

# INDONESIA'S RELATIONS WITH THE SHANGHAI COOPERATION ORGANIZATION AND UNITED STATES

BY

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USAWC STRATEGY RESEARCH PROJECT

**INDONESIA'S RELATIONS WITH THE SHANGHAI COOPERATION  
ORGANIZATION AND UNITED STATES**

by

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## **ABSTRACT**

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The Shanghai Cooperation Organization (SCO) has successfully withstood challenges in the international security arena since its establishment in 2001. It has made notable progress, especially in avoiding the use of force to settle border disputes. Nevertheless, the diplomatic, military and economic gap between China, Russia and the rest of SCO members is very wide and has created suspicion that the SCO is only a Sino-Russian led alliance against U.S. interests in Central Asia. When Indonesia's relations with the U.S. soured, SCO members (China and Russia) began replacing the U.S. as a source of arms. The relationship between Indonesia and the SCO members has been reestablished since the end of cold war, while Indonesia-U.S. relations have deteriorated. At the same time, the post-Suharto era Indonesia is facing separatism, Islamic extremism and political turbulence. The Indonesian military, once a powerful political element, has to learn to live under civilian control. However, military reforms are progressing slowly because of the internal military culture and politicians who keep dragging the military back into politics. Against these back drops, what is the impact of

U.S. policy toward Indonesia and what tools can be used to improve the chances of achieving long-term U.S. interests?

# INDONESIA'S RELATIONS WITH THE SHANGHAI COOPERATION ORGANIZATION AND UNITED STATES

Philosophy is only a placebo for the bitterness of mankind's dark history.

—Hasyim Wahid

## Introduction

The development of the “*Shanghai Five*” and the creation of the Shanghai Cooperation Organization (SCO) represent a significant development trend in the Central Asian Region. On 15 June 2001 at a meeting in Shanghai, the six Heads of State signed the Declaration on the establishment of the Shanghai Cooperation Organization and declared the birth of the new organization of regional cooperation.<sup>1</sup>

The SCO has six permanent members: China, Russia, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, and four current observer states: Iran, Pakistan, India, and Mongolia. While Afghanistan's status as an observer is never clearly mentioned, they established a contact group in 2005.<sup>2</sup> The organization strives toward several objectives:

- Strengthening mutual trust and good neighborly relations;
- Promoting cooperation in politics, economics and trade, science and technology, culture, education, energy, transportation, ecology and other fields;
- Safeguarding and preserving regional peace, security and stability; and striving for the creation of a new political and economic international order that is democratic, just and rational.

In addition to summit level meetings of all members, the SCO also conducts “sideline” meetings. For example, in 2005 Chinese President Hu Jintao met with Afghanistan President Hamid Karzai, who was a guest of Uzbek President Islam

Karimov. During the meeting, they discussed Afghanistan's attempts to locate and bring to justice the terrorists who attacked Chinese workers there.<sup>3</sup>

This paper tries to explore the SCO and the Indonesia-U.S. relationship from the Indonesian perspective. In doing so, this paper will examine SCO members and their interests, its strategic significance for Indonesia, Indonesia-U.S. relations, and future challenges facing this relationship. It will look at the bilateral relationships between Indonesia and SCO member countries with the caveat that Indonesia is neither a member nor an observer state, so it has no formal relationship with the SCO as an institution.

For Indonesia, the collapse of Soviet Union created a mixed opportunity. On the one hand, it created a golden opportunity for Indonesia, a prominent member of the Non-Alignment Movement (NAM), to have better relationships with other countries. On the other hand, Indonesia's relationship with the U.S. suffered because Indonesia was no longer on the priority list for U.S. foreign policy. As a result, the U.S. government imposed significant pressure on Indonesia to stay in line with the U.S. policy on democratization, human rights and free trade. The issue of Communism became irrelevant. Those U.S. policies combined with financial considerations slowly became the main focus also for the Western involvement with other countries. The relations between Indonesia and the U.S. have always been asymmetrical in nature, in the sense that the U.S. is much more important to Indonesia than Indonesia is to the United States. For example, in 2003 the U.S. was Indonesia's second largest export market and its second largest source of imports. However, from the U.S. perspective, Indonesia

is a small trading partner; U.S. exports to Indonesia account for 0.4% of U.S. total exports, and imports from Indonesia constitute only 0.8% of U.S. total imports.<sup>4</sup>

During this same time, the creation of the SCO did not get significant attention from Indonesian policy makers. There are at least three reasons why few people noticed the development of this organization. First, Indonesia was struggling with its internal problems, such as the financial crisis in 1997 and the separatist movement. Second, Indonesia did not have any significant diplomatic relationships with communist or post-communist countries. Third, the Indonesian media also failed to consider the development of the SCO, so it was not brought to the attention of the people by media coverage.

