a professional military and modernized armed force that does not have to look to businesses and other ventures for alternative sources of income.<sup>26</sup> The government is currently reviewing military-run businesses. Those deemed inefficient are being turned over to the government.<sup>27</sup> President Yudhoyono has recently nominated Air Force Head Air Marshal Djoko Suyanto to lead the Armed Forces of Indonesia. The Air Force is the least powerful branch of the Indonesian Armed Forces. This position traditionally has been held by an Indonesian Army general. During his “fit and proper” hearing before the House Commission I on Security and Defense, Suyanto vowed to keep the military out of politics and move forward with internal reform but stated that he did not see a need to dismantle the territorial command structure, a move viewed by many as seeking to gain favor with the relatively powerful army.<sup>28</sup> There is speculation that Suyanto will be a place holder until President Yudhoyono can put General Djoko Santoso in the position.<sup>29</sup> Suyanto replaces Sutarto who was viewed as a reform oriented professional.<sup>30</sup> President Yudhoyono’s predecessor, former President Megawati Sukarnoputri, had reportedly preferred a less reform-oriented general to head the armed forces.

During the period of reform, the TNI officially abandoned the doctrine of *dwifungsi*, or dual function, which gave it an official role in the politics of the nation.<sup>31</sup> Appointed members to the legislative bodies from the military were removed while the police were separated from the TNI. Efforts were also begun to more firmly establish civilian control of the armed forces. Supporters of the reform agenda in Indonesia would like to see additional measures taken, including reform of the army’s territorial structure, a full withdrawal of the military from independent business activities, improving the military’s sensitivity to human rights, and eliminating links to extremist elements.<sup>32</sup>

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<sup>26</sup> S. Kagda, “Reforming the Armed Forces in Indonesia,” *The Business Times*, February 7, 2006.

<sup>27</sup> “Indonesian Government to Take Over Inefficient Army-owned Businesses,” *BBC News*, February 1, 2006.

<sup>28</sup> Munnigarr Sri Saraswati, “Suyanto Vows to Reform TNI,” *Jakarta Post*, February 2, 2006.

<sup>29</sup> “Indonesia: New Military Chief,” *SBS World News*, February 8, 2006.

<sup>30</sup> “Indonesia’s Future Military Chief Vows respect for Human Rights,” *Agence France Presse*, February 1, 2006.

<sup>31</sup> For a detailed analysis of earlier role of the military in politics, see Harold Crouch, *The Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1978).

<sup>32</sup> Angel Rabasa and John Haseman, *The Military and Democracy in Indonesia: Challenges, Politics, and Power* (Santa Monica: RAND Corp. 2002).

Two theories have been put forward as to why the TNI has not acted more effectively in suppressing ethnic and religious violence in Indonesia. One theory argues that the military simply lacks the capability to act more effectively. It takes the view that the chain of command from Jakarta to the outlying provinces has broken down. The other theory is more complicated. It takes the view that elements within the TNI have over time “deliberately fomented violence or failed to act against it... [the objective being to] weaken the national leadership ...”<sup>33</sup> to undermine the democratic reform process as a way of instigating a return to authoritarian rule and/or insuring that the privileges of the army would not be threatened. There were allegations of military action independent of civilian authority in the events in East Timor in the lead up to the violence of 1999 as well as allegations of TNI involvement with the now disbanded extremist group Lashkar Jihad.

Some analysts of the TNI see it as having regained much of the power that it lost with the fall of Suharto. In this view, what has changed is that this power is less formalized. In the past, the TNI budget was estimated to have been between 50% and 70% self-generated. This part of the TNI budget was largely outside governmental control. The TNI has emerged from the *reformasi* period with its territorial command structure intact, even as it lost its military representatives in parliament.<sup>34</sup>

The TNI will likely continue to play a central role in the evolution of the Indonesian polity in the years ahead. It could play a largely constructive role supporting democratic change, or at least not obstructing it, or it could act to slow change. It also will continue to play a key role in attempting to suppress autonomous and secessionist movements in Indonesia and it will likely seek to preserve its prominent place in Indonesian society.<sup>35</sup>

## **Autonomous and Secessionist Movements and Inter-Communal Strife**

Center-periphery tensions between the dominant Javanese culture — centered in Jakarta and outlying areas such as the former province and now independent state of East Timor — have been sources of political instability and strife for the Indonesian state. There are signs that Indonesia is adapting its approach to such tensions to alleviate autonomous or secessionist tension. This relatively more moderate approach may reach accommodation where other efforts to quell Indonesia’s fissiparous tendencies have failed.

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<sup>33</sup> John Haseman, “Indonesia: The Regional Giant,” in Bruce Vaughn, ed. *The Unraveling of Island Asia: Governmental, Communal, and Regional Instability* (Westport: Praeger Publishers, 2002).

<sup>34</sup> Col. John Haseman, William Liddle and Salim Said, “The Evolving Role of the TNI,” USINDO Security Workshop, October 16, 2003.

<sup>35</sup> Angel Rabasa and John Haseman, *The Military and Democracy in Indonesia: Challenges, Politics, and Power* (Santa Monica: RAND Corp. 2002).

The primary security threats to Indonesia are generally thought to come from within. The political center of the Indonesian archipelago is located in Jakarta on Java. Traditionally, power has extended from Java out to the outlying areas of Indonesia. This has been true both under Dutch rule and the modern Indonesian state. Throughout its history there has been resistance in peripheral areas to this centralized control. This manifested itself in the former Indonesian province of East Timor, which is now an independent state, as well as in the far west of Indonesia, in Aceh, and in the far eastern part of the nation, in Papua. Threats to internal stability also stem from inter-communal strife between various ethnic and religious groups.

There has been debate about whether Indonesia is an organic state or an artificial creation of Dutch colonial rule. Analysis of early Indonesian history reveals a level of integration in terms of economics and trade, if not extensive political unity. While early empires were precursors of the Indonesian state, political unity is generally considered to have been a product of Dutch colonial rule, including a series of lengthy wars to subdue outlying islands and independent political units. The Dutch Aceh War lasted from 1873 to 1913; making it possibly the longest continuous colonial war in history. It has been suggested that a key lesson of Indonesian history is that “unifying the archipelago administratively can only be done by the use of force.”<sup>36</sup> Forces of economic integration, or the creation of a national identity stemming from the nationalist movement which started in Java in 1908,<sup>37</sup> could be other integrative forces.