More recently, the economic development in China and Russia in the last five years has attracted more Indonesian tourist and business travel to those countries. These success stories have been reported by the Indonesian media, which in turn has forced the public to turn its focus towards those giants, at least from an economic perspective. At the same time, the U.S. military embargo on Indonesia has forced the Indonesian government to look for new sources for the Indonesian National Forces (TNI). For example, when Indonesia could not get spare parts for its F-16 fighter squadrons, which were acquired when the U.S. still supported Indonesia against the Communists, Russia offered their Sukhoi Su-30Ki to replace the F-16s in the Indonesian inventory. Despite the acquisition and training costs associated with transitioning to a new aircraft, the TNI had to accept the change in order to maintain an operational air force.<sup>5</sup>

## Interests of the SCO and Its Nations

The SCO members and observers cover one of the largest geographical areas of any regional organization, from Saint Petersburg to Vladivostok and from the Kara Sea in the north to the Indian Ocean in the south. Its members and observers collectively possess 17.5 % of the world's proven oil reserves, 47–50 % of known natural gas reserves, and some 45 % of the world's population.<sup>6</sup>

It is interesting to note that on 15 June 2001, three months before the 9/11 terrorist attacks, the SCO members signed the Shanghai Convention on Combating Terrorism, Separatism and Extremism. The signing of this convention clearly shows that the SCO is trying to create a capable apparatus to anticipate the new threats in the world affairs.<sup>7</sup> To respond to the growing economic cooperation, the SCO members also signed the agreement on Inter-Bank Cooperation on 26 October 2006 in Moscow. It underlined the need for more active involvement by business and financial leaders from SCO member countries and sped up the creation of an SCO Development Fund.<sup>8</sup> As a strong regional organization, the SCO also launched a variety of other initiatives, including the criticism of unnamed states that try to monopolize world affairs and the Russian President's proposal to create an "energy club" by encouraging national and private energy entities to coordinate investment and construction plans, and to explore joint ventures and exchanges of technology.<sup>9</sup>

For some U.S. scholars and policy makers, the development of the SCO is clearly against U.S. interests in Central Asia because Moscow and Beijing want the SCO to be as a regionally exclusive organization to utilize as a platform for collective security in Central Asia, sponsoring both bilateral and multilateral exercises with local regimes and securing sources for their energy demand.<sup>10</sup> In his 2007 monograph, Dr. Stephen Blank

of the Strategic Studies Institute also proposed that the U.S. government must devise rewards and punishments for those who would use the SCO as a means to eject the U.S. from Central Asia.<sup>11</sup>

There are also conflicts of interests regarding the SCO existence. Conflict of interest internally is apparent between the four small countries members of the SCO with the big brother Russia and China, and externally between the SCO and other nations. Internally, as Daniel Kimmage stated, the four Central Asian governments need to balance Chinese and Russian interests. Beijing uses the SCO as a vehicle for managing China's growing commercial and energy interests in Central Asia and Moscow looks at the SCO as an eastward-looking body that goes beyond the borders of formerly Soviet space.<sup>12</sup> With Russia and China in the same boat, the four relatively weak governments expected that they have put Russia and China to check each other and avoiding full dominance on one country. Externally, the SCO through a declaration issued on July 5, 2005 implicitly calling for the United States, to set a timeline for withdrawing its military forces from Karshi-Khanabad Air Base, located in southern Uzbekistan.<sup>13</sup> However, the SCO also has strong shared interests and is growing stronger based on the organization's agreed agenda. Even though the SCO has little recognition from the world community, at least the SCO members have successfully avoided the use of warfare in settling their differences. The two big powers, China and Russia, have differences in strategic position compared to the other four members and the observer states. The key interests of those countries are summarized below.

## Russia

Russia's interests in the SCO encompass at least four different categories: Central Asia, Chinese–Russian relations, relations with the West (primarily the U.S.), and general world politics. Any breakdown of security will threaten military facilities and five million ethnic Russians in the region. For Russia, the SCO regulates the uneasy mix of cooperation, competition and balancing power against China. Russia's vision of the balancing role of the SCO extends beyond the issue of local competition with the U.S. to that of coping with the apparently relentless expansion of Western security institutions.<sup>14</sup>

## China

China's motives for the creation and exploitation of the SCO are mutual strategic reconciliation, including the avoidance of border clashes, and in establishing an orderly framework for coexistence with Russia. In addition, China sees the SCO providing access to an intriguing market for both goods and technologies, and as a source of energy. China also keeps pressing for an SCO free-trade area and is determined to eliminate its terrorism and separatism threats to help its own internal stability.

## The Four Central Asian Member States

The SCO helps these member states to take care of security, maintain free choice and protect their own alleged "values." At the same time, and despite the concerns mentioned previously about the role of the SCO, the creation of the SCO has not had the effect of blocking growth in the Central Asian states' relationships with the U.S., other Western states, or the European Union (EU) and Organization for Security and Cooperation in Europe (OSCE).

Looking closely from the political perspective, the SCO is expected to extend their international standing without giving concessions to Russia and China and secure their political regime on the one hand and on other hand restrain the West from over-punishing them for their authoritarian regimes. In economic development, they want to have foreign direct investment from China and Russia, but at the same time maintaining freedom to establish cooperation with western costumers. Last but not least, in the security dimension there is a benefit to join the SCO because Russia and China will support them in overcoming transnational threats in their countries in a multilateral structure rather than via bilateral cooperation.

#### The Observer States

Mongolia was granted the status of observer state in the SCO in 2004, while India, Iran, and Pakistan became observers in 2005. All four are motivated to associate with the SCO because of their interest in opening up trade across Central Asia, facilitating energy deliveries, and creating other infrastructure links. In addition, each has specific national motivations. For example, Iran has a special interest in energy cooperation, particularly for its nuclear program. India and Pakistan hope to gain a route into wider Asian geopolitics and a forum to address their own problems,<sup>15</sup> to include resolution of their border disputes. Mongolia is trying to multilateralize its own highly asymmetric and sensitive strategic relations with China and Russia.<sup>16</sup> Finally, while not a formal observer, Afghanistan is interested in a relationship with the SCO to help control cross-border terrorist activity and illegal drug trade and to develop its economy on a sustainable regionally integrated basis.

## The Strategic Significance of the SCO versus Bilateral Approach

### The Strategic significance of the SCO

The growing attention toward the SCO reflects the expanding power and assertiveness of its participants. The SCO fortunes have also risen with the recent booming in global energy markets as it brings China, the largest and fastest growing energy consumer, into a united organization with several of the largest energy producers. Even though some western analysts regard the SCO as a Sino-Russian led alliance against U.S. interests in Central Asia, which is not true if we look at the four small member countries interests, over the past six years the SCO has been evolving to not become an anti-American organization.<sup>17</sup>

Against this backdrop, Indonesia needs to put more focus on the development of the SCO, at least on the few factors considered as strategically significant. These factors, such as the population, natural sources, military and nuclear technological background will become points of interest from the Indonesian view. The total population of SCO members and observers is reaching nearly three billion. With their huge populations, they will become significant markets with very huge economies of scales. When we add this consideration to China's position as the biggest foreign exchange holder in the world with US\$1332.6 billion, Russia with US\$416.0 billion, and India with US\$ 228.8 billion, it will create a thrust in the economic relationship.<sup>18</sup> It is also relevant to remember that China, Russia, India and Pakistan are nuclear powers. According to the CIA World Factbook 2007, these countries spend significant amounts of money on their military procurement with China in 4<sup>th</sup> position and Russia on 7<sup>th</sup> position.

However, despite these factors, from the Indonesian view the SCO remains a collection of nations with very limited importance as a multinational body. While some members of the organization (Russia and China) are very big players in the region, the value of the organization itself is less clear. As discussed below, even its members continue to work through other organizations as well, so while understanding the organization is important, focusing Indonesia's efforts on it would seem to achieve less than other bilateral efforts, especially because focusing on the SCO would alienate at least some US counterparts who will be key in regaining US support for Indonesia.