## East Timor

The Portuguese, whose influence in Timor dates to the 1600s, gave up control of the island in 1975. With the Portuguese departure, three main parties emerged. Of these, Frente Revolucionaria do Timor Leste Independente (Fretelin), a leftist leaning group, soon emerged as the dominant party. On December 7, 1975, Indonesia invaded East Timor with the then tacit compliance of the United States and Australia.<sup>38</sup> Indonesia, Australia, and the United States are thought to have been concerned that East Timor would turn into another Soviet satellite state similar to Cuba. A third of the population of East Timor is thought to have died as a result of fighting or war-induced famine during the subsequent guerilla war fought by Fretelin against Indonesia’s occupation.<sup>39</sup>

On August 30, 1999, East Timorese voted overwhelmingly to become an independent nation. 98.6% of those registered to vote in the referendum voted, with 78.5% rejecting integration with Indonesia. In the wake of the vote, pro-integrationist

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<sup>36</sup> Merle Ricklefs, “The Future of Indonesia,” *History Today*, December 1, 2003.

<sup>37</sup> Jusuf Wanandi, “Indonesia: A Failed State?” *The Washington Quarterly*, Summer, 2002, p. 135.

<sup>38</sup> “Ford and Kissinger Gave Green Light to Indonesia’s Invasion of East Timor, 1975,” *The National Security Archives*, December 6, 2001.

<sup>39</sup> Michael Mally, “Regions: Centralization and Resistance,” in Donald Emmerson ed. *Indonesia Beyond Suharto: Polity, Economy, Society, Transition* (Armonk: M.E. Sharp, 1999). p. 98.

militias attacked pro-independence East Timorese and destroyed much of East Timor's infrastructure. Some 7,000 East Timorese were killed and another 300,000, out of a total population of 850,000, were displaced, many to West Timor. Hardline elements of TNI formed pro-integrationist militias in East Timor. These groups sought to intimidate the East Timorese into voting to remain integrated with Indonesia under an autonomy package being offered by then President Habbibie.<sup>40</sup>

It is thought that the TNI had two key reasons for trying to forestall an independent East Timor. First, there was an attachment to the territory after having fought to keep it as a part of Indonesia. Second was the fear that East Timorese independence would act as a catalyst for further secession in Aceh and Papua. The subsequent devastation of East Timor may have been meant as a warning to others who might seek to follow its secessionist example. Some believe that TNI involvement in the violence stemmed largely from local "rogue" elements. Others believe that it was orchestrated higher up in the military command structure.<sup>41</sup>

East Timor gained independence in 2002. Since that time Indonesia and East Timor have worked to develop good relations. The joint Commission of Truth and Friendship was established to deal with past crimes.<sup>42</sup> A 2,500 page report issued in early 2006 by the East Timorese Commission for Reception, Truth and Reconciliation (CAVR), which was given to United Nations General Secretary Kofi Annan, found Indonesia responsible for abuses of East Timorese during its period of rule over East Timor. The report reportedly found that up to 180,000 East Timorese died as a result of Indonesian rule.<sup>43</sup> This created tension in the bilateral relationship between Indonesia and East Timor. Nevertheless, President Xanana Gusmao and President Yudhoyono reaffirmed their commitment to continue to work to resolve differences between the two countries.<sup>44</sup>

The United Nations tribunal, which included the Serious Crimes Investigation Unit, shut down in May 2005. During its six-year operation, the tribunal convicted some East Timorese militia members for their role in the atrocities of 1999 but was unable to extradite any indictees from Indonesia. A parallel Indonesian investigation ended in acquittals for all Indonesians. A 2005 U.N. Commission of Experts found the Jakarta trials for crimes committed in 1999 to be "manifestly inadequate."<sup>45</sup> (For further information on East Timor see CRS Report RS22136, *East Timor: Potential Issues for Congress*, by Rhoda Margesson and Bruce Vaughn.)

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<sup>40</sup> John Haseman, "Indonesia," in David Wiencek, ed. *Asian Security Handbook 2000* (Armonk: M.E. Sharpe Publishers, 2000).

<sup>41</sup> Emerson, p. 356.

<sup>42</sup> "Indonesia: International Relations," *The Economist Intelligence Unit*, May 17, 2005.

<sup>43</sup> Sian Powell, "Xanana and SBY Let Shame File Slide," *The Australian*, February 18, 2006.

<sup>44</sup> Rob Taylor and Olivia Rondonuwu, "'Gusmao, Yudhoyono Meet in Bali,'" *AAP Bulletins*, February 17, 2006.

<sup>45</sup> Human Rights Watch, "East Timor," [<http://www.hrw.org>]

## Aceh

Aceh is located at the extreme northwestern tip of the Indonesian archipelago on the island of Sumatra. The Acehenese fought the Portuguese in the 1520s as well as the Dutch.<sup>46</sup> As a result of their resistance and independence, Aceh was one of the last areas to come under Dutch control. Its struggle for independence was carried out by the group Gerakan Aceh Merdeka (GAM). The 4.4 million Acehenese have strong religious beliefs as well as an independent ethnic identity. While many Acehenese had more explicitly Islamic goals for their movement in the past, they shifted focus on independence with ethnic, rather than religious, identity at the core of their struggle. Many Acehenese view Indonesia as an artificial construct that is no more than “a Javanese colonial empire enslaving the different peoples of the archipelago whose only common denominator was that they all had been colonized by the Dutch.”<sup>47</sup>

The current struggle dates to 1976. In the late 1980s, many of GAM’s fighters received training in Libya. GAM then began to reemerge in Aceh. This triggered suppression by the TNI from which GAM eventually rebounded. Former President Megawati then called on the military to once again suppress the Free Aceh Movement. At the time this was the largest military operation for the TNI since East Timor. The decision to take a hard-line, nationalist stance on Aceh was popular among Indonesian voters.<sup>48</sup>

Indonesia has, under the leadership of President Yudhoyono, been able to leverage the opportunity presented by the 2004 Tsunami and achieve what appears to be potentially a lasting peace settlement where previous peace efforts have come unraveled. Under the agreement, the Free Aceh Movement (GAM) disarmed in December 2005 as the Indonesian Military TNI dramatically reduced its presence in Aceh. The next step in the peace process requires action by parliament. Draft legislation, reportedly favored by the government, would allow local political parties in Aceh. This would make Aceh an exception as Indonesian law requires political parties to have a presence in more than half of Indonesia’s 33 provinces. Under the August 15, 2005 agreement, Indonesia must pass legislation allowing for Aceh to control much of its own affairs by March 31, 2006. Nationalists in parliament are reportedly opposed to granting an exception for Aceh.<sup>49</sup> Some see this issue as a test of the extent to which parliament can play a constructive role in conflict amelioration. (For further information, see CRS Report RS20572, *Indonesian Separatist Movement in Aceh*, by Larry Nicksch.)