#### The Bilateral Approach

Traditionally, Indonesia has followed a bilateral approach to international relations, focusing on the U.S. for the first part of the post-colonial period and more recently on Russia and China due to the deterioration of relations with the U.S. in the post-Cold War period. All of these relationships have fluctuated with changing political conditions, though the basic structure remains tied to economic and cultural issues.

The Indonesia-China relationship is dynamic. Diplomatic relations between the two countries were frozen from 1967-1990 following purges of the Indonesian communist party, but fully resumed in August 1990, coinciding with the end of the Cold War. After resuming diplomatic relations, Indonesia and China have steadily developed their relationship, in turn promoting regional peace and prosperity. The declaration of a strategic partnership signed during the visit of President Hu Jintao to Indonesia in April 2005 provides a roadmap on how Indonesia and China will expand and deepen bilateral relations.<sup>19</sup> Indonesia's consistency in supporting the "one China" policy and respecting

the territorial integrity and national sovereignty of the People's Republic of China (PRC) over Taiwan helps to strengthen the relationship.

During the last two decades, there have been increasing positive trends in various sectors, such as political cooperation, trade, tourism and people-to-people contact, including the exchange of students. In the economic sector, the relationship is moving quickly with a trade value target of US\$30 billion in 2010, an increase from US\$19.06 billion in 2006.<sup>20</sup> In the defense sector, a draft agreement has been written which includes cooperation through exchange by both countries' military personnel to study defense systems and other forms of cooperation in the security as well as defense fields.<sup>21</sup> In the energy sector, the two sides agreed in 2006 that Indonesia's Tangguh gas field will provide 2.6 million tons of liquefied natural gas annually to southeastern China's Fujian province from 2009 to 2034. As Indonesia's President said, energy security is a "key factor in allowing China and Indonesia to achieve peace, stability and development."<sup>22</sup> The two countries are also improving cooperation in other fields, such as a scientific expedition in the Indian Ocean and extradition agreements. In short, current relations between Indonesia and China seem to erase suspicions that China's economic and military power will threaten peace, stability and prosperity in the short-to-mid term.

The fluctuating relationship between Indonesia and Russia is also very dynamic. Being more than just two large countries in size and population, both have gone through complex paths of development. Looking back through history, Russia was among the first to acknowledge the independence of Indonesia and express solidarity with the Indonesian people who were fighting for their freedom. Russia helped to build the

Krakatau Steel Plant, the research nuclear reactor in Yogyakarta, and Bung Karno Stadium in Jakarta. However, as with the Chinese, relations soured after the Indonesian military's purge of the Indonesian Communist Party after it attempted to conduct a coup in 1965, allegedly supported by Moscow. However, following a path similar to its relationship with China, relations between Russia and Indonesia have been developing steadily since the end of the Cold War. The official visit of Yudhoyono, President of the Republic of Indonesia, to Moscow in 2006 was a significant event. Increased inter-parliamentary relations and intensified cooperation between various ministries and other agencies show that both sides are interested in promoting cooperation. Both governments are now focused on enhancing these improvements.

In the military sector Russia has already lent Indonesia US\$1 billion to buy two submarines, four attack helicopters for the army, and six marine war vehicles. Indonesia also bought six Sukhoi jets from Russia, worth over US\$300 million.<sup>23</sup> In space technology, the two countries have also agreed to cooperate in building a rocket-launching station on Biak Island in Papua Province (because of the location's geographic importance close to the equator and geological value due to its rocky nature). A Russian company has also agreed to build Indonesia's first nuclear power plant in the Gorontalo Province. The nuclear plant would be designed to generate up to 90 megawatts<sup>24</sup> of electricity. Meanwhile, in the telecommunications sector Russia's Alfa is ready to invest US\$2 million in Indonesia's fast growing telecom sector.<sup>25</sup> Another example of diversification of economic ties in energy is the agreement between Russia's LUKoil's and Indonesia's Pertamina for US\$1 billion worth of upstream work in Indonesia.<sup>26</sup> It seems that the Indonesia-Russia relationship tends to counter balance

Indonesia's relationship with the U.S. that, while also welcome, has proven to be somewhat unreliable as evidenced by the U.S. tendency to cut off what the Indonesian military sees as desperately needed weapons and equipment.