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<sup>46</sup> S. Wiuryono, “The Aceh Conflict: The Long Road to Peace,” *Indonesian Quarterly*, 3rd Quarter, 2003.

<sup>47</sup> Kirsten Schulze, *The Free Aceh Movement (GAM): Anatomy of a Separatist Movement* (Washington: East West Center, 2004).

<sup>48</sup> John Haseman, “Indonesia: A Difficult Transition to Democracy,” in David Wiencek and Ted Carpenter eds. *Asian Security Handbook*, 3rd ed. *Terrorism and the New Security Environment*, (Armonk: M.E. Sharpe, Inc. forthcoming 2004).

<sup>49</sup> Achmad Sukarsono, “Aceh Draft law Set for Indonesian Parliament,” *Reuters*, February 5, 2006.

## Papua

Papua, formerly known as West Irian or Irian Jaya, refers to the western half of the island of New Guinea and encompasses the two Indonesian provinces of Irian Jaya Barat and Papua. The region is also known as West Papua. Papua has a population of approximately two million and an area of approximately 422,000 square kilometers, which represents about 21% of the land mass, and less than 1% of the population of Indonesia. Papua has a long land border with Papua New Guinea to the east. About 1.2 million of the inhabitants of Indonesian Papua are indigenous peoples from about 250 different tribes, the rest have transmigrated to Papua from elsewhere in Indonesia. There are some 250 language groups in Papua. Papuans are mostly Christians and animists. The province is rich in mineral resources and timber.<sup>50</sup>

Indonesian Papuans are a Melanesian people and are distinct from the Malay peoples of the Indonesian archipelago. Like Indonesia, Papua was a Dutch colonial possession. Papua did not become a part of Indonesia at the time of Indonesia's independence in 1949. The Dutch argued that its ethnic and cultural difference justified Dutch control until a later date. Under President Sukarno, Indonesia began mounting military pressure on Dutch West Papua in 1961. The United States sponsored talks between Indonesia and the Dutch and proposed a transfer of authority over Papua to the United Nations. Under the agreement the United Nations was to conduct an Act of Free Choice to determine the political status of Papua. The Act of Free Choice was carried out in 1969, after Indonesia had assumed control over Papua in 1963. The Act of Free Choice, which led Papua to become part of Indonesia, is generally not considered to have been representative of the will of all Papuans. A referendum on Indonesian control over Papua was not held. Instead, a group of 1,025 local officials voted in favor of merging with Indonesia.

Papuan groups continue to oppose Indonesian control over Papua. The Free Papua Movement, or Organisasi Papua Merdeka (OPM), emerged in opposition to Indonesian control over Papua. Many Papuans have a sense of identity that is different from the main Malay, and predominately Muslim, identity of the rest of the Indonesian archipelago, and many favor autonomy or independence from Indonesia.<sup>51</sup> By some estimates, as many as 100,000 Papuans are thought to have died as the result of military operations.<sup>52</sup> Coordinator of the Institute for Human Rights and Advocacy John Rumbiak has reportedly stated that "The Government in Jakarta has allowed the military to prevail in Papua, to take the security approach which has denied ordinary people their rights and enriched military officers who are making big money for themselves through dealings with mining, logging and oil and gas interests."<sup>53</sup>

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<sup>50</sup> "A People Under the Jackboot," *The West Australian*, September 18, 2004.

<sup>51</sup> "When Jacob Rumbiak was 11," *Port Philip Leader*, April 4, 2005.

<sup>52</sup> "Indonesian Police, Demonstrators Clash in Papua Province," *Oster Dow Jones*, May 10, 2005.

<sup>53</sup> "A People Under the Jackboot," *The West Australian*, September 18, 2004.



The recent arrest of Anthonius Wamang, who is thought to have carried out an attack in 2002 that killed two Americans working for the Freeport mine near Timika, Papua, may resolve an issue that has been an impediment to closer relations between the United States and Indonesia. It may also raise further questions as some observers continue to hold the view that elements of the TNI may have had a role in the attack that may have been aimed at extracting greater wealth from the mine, which is a subsidiary of Freeport McMoRan of New Orleans. The Indonesian government recently issued guidelines for foreign companies seeking military protection for their operations in Indonesia.<sup>54</sup> For additional information on Indonesia see CRS Report RL33260, *Papua, Indonesia: Issues for Congress*, by Bruce Vaughn.

## **Inter-Communal Strife and Pan Islamic Movements**

While the vast majority of Indonesians practice a moderate form of Islam, a very small radical minority seek to establish an Islamic state. Some extremists are hostile to the Christian minority and an even smaller group would use violence to establish an Islamic Khalifate throughout the Muslim areas of Southeast Asia. While they represent an extremely small percentage of the population, such groups have created much internal turmoil. A distinction can be drawn between groups such as the now disbanded Lashkar Jihad that focused on Indonesian inter-communal conflict between Muslims and Christians in the Malukus, and factions of Jemaah Islamiya (JI), which have used terrorist methods to promote an extreme Islamist agenda with linkages to al Qaeda. There have also been allegations that Lashkar Jihad was a tool of hardliners within the military that opposed the reform movement and who allowed, or possibly even assisted, Lashkar Jihad activities that destabilized the nation, thereby highlighting the need for a strong military that could impose order.<sup>55</sup> There has also been inter-group conflict elsewhere in Indonesia such as between Muslims and Christians in Poso in Central Sulawesi and between local Dyaks and internal Madurese migrants to Kalimantan. Communal unrest has continued, albeit at a lower level of intensity as a final peace settlement has not been achieved.<sup>56</sup>

There has been a rise in Islamic sentiment in Indonesia in recent years. This is most notable in a political context with the rise of the Justice Party. Many have attributed the success of the Justice Party in parliamentary elections in 2004 to its campaign on a platform of good governance and its party organization rather than to its Islamist character. Other manifestations of the rise of political Islam in Indonesia include March 2006 demonstrations outside the American Embassy in Jakarta sponsored by Hizbut Tharir which used banners that read, "Now is the time for the

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<sup>54</sup> "Indonesia Says Foreign Companies will Receive Guidelines on Seeking Military Protection," *Associated Press*, February 6, 2006.

<sup>55</sup> See Sydney Jones' definitive work for the *International Crisis Group*, [<http://www.crisisgroup.org>].

<sup>56</sup> Amit Chanda, "Seven Killed in Indonesia, as Violence Flares up Again in Restive Maluku Province," *Global Insight Daily*, May 17, 2005.

Caliphate to rule the world with Sharia” and “Crush the Zionist America and Israel.”<sup>57</sup>

## Economy

The Indonesian economy was severely damaged by the Asian financial crisis of 1997-98. Per capita GDP fell from \$1,088 in 1997 to \$475 in 1998. It only partly recovered to \$800 by 2003.<sup>58</sup> Indonesia is considered to have a well-balanced economy with all major sectors contributing. Domestic consumption accounts for roughly two thirds of Indonesia’s GDP, but expanded foreign investment and exports are considered crucial for GDP growth.

The Economist Intelligence Unit has described the economic outlook for Indonesia in 2006 as “reasonably good.” GDP growth has fallen short of government targets but has reached an estimated 5.3% in 2005. This is projected to grow to 5.8% in 2006 and 6.0% in 2007, although this is still below the current government target of 6.6%, which is seen as the level at which unemployment and poverty can be reduced. Private consumption has been a key driver of the economy and investment has been on the rise. Foreign Direct Investment (FDI) projects approved increased 30% in 2005.<sup>59</sup> Realized FDI reached \$8.9 billion in 2005, which is a dramatic increase but still short of the pre-financial crisis level of \$33.1 billion in 1997. The United States imported \$10.8 billion from Indonesia and exported \$2.7

### Indonesian GDP,% Real change

1996	7.8%
1997	4.7%
1998	<b>-13.1%</b>
1999	0.8%
2000	4.9%
2001	3.5%
2002	3.7%
2003	4.1%
2004	5.1%
2005	5.3% est
2006	5.9% forecast

Economist Intelligence Unit Database

billion there in 2004.<sup>60</sup> Indonesia ranked as America’s 30<sup>th</sup> largest trading partner in 2005.<sup>61</sup> Indonesian exports are projected to increase by 10% while imports are expected to rise by 13% in 2006.<sup>62</sup> Foreign businesses have in the past been reluctant to invest in Indonesia in part because of concerns about the legal and judicial

<sup>57</sup> Amy Chew, “5,000 Rally Outside US Embassy,” *New Straits Times*, March 6, 2006.

<sup>58</sup> John McBeth, “The Betrayal of Indonesia,” *Far Eastern Economic Review*, June 26, 2003.

<sup>59</sup> “Indonesia: A Year of Consolidation,” *Economist Intelligence Unit*, February 1, 2006.

<sup>60</sup> “Indonesia: Country Profile,” *U.S.-ASEAN Business Council*, [<http://www.us-asean.org>]

<sup>61</sup> U.S. International Trade Commission, “U.S. Trade Balance by Partner Country, 2005,” [<http://dataweb.usitc.gov>]

<sup>62</sup> “Indonesia Exports Tipped to Rise 10.3% This Year,” *Asia Pulse*, February 9, 2006.

framework. Concern about transparency and security conditions have also inhibited past foreign investment.<sup>63</sup>

Indonesia's key economic sectors as measured by percentage of GDP include agriculture, 17%; industry, 41%; and services, 42%. Forty-five percent of the labor force is occupied in agriculture, while 16% is involved in industry, and 39% in services. Indonesia's key exports include petroleum and petroleum products, natural gas, and clothing and accessories. Indonesia's major markets include Japan, Singapore, Taiwan, Korea, the European Union, and the United States.<sup>64</sup> (For further information see CRS Report RS21753, *Indonesia-U.S. Economic Relations*, by Wayne Morrison.)

The logging of Indonesia's forests, both legal and illegal, is an issue of increasing concern to many. Indonesia has the world's third largest tropical forests and the world's largest timber trade. Rain forests are thought to be an important possible sink for global atmospheric carbon and play a vital role in climate. Rain forests contain an estimated two-thirds of the planet's plant and animal species. It is estimated that logging and other clearing of rain forests has reduced them from 14% of the earth's surface to 6%. A special report by *The Economist* estimated that some 2 million hectares of Indonesian forest, an area the size of Massachusetts, is logged each year.

Over the past 15 years, Indonesia has lost one quarter of its forests. Such a rate of logging is unsustainable. One estimate projects that at current rates of logging Indonesia's forests will be logged out in 10 years.<sup>65</sup> The destruction of Indonesia's forests would likely lead to widespread species extinction. It is estimated that illegal logging deprives Indonesia of some \$3 billion annually. Burning of logged land to clear it for palm plantations and other uses in Southeast Asia led to widespread haze over the region which accounted for an estimated 8% of greenhouse gasses worldwide in 1997.<sup>66</sup>

The United States and Indonesia moved to begin to address the problem of illegal logging in April 2006. Bilateral talks were initiated to reach an agreement to deal with the problem of illegal logging in Indonesia which is estimated to account for 80% of all logging in Indonesia. If an agreement is reached it will be the first of its kind.<sup>67</sup>

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<sup>63</sup> John McBeth, "Indonesia: Warning Signs," *Far Eastern Economic Review*, December 4, 2003.

<sup>64</sup> "Indonesia," CIA World Factbook, 2003.

<sup>65</sup> Tanja Vestergaard, "Indonesia Launches Talks with U.S. on Fight Against Illegal Logging," *Global Insight Daily Analysis*, April 5, 2006.

<sup>66</sup> "Special Report: The Logging Trade," *The Economist*, March 25, 2006.

<sup>67</sup> Tanja Vestergaard, "Indonesia Launches Talks with U.S. on Fight Against Illegal Logging," *Global Insight Daily Analysis*, April 5, 2006.

## Foreign Policy

Indonesian foreign policy has been shaped largely by two men, Presidents Sukarno and Suharto. Once a leading force in the Non-Aligned Movement (NAM) of the early Cold War era, Indonesia has traditionally sought to remain largely independent from great power conflict and entangling alliances. Sukarno's world view divided the world into new emerging forces and old established forces. Sukarno sought to fight the forces of neo-colonialism, colonialism, and imperialism, which brought his government closer to China in 1964-65. Suharto's New Order lessened Sukarno's anti-western rhetoric and focused on better relations with the region. Under Suharto, Indonesia was one of the founding members of the Association of Southeast Asian States (ASEAN) in 1967 and played a key leadership role in the organization. Indonesia's internal problems since 1998 have kept it largely internally focused. As a result, it has not played as active a role in the organization as in past years. Indonesia exerts a moderate voice in the Organization of Islamic Conference (OIC) and is a member of the Asia-Pacific Economic Cooperation (APEC) grouping. Under President Megawati the emphasis of Indonesian foreign policy shifted to focus on trade.