Indonesia's relationship with Uzbekistan is relatively insignificant. For example, in 2006, Indonesia exported US\$1.4 million worth of commodities to Uzbekistan. This is the reason Indonesia is looking to the other areas for possible cooperation in the business and investment sectors. The Indonesian Ministry of Foreign Affairs organized seminars on investment and a business forum, which is expected to serve as an effective means to enhance cooperation in the fields of energy, manufacturing, agriculture, banking, construction and air transportation. Indonesia's shared background as a predominantly Muslim country is expected to help smooth the process. One of the serious focuses from the Central Asian countries is the technological export processes on coal gasification, developed and used by the specialists of the Angren Hydroelectric Power Station in Uzbekistan as well as cotton products. In turn, Uzbekistan can gain from the Indonesian experience in the field of tourism.<sup>27</sup> Indonesia also sells Uzbekistan electrical and mechanical equipment, food, pharmaceutical products, and tobacco. To strengthen cultural understanding, the Center of Indonesian Language was established under the Samarkand Institute of Economics in 2001. The Indonesian Embassy has also provided the center with computer technology, classroom equipment, literature, and other study materials.<sup>28</sup>

The Indonesian relationship with Tajikistan is also still very insignificant in value. The Indonesian products marketed in Tajikistan are very small in number and are usually bought by the local vendors from Russia, Dubai, and other neighboring

countries. The main Indonesian products exported to Tajikistan are textiles, apparels, furniture, plastic products, tea, electronic devices, shoes, and soap. Transportation is the primary obstacle encountered by Indonesian exporters to Tajikistan, since Tajikistan does not own a seaport. Imported products entering the Central Asian region (including Tajikistan) have to go through the Iranian port of Bandar Abbas and are then transported by trucks or trains. The transit time can take about one month. This has caused a hike in the price of Indonesian products.<sup>29</sup>

Indonesia's relationship with Kyrgyzstan is primarily limited to matters of mutual support in international organizations. Trade and investment between the two nations is very small, though Indonesia does import cotton and chemical products from Kyrgyzstan and exports limited quantities of vegetable oil and fat, coffee, tea, cacao, furniture, and chemical organic material. In the field of socio-cultural development, only a single Kyrgyzstan student has been awarded an Indonesian scholarship through the *Dharmasiswa* Programme;<sup>30</sup> more extensive exchanges and sponsorships do not exist.

Indonesia's least significant relationship with an SCO state is its bilateral relationship with Kazakhstan. The two countries do not exchange representatives, so Indonesia conducts talks with Kazakhstan using The Indonesian Embassy in Tashkent, Uzbekistan. There are no cultural/educational exchange programs and no direct trading relationships.

The importance of SCO nations for Indonesia can be summarized in the focused relationship with China and Russia. From an economic, political and military point of view, both countries represent emerging superpowers. China is currently on the path to becoming a new superpower, while Russia is trying to regain her lost status as a

superpower. In the international sphere both countries also enjoy privileges as permanent members of the Security Council in the United Nations. Indonesia certainly will continue its relationship with China and also with Russia, but only if Russia and China are able to prove that they are not a threat to Indonesia and the region. The relationship with other SCO members will continue even though there are obstacles to be solved, such as how to exchange technology, and create direct trading and investment.

Indonesia's relationship with the U.S. is more complex than its relationship with the regional players because of the role politics, specifically anti-communism and democratization, has played in the relationship. Since Suharto came to power in 1965, replacing Sukarno, the relationship between Indonesia and United States gradually became very close. Indonesia was a key U.S. ally combating communism in Southeast Asia, notable for the virtual elimination of the Indonesian Communist Party during purges led by Suharto. However, when the Cold War ended—and with it U.S. interest in opposing communists at all costs—Indonesia again became a pariah state thanks to the authoritarian measures that had become institutionalized as a result of the anti-communist purges. As U.S. policy began to shift from the *realpolitik* of the Cold War, U.S. diplomatic and trade efforts shifted to imposing U.S. values on Indonesia. Efforts that had been judged on their effectiveness and utility in containing communism were now judged through the lens of democracy, human rights and free trade. Relations further deteriorated following alleged human rights abuse in East Timor, the small eastern part of Timor Island. From the Indonesian perspective, this proved especially difficult because East Timor is seen as little more than a pebble in the shoe, and one

which they undertook action with the perceived blessing of the U.S. government.