Indonesia's strategic interests are largely regional. Indonesia signed the Timor Gap Treaty with Australia in 1991. This provided for a mutual sharing of resources located in the seabed between Australia and the then-Indonesian province of East Timor. This lapsed with the independence of East Timor. Australia and Indonesia also signed a security agreement in 1995 which fell short of an alliance but called for mutual consultations on security matters. Indonesian displeasure with Australia's support of East Timor independence in 1999 led Indonesia to renounce the agreement. Indonesian ties with the West have at times been strained over alleged human rights abuses by the TNI. In 1990 Indonesia and China normalized ties, which had been strained since the alleged abortive coup by the Indonesian Communist Party (PKI) in 1965. Sino-Indonesian tensions remain over disputes related to the South China sea, particularly near the Natuna Islands at the southern end of the South China Sea, though in recent years ties have warmed.

In recent years, Indonesia has apparently embarked on a major foreign policy initiative with China which marks a significant departure from past tensions in their bilateral relationship. In April 2005, President Yudhoyono and Chinese President Hu Jintao signed a series of trade, investment and maritime deals which have been described as a 'strategic partnership.'<sup>68</sup> President Yudhoyono has speculated that trade between Indonesia and China could triple to \$20 billion in three years.<sup>69</sup> The developing relationship will also reportedly include arms sales and assistance. Indonesian Defense Minister Juwono Sudarsono has reportedly signed a memorandum of understanding on defense technology which includes arms sales and

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<sup>68</sup> Amit Chanda, "Economic Pact Between China and Indonesia," *Global Insight Daily*, April 26, 2005.

<sup>69</sup> "The Indonesia-China Partnership," *The Jakarta Post*, April 27, 2005.

bilateral military cooperation.<sup>70</sup> It is also reported that China will work with Indonesia to develop short range missiles.<sup>71</sup>

In April and May of 2005, tensions between Indonesia and Malaysia mounted over a maritime territorial dispute in the Ambalat area of the Sulawesi Sea. Both Indonesia and Malaysia reportedly have awarded offshore exploration contracts in the Ambalat area.<sup>72</sup> Indonesian Kostrad units were placed on full alert as a result of the tensions.<sup>73</sup> Indonesia and Malaysia agreed to resolve the dispute peacefully after a Malaysian patrol boat and a Indonesian Navy ship collided in the disputed area.<sup>74</sup>

## Indonesia and the War Against Terrorism

Indonesia has been waging an increasingly successful war against radical Islamist extremists.<sup>75</sup> It appears that the terrorist organization Jemaah Islamiya (JI) is dividing and changing. Many JI members reportedly were displeased with the 2002 Bali bombing which killed and injured more Indonesians than foreigners. President Yudhoyono has made it a priority to capture or neutralize key members of JI. Key JI bombmaker Azahari bin Husin was killed in a shootout in east Java in November 2005. Since that time, authorities have focused on capturing his associate Noordin Top and have arrested a number of junior militants linked to Top. Top, who like Husin has been a member of JI, is now thought to head a new terrorist group called Tanzim Qaedat al-Jihad. It is unclear to what extent this is a new group, or a splinter group of former JI members, or to what extent it has ties to al Qaeda.<sup>76</sup> It was reported in March 2006 that Al Qaeda helped fund suicide attacks in Indonesia in the previous four years with money brought to Indonesia through Thailand and Malaysia.<sup>77</sup> Divisions within JI have apparently revolved around the extent to which JI should focus on western targets as opposed to focusing on instituting Islamist rule in Indonesia. Some are also focused on imposing an Islamic Khaliphate not only in Indonesia but also in Malaysia and Brunei and Muslim areas of the Philippines and

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<sup>70</sup> "China Offers Arms to Indonesia to Secure Malacca Strait Ally," *BBC News*, April 26, 2005.

<sup>71</sup> "Indonesia, China to Develop Missiles," *Reuters News*, May 17, 2005.

<sup>72</sup> "Malaysia, Indonesia Agree to Standoff in Sulawesi Sea," *Voice of America*, May 6, 2005.

<sup>73</sup> "Indonesian Strategic Reserve Troops to Guard Ambalat Waters," *BBC News*, April 29, 2005.

<sup>74</sup> "Indonesia Alleges Malaysian Navy Ship Collides with Indonesia Vessel," *Associated Press*, April 9, 2005.

<sup>75</sup> For further information, see CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn, Emma Chanlett-Avery, Thomas Lum, Mark Manyin, and Larry Nicksch.

<sup>76</sup> Tewily Nathalia, "Indonesia Looks for New Group's Links to al Qaeda," *Reuters*, January 31, 2006.

<sup>77</sup> Zakki Hakim, "Al Qaeda Aid in Indonesia Attacks Cited," *Philadelphia Inquirer*, March 1, 2006.

Thailand and in northern Australia. A majority are thought to favor a focus on Indonesia.<sup>78</sup>

Many Indonesians view the war against terror in a fundamentally different way than the United States. This was particularly so prior to the Bali bombing of October 2002 in which some 200 people were killed, including many Western tourists. The Bali bombing, and Marriott bombing of August 2003, changed the government's perception of the threat and evoked a rigorous response from the police. Prior to these bombings, Indonesia viewed the terrorist organization Jemaah Islamiya (JI) as foreign and focused on anti-western activities. Since the Bali bombing, U.S. and Indonesian differences have decreased. Nevertheless, 30% of Indonesians felt in March 2003 that the root cause of terrorism in Indonesia resulted from oppression against Muslims in Indonesia or elsewhere, injustice toward Arab countries in the Middle East, or felt that terrorists are holy warriors against the infidels.<sup>79</sup> Domestic perceptions may limit the ability of President Yudhoyono to take on politically sensitive issues in Indonesia.<sup>80</sup> Although U.S.-Indonesian government-to-government counterterrorism cooperation is improving, past polls indicate that the United States has become very unpopular in Indonesia. Only 15% of Indonesians had a favorable opinion of the United States in 2003 as opposed to 75% three years earlier.<sup>81</sup> Broad public opposition to U.S. attacks on Islamic countries, Indonesians' perceptions of U.S. global influence and fear of antagonizing extremist groups that enjoy rising public support have contributed to the government's past reluctance to pursue JI too aggressively. Despite this, the government has made a significant effort to track down those responsible for the Bali and Marriott bombings.

## United States-Indonesian Relations

Although the bilateral government-to-government relationship made significant progress in 2005 and early 2006, there were a number of areas of friction with American companies operating in Indonesia. Louisiana-based Freeport McMoRan's subsidiary PT Freeport came under increased scrutiny by environmental interests and was subject to demonstrations, one of which briefly closed some operations in Indonesia.<sup>82</sup> The blockade of the mine near Timika was carried out by disgruntled small scale local miners who had been prevented from mining the waste from the

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<sup>78</sup> See Sydney Jones' definitive work for the *International Crisis Group*, [<http://www.crisisgroup.org>].

<sup>79</sup> "Polling on Indonesia," *International Republican Institute*, March, 2003.

<sup>80</sup> John McBeth and Tom McCawley, "Bleak Prospects Ahead for the Front Runner," *Far Eastern Economic Review*, October 2, 2003.

<sup>81</sup> Ellen Nakashima, "U.S. Policy Censured in Indonesia," *The Washington Post*, October 21, 2003.

<sup>82</sup> Mark Forbes, "Investment Fears Over Mine protest," *Sydney Morning Herald*, March 4, 2006.

mine.<sup>83</sup> Texas-based Exxon Mobil Corporation was involved in a dispute with the Indonesian state owned Pertamina oil and gas company in early 2006 over a joint venture or rotating ownership arrangement for the Cepu oil block which is thought to contain 500 million barrels of oil.<sup>84</sup> A U.S. judge ruled that a number of Indonesian villagers can sue Exxon Mobil under U.S. state laws for alleged murder, torture, and rape committed by Indonesian security forces working for the company in Aceh.<sup>85</sup> In another case, Denver-based Newmont Mining Corporation recently paid a \$30 million out of court settlement in order for the Indonesian government to drop efforts to pursue a civil lawsuit against the company for alleged dumping of mercury and arsenic into a bay as part of its Buyat Bay gold mining operations.<sup>86</sup> Newmont has denied it has dumped such toxic waste into the bay through its submarine tailing disposal system. Environmentalists have been critical of the deal.<sup>87</sup>

## Human Rights

Much attention has been focused on human rights aspects of the bilateral relationship. The State Department's 2004 annual human rights report, released February 28 2005, described the Indonesian government's human rights record as "poor; although there were improvements in a few areas," adding that security force members "continued to commit abuses, the most serious of which took place in areas of separatist conflict."<sup>88</sup> The East Timor and Indonesia Action Network (ETAN) has taken the position that the resumption of a military relationship by the United States with Indonesia will undermine the reform process in Indonesia.<sup>89</sup>

One investigation and trial that may be viewed as a test case is that against Polycarpus Budihardi Priyanto who was convicted of killing human rights activist Munir Thalib with arsenic poisoning aboard a Garuda flight bound for Amsterdam on September 7, 2004. During the investigation it became known that Polycarpus had numerous telephone conversations with State Intelligence Agency (BIN) official Major General Muhdi Purwo Prandjono. DPR Commission III had plans to have

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<sup>83</sup> "Papuan Protesting Daily over Freeport Mine in Indonesia," *Agence France Presse*, March 7, 2006.

<sup>84</sup> "Indonesia Leans to Exxon in Cepu Dispute," *International Oil Daily*, March 6, 2006.

<sup>85</sup> "Exxon to Appeal Decision Allowing Indonesian Suit," *Bloomberg Business News*, March 4, 2006 and "Exxon to Face Suit," *Los Angeles Times*, March 3, 2006.

<sup>86</sup> P. Kyne and I. Sentana, "'Newmont, Indonesia Settle Civil Suit,'" *The Wall Street Journal*, February 17, 2006.

<sup>87</sup> "Indonesia, USA's Newmont Reach 30m-dollar Settlement," *BBC News*, February 17, 2006.

<sup>88</sup> U.S. State Department, "Indonesia Country Report on Human Rights Practices 2004," February 28, 2005.

<sup>89</sup> "Rights Group Blasts Plans for Expanded U.S. Military Cooperation with Indonesia," *Associated Press*, February 28, 2006.

Police Chief Sutanto discuss the case, but these were postponed. In December 2005, President Yudhoyono called for further investigation into the case.<sup>90</sup>

## Geopolitical and Strategic Interests

The Malacca, Sunda, and Lombok straits are some of the world's most important strategic sea lanes. Close to half of the total global merchant fleet capacity transits the straits around Indonesia.<sup>91</sup> A significant proportion of Northeast Asia's energy resources transit these straits. The United States continues to have both economic and military interest in keeping the sea lanes of communication open.<sup>92</sup> Further energy deposits may also be found in the waters of Southeast Asia.

Some analysts are concerned about growing Chinese influence in the region. China was perceived as being more assertive in the 1990s, for example, by fortifying a shoal known as Mischief Reef. China is now seen as being more subtle. China signed a Joint Declaration on Strategic Partnership with ASEAN in October 2003 and is developing a China-ASEAN Free Trade Agreement to augment its existing bilateral trade agreements with many ASEAN members. This has been viewed as a possible "foundation for a strategic partnership."<sup>93</sup> China and Indonesia also announced a series of agreements amounting to what some have described as a 'strategic partnership' in April 2005. At the same time, China is expanding its naval capability. Over the past year China has reportedly begun construction on 70 naval vessels and is considering further purchases of *Sovremenny* class destroyers from Russia. While usually discussed in the context of a potential conflict with Taiwan, China's navy is thought to have the capability to sea lift a division, or roughly 10,000 troops.<sup>94</sup>

## U.S. Security Assistance to Indonesia

Indonesia has participated in the Regional Defense Counter Terrorism Fellowship Program which includes intelligence cooperation, civil-military cooperation in combating terrorism and maritime security. Indonesia has also participated in the Theater Security Cooperation Program with the U.S. Pacific Command. This has involved Indonesia in counterterrorism seminars promoting

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<sup>90</sup> "Indonesia Sentences Killer of Rights Activist to 14 years in Prison," *Thai News Service*, January 12, 2006.

<sup>91</sup> Ed Masters, *Report of the National Commission on U.S. Indonesian Relations* (Seattle: National Bureau of Asian Research, 2003).

<sup>92</sup> John Noer with David Gregory, *Chokepoint: Maritime Economic Concerns in Southeast Asia* (Washington: National Defense University Press, 1996).

<sup>93</sup> Edward Masters, House Committee on International Relations, Subcommittee on Asia and the Pacific, Testimony for a Hearing on, "The United States and Asia: Continuity, Instability, and Transition," March 17, 2004.