Indonesia went to East Timor in 1975 following the visit of President Gerald Ford and Secretary of State Henry Kissinger to Indonesia in December 1975. In the words of Henry Kissinger as he advised Suharto on the eve of the invasion, *"It is important that whatever you do succeeds quickly,"* but that *"It would be better if it were done after we returned to the United States"*.<sup>31</sup>

Further difficulties in the relationship began in 1996, when President Suharto openly announced that the Indonesian Air Force would buy Russian Sukhoi fighter aircraft to replace U.S. F-16 aircraft due to repeated postponements of spare part deliveries under the U.S. Foreign Military Sales (FMS) program. From the Indonesian perspective, they had placed total trust in the U.S. government and its western allies to meet legitimate security needs. The FMS postponements clearly held Indonesia's security hostage to U.S. interests. This created an unthinkable backlash, as Indonesia was not only politically pressured, but also economically and militarily.

The environment changed somewhat following the resignation of President Suharto following the significant worsening of Indonesia's internal economic-political situation caused by the Indonesian Monetary Crisis. During this difficult period in 1999, the Indonesian military was alone in trying to maintain Indonesia's unity and integrity. In April 2000, the TNI's Commander in Chief stated that the TNI's main task was to act as the major component in the defense of the state, to foil any aggression, and to guarantee the national interest.<sup>32</sup> This dual function, protecting against external aggression and internal assault on the basic structure of the nation, was a new approach for the TNI. However, the new civil-military relationship that emerged in the

new democratic country was not something unusual in the broader context. As Samuel Huntington has written, future problems in civil-military relations in new democracies are likely to come not from the military but from the civilian side of equation, from their failures to promote economic development, maintain the law and order, build strong political institutions and limit ambitious political leaders who may enlist the more organized military as their accomplices.<sup>33</sup> Megawati, who succeeded Wahid to become President in 2001, avoided a careless approach to the military, and slowly restored Indonesian political order.

The September 11, 2001 tragedy probably became the turning point for the American attitude toward the political role of the military in the third world countries in general, though it did not have an immediate impact in Indonesia. In the response to that disaster, President Bush declared a Global War on Terror (GWOT). The world was divided into the anti-terrorist and the pro-terrorist groups. It is almost the same as the black-and-white reality of fifty years ago, when the world divided into anti-communist and pro-communist camps. In the name of the GWOT, America again supported the involvement or the domination of the military in politics in some instances, though the *realpolitik* of the earlier era remained tempered by the more humanist approach in some cases. This new policy approach became apparent in the U.S. government's attitude toward the Pakistani military regime after General Musharraf declared his support for the GWOT, which is now being challenged by pro-democracy elements of U.S. policy following Musharraf's declaration of martial law, election maneuvers, and the death of Benazir Butto.<sup>34</sup>

In this same vein, the U.S. could have accelerated its fight against Islamic extremists in Indonesia by choosing to reengage with the TNI as a close military partner in the GWOT. The military intelligence capabilities and its deep rooted structures were used to monitor individuals and groups who they considered endangered the nation. It will not take a long time to revitalize this function again. The military's indirect political involvement would also block the Islamic hardliner party from spreading their ideology further, both in society and within the military itself. However, to date the U.S. has chosen to focus on close cooperation with the police.<sup>35</sup>

Even though Indonesia has become a democratic country, current efforts to reestablish military ties with the U.S. are not moving smoothly. The Leahy Amendment— named after its author Senator Patrick Leahy (Democrat-Vermont)—is still having a negative impact on the relationship.<sup>36</sup> In short, the Leahy Amendment put into law the ban on military training and weapons transfers. The U.S. president has to certify to Congress that Indonesia has made progress in addressing human rights issues before International Military Education and Training (IMET) funding and Foreign Military Sales can be resumed. In 2001, Congress even extended these requirements, including transparency in the Indonesian military budget.<sup>37</sup> It is very difficult for Indonesia to fulfill the requirements mentioned in the Leahy Amendment, which in turn makes it very difficult for the U.S. to reestablish its ties with Indonesia because of the limited U.S. influence and access in the Indonesian military. Indonesian officers have been absent from the U.S. environment since 1993, when the U.S. stopped the IMET program. While the program was resumed in 2004, it remains limited to a very small number of officers. The absence of Indonesian officers at U.S. military schools at all