<sup>94</sup> Edward Cody, "With Taiwan in Mind, China Focuses Military Expansion on Navy," *The Washington Post*, March 20, 2004.



cooperation on security as well as subject matter expert exchanges.<sup>95</sup> Indonesia and the U.S. held a joint counterterror exercise with Indonesian Marines and U.S. Navy Seals in May 2005.<sup>96</sup> In February 2006 Pacific Command Commander Admiral William Fallon announced that the United States will help train Indonesian noncommissioned officers to help them develop their technical skills.<sup>97</sup>

Military to military ties between the United States and Indonesia have ebbed and flowed since the 1950s. This has been conditioned by both the disposition of the regime in Jakarta to the United States and by U.S. perceptions of the TNI's record on human rights. A significant relationship was established by the 1960s. This was expanded in the wake of Sukarno's demise.

Jemaah Islamiya activity in Indonesia and Southeast Asia highlighted the need for closer cooperation in the war against terror. In August of 2002, Secretary of State Powell pledged \$31 million to train police, \$16 million to build a counterterrorism unit, and \$4 million for army counterterrorism training for Indonesia over several years. At that time, Secretary Powell reportedly said that the United States and Indonesia were beginning to normalize military to military ties though "we are not there yet."<sup>98</sup>

The Administration's policy on assistance to Indonesia is informed by the role that Indonesia can play in the war against terror. Principal Deputy Assistant Secretary of State for East Asia and Pacific Affairs Donald Keyser stated in testimony before the Senate Foreign Relations Committee that counterterrorism is at the top of the priority list for strategic foreign assistance goals in FY2005. "In Indonesia for example, we intend to build on the successful efforts, funded by the Non-proliferation, Anti-terrorism, De-mining and Related Programs (NADR) account, to continue training and to expand the Indonesian National Police's Counter-terrorism Task Force." He added that the Economic Support Fund (ESF) will be used to support basic education "as a key element in the effort to combat terror."<sup>99</sup> The United States and Indonesia cooperate on counterterrorism in a number of areas with assistance going to the police and security officials, prosecutors, legislators, immigration officials, banking regulators and others.

U.S.-Indonesian counterterror capacity building programs have included funds for the establishment of a national police counterterrorism unit and for counterterrorism training for police and security officials. Such assistance has also included financial intelligence unit training to strengthen anti-money laundering, counterterror intelligence analysts training, an analyst exchange program with the

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<sup>95</sup> "United States-Indonesia Military Relations," *Congressional Record*, Senate, Page S734, February 1, 2005.

<sup>96</sup> "US, Indonesian Navies Hold Joint Anti-Terror Exercises," *Oster Dow Jones*, May 10, 2005.

<sup>97</sup> J. Gittler, "U.S. to Train Indonesian NCOs as Part of Renewal of Ties," *Pacific Stars and Stripes*, February 27, 2006.

<sup>98</sup> "Indonesia Gets U.S. Aid Against Terror," *BBC News*, August 2, 2002.

<sup>99</sup> "Fighting Terrorism Top U.S. Goal," State Department Press Release, March 2, 2004.

Treasury Department and training and assistance to establish a border security system as part of the Terrorist Interdiction Program.<sup>100</sup>

The State Department budget justification document for FY2006 states that “Indonesia’s contribution to the Global War on Terror is also a vital U.S. interest.” It goes on to state that ESF funds will provide technical assistance and training to Indonesia that will strengthen counter terrorist activities. It also states that FY2006 “counter terrorism training program activity for Indonesia will shift from two years of Task Force operational training, equipping, formation and development to program transition, sustainment, oversight, and liaison.”

**Table 1. U.S. Foreign Assistance to Indonesia**

Account*	FY2004	FY2005 est	FY2006 request
CSH <sup>101</sup>	\$33,000,000	\$36,700,000	\$27,540,000
DA	33,291,000	27,848,000	48,424,000
ESF	49,705,000	64,480,000	70,000,000
FMF	—	992,000	1,000,000
IMET	599,000	600,000	800,000
INCLE	—	—	5,000,000
NADR-ATA	5,778,000	5,300,000	5,300,000
NADR-EXBS	220,000	—	450,000
P.L. 480 Title II	3,315,000	11,900,000	18,190,000

**Source:** “FY2006 Congressional Budget Justification for Foreign Operations,” U.S. Department of State, released February 15, 2005.

The United States is promoting counterterrorism in Southeast Asia on a regional and multilateral basis as well as on a bilateral basis with Indonesia. Such an approach is viewed as complementing and promoting bilateral assistance and focuses on diplomatic, financial, law enforcement, intelligence and military tools. Two key objectives of the U.S. government are to build the capacity and will of regional states

<sup>100</sup> Information drawn from State Department Fact Sheet, “Summary of Counter Terrorism Assistance for Indonesia,” October 2003 update.

<sup>101</sup> Child Survival and Health (CSH), Development Assistance (DA), Economic Support Funds (ESF), Foreign Military Financing (FMF), International Military Education and Training (IMET), International Narcotics Control and Law Enforcement (INCLE), Non-proliferation Anti-terrorism Demining and Related Programs Export Control and Border Security Assistance NADR-EXBS, Non-proliferation Anti-terrorism Demining and Related Programs Antiterrorism Assistance (NADR-ATA).

to fight terror. These objectives are pursued through a number of programs. The United States-ASEAN Work Plan for Counter-Terrorism has identified information sharing, enhancing liaison relationships, capacity building through training and education, transportation, maritime security, border and immigration controls, and compliance with United Nations and international conventions, as goals for enhanced regional anti-terrorism cooperation.

The Anti-terrorism Assistance Program, directed at law enforcement training and associated hardware, has aided Indonesia, among others. In addition, Financial Systems Assessment Teams and the Terrorist Interdiction Program (which focuses on border controls) have also assisted Indonesia. The United States has also supported the Southeast Asian Regional Center for Counter-terrorism in Kuala Lumpur. Foreign Emergency Support Teams are designed for rapid deployment in response to a terrorist related event while Technical Support Working Groups work with regional partners to find technical solutions to problems such as bio-terrorism warning sensors.<sup>102</sup>

## Options and Implications for the United States

Debate concerning U.S. policy towards Indonesia has in recent years been largely framed by human rights and security interests. The Bush Administration's decision to reestablish military ties with Indonesia in 2005 would appear to present Congress with several options. From one perspective, Congress can acquiesce, support, or oppose the Administration's position on resumption of military ties with Indonesia. Based on past debate in Congress, individual decision-makers' approaches to this question will likely involve a consideration of a mix of American foreign and strategic policy interests with Indonesia. These will likely include a consideration of possible tradeoffs between a foreign policy approach that would stress the promotion of human rights and one that would seek to strengthen bilateral ties in order to assist in the struggle against violent Islamist extremists and to promote United States geopolitical interests. Among possible policy approaches, the U.S. might consider the following options.

- **Continue to focus on and give primary consideration to Indonesia's pivotal role in the war against radical violent Islamists in Southeast Asia.** Indonesia likely will remain an indispensable partner in the struggle against violent Islamists in Southeast Asia for years to come. As such, many would view it as prudent that the United States maintain a good working relationship with Indonesia. Such an approach could build on momentum in developing bilateral military-to-military ties built in 2005 and 2006 and develop enhanced exchanges, training, and military-to-military relationships in order to bring the full capabilities of the TNI into the struggle against radical Islamists while continuing to work with the Indonesian police.

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<sup>102</sup> Drawn from State Department budget justification material.

- **Continue to focus on human rights concerns over past abuses by the Indonesian military.** Many feel that there remains a serious lack of accountability for past human rights abuses by the Indonesian military, particularly the human rights abuses perpetrated by pro-integrationist militias in East Timor in 1999, and that more could be done on either a bilateral or multilateral basis, or both, to increase accountability for past abuses. Such an approach could involve a closer working relationship with the United Nations and East Timor. Past efforts by the United Nations — such as the U.N. Tribunal in Dili including the Serious Crimes Investigation Unit and Special Panels for Serious Crimes — have been shut down, while the Indonesian trials ended in acquittals for all Indonesians. A subsequent U.N.-sponsored Commission of Experts found the Indonesian trials to be “manifestly inadequate.”<sup>103</sup>

However, not all U.S. policy options need to be seen in a zero sum context. As part of its oversight role, Congress may opt to consider a range of policy options for relations with Indonesia. In this context, the following options for the bilateral relationship may be of interest. While such policy options are at times mutually exclusive they often need not be. A non-zero sum approach might seek to blend American foreign policy interests through a focus on an enhanced emphasis on the promotion of democracy, good governance, civil society, and the rule of law as well as human rights and security interests. Such an approach, by not taking a zero sum view of tradeoffs between human rights and security interests, would be aimed at achieving both enhanced partnership on security issues and enhanced promotion of human rights and other interests in Indonesia by promoting and supporting ongoing democratic and civil society developments in Indonesia. This approach could have an indirect positive impact on Indonesia’s human rights record as well as reinforce ties between the two states.

- **Place enhanced emphasis on the promotion of democracy and the rule of law in Indonesia.** Such an approach would be consistent with the president’s national security strategy which emphasizes “building the infrastructure of democracy.”<sup>104</sup> Such an approach in Indonesia could include additional funding and other support to continue consolidating democratic reforms, the continued establishment of an impartial electoral framework, political party development, member-constituent relations, and strengthening of national legislative bodies.<sup>105</sup> The promotion of democratic values would also likely have a positive impact on other issue areas such as the promotion of human rights.

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<sup>103</sup> Human Rights Watch, “East Timor,” [http://hrw.org]

<sup>104</sup> The National Security Strategy of the United States of America, March 2006.

<sup>105</sup> For an example of some existing activities see National Democratic Institute, “Asia: Indonesia,” [http://www.ndi.org]

- **Give the geopolitical importance of Indonesia more weight when considering bilateral ties.** Indonesia's position on the Straits of Malacca, as a moderate Muslim country, as the largest member of ASEAN, and as a state that does not seek to exclude the U.S. from regional multilateral fora or from the region gives it geopolitical importance to the United States. As such, and in light of expanding Chinese influence in the region, it is prudent in the view of many that relations with Indonesia be developed so that Indonesia does not seek to move away from the United States in international fora or by developing alternative strategic relationships. Indonesia remains one of the least well understood geopolitically important nations to America. Expanding bilateral educational exchanges, research grants, and language training could seek to educate Indonesia's present and future elites while giving them an enhanced understanding of the United States and its values. Such educational exchanges could also provide Americans the opportunity to better understand Indonesia and the role that it plays in its region and in the Islamic world.
- **Place enhanced emphasis on transnational issues, such as environmental degradation, including rainforest destruction, preservation of bio-diversity and global warming, and avian flu.** The United States and Indonesia initiated what would be a first-of-its-kind agreement to combat illegal logging in April 2006. Consolidating and extending such initiatives could do much to protect Indonesia's environment. Many feel that Indonesia's bio-diversity and diminishing environment would likely benefit from enhanced protection. With only 1.3% of the earth's surface Indonesia has an estimated 10% of the world's flowering plants, 12% of the world's mammals, 16% of the world's reptiles and amphibians, 17% of the world's birds, and over 25% of the world's fish.<sup>106</sup> United States assistance to Indonesia to help it protect its rainforests from illegal logging could do much to protect the environment upon which Indonesia's bio-diversity is dependent. Avian flu has the potential to kill many in the United States. Addressing the problem of potential human-to-human transmission in Indonesia may be a highly effective way to contain an outbreak but thus far Indonesia is generally considered to be underresourced to handle the threat.
- **Do more to advance American trade and investment interests in Indonesia.** In April 2006, U.S. Trade Representative Rob Portman pointed to developing "building blocks" that could serve as the basis for negotiating a Free Trade Agreement (FTA) between Indonesia and the United States.<sup>107</sup> Continued emphasis on further developing

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<sup>106</sup> "Indonesian Bio-diversity," [<http://www.geocities.com/rainforest/4466/biodiver.htm>].

<sup>107</sup> "U.S. Indonesia Strengthen Economic Ties, Says U.S. Trade Representative," *U.S. Fed* (continued...)

these building blocks, which include such agreements as efforts to curb illegal logging and the trade in endangered species, may help move the two states towards an FTA. American companies have also encountered difficulties, particularly in the area of environmental concerns, in Indonesia in recent years and may benefit from enhanced support or guidance from the U.S. government.

Elements of all of the options discussed here can be found in current American foreign policy towards Indonesia, though the mix in emphasis has shifted over time. The most recent shift in 2005 placed increased emphasis on bilateral military-to-military ties. This was likely the result of an increased appreciation of the importance of Indonesia in the war against terror as well as the progress that Indonesia made in developing its democracy in 2005.

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<sup>107</sup> (...continued)  
*News*, April 5, 2006.

Figure 1. Map of Indonesia



Source: Map Resources. Adapted by CRS. (K.Yancey 3/29/06)