levels for almost 15 years has meant that virtually none of the candidates for senior TNI posts in the coming years have been trained in the U.S. As a result, few are familiar with the U.S. political, social, and military environments that might help improve their ability to meet requirements and improve relations. Some senior U.S.-trained Indonesian officers themselves lament the fact that their successors do not have first-hand knowledge of the U.S. and its concerns and interests.

The problem with U.S.-Indonesian relations caused by U.S. policy actually is not difficult to solve. The Leahy Amendment which focuses on human rights abuses is not relevant anymore because East Timor has already gained her independence. The trial of the Indonesia military including some high ranking officers was conducted openly and has already concluded. Another request for the Indonesian military to have better transparency in the Indonesian military budget has already been accomplished with the closing of all military businesses. The US decision to strengthen counter-terrorism cooperation using the Indonesian police forces is not directly a problem for the Indonesian military. However if the U.S. wants to have better intelligence information, the Indonesian military intelligence could be used to support its efforts. In the military relationship, the U.S. and Indonesia must work hand in hand to improve the ties, beginning with increasing the number of officers that come to U.S. military schools.

### Future Challenges

Looking at the future, several major issues are facing Indonesia that deserves urgent attention. Indonesia is not a perfect society. As a relatively new democratic country, it bears the scars of western colonialism and a long history of elites who violently competed for power.

Indonesia has been changing its international relationships over the last six decades. Today, Indonesia's foreign policy clearly states its main focus is strengthening the support for territorial integrity of the Republic of Indonesia, improving cooperation to end border issues, encouraging promotion and cooperation of economic trade and Indonesia's investment in bilateral, regional, and international forums, and expanding technical cooperation and transfer of technology with developed countries and international institutions.<sup>38</sup> Based on this policy, Indonesia has maintained relationships with SCO member countries on a bilateral basis. Indonesia's main partners in the SCO are Russia and China, though those relationships only developed after the end of the Cold War. Conversely, Indonesia's relationship with the U.S. was very strong during the Cold War era, but deteriorated after its conclusion in 1990.

Comparing the relationships between Indonesia-Russia/China and Indonesia-U.S. is not easy. The U.S. continues to look at Indonesia through the very narrow lens of select interests, such as human rights or democratization. The SCO takes an approach more in keeping with *realpolitik*, with Russia and China clearly stating that they will not try to intervene in another country's domestic affairs without invitation. While one might question validity of the rhetoric, to date their intervention in Indonesia has been indirect through trade and investment.

The history and democratic development differences in Indonesia and the U.S. are also significant. The separatism threat Indonesia has faced up to now required energy and political sacrifice that the U.S. has not experienced in over 100 years. Indonesia is still an unfinished nation trying to become stronger, to include throwing away its legacy of colonialism. The asymmetrical trade relationship between Indonesia and the U.S.

further complicates the situation, putting Indonesia in a bad position. Some objective observers believe that Indonesia has made significant progress concerning the human rights issue in matching the Leahy Amendment, but the IMET funding and Foreign Military Sales have not yet resumed. If the U.S. continues its pressure, perhaps someday the situation will put Indonesia in a corner with no other choice except working closer with Russia or China, as has already been seen in the case of the F-16 and Sukhoi sales programs.

Having differing sources for military equipment purchases is not good for the military forces. Indonesia deeply understands that U.S. military equipment is still the best in the world. The Indonesian military has purchased U.S. equipment for decades, and would prefer to continue doing so. It is not easy for Indonesia (or any other country) to move to a different country to make large-scale arms purchases because of the high acquisition costs, interoperability problems (to include supply complications), language differences, training expenses, and doctrine concerns. Unfortunately, decisions must be taken in light of availability and not just preference and cost effectiveness. Looking at the current situation, it is not clear whether Indonesia will continue the trend of buying its military equipment from Russia and China. But faced with a continued U.S. embargo (or even the perception of future embargo's holding Indonesian security hostage), there is the possibility that Indonesia will find it necessary to purchase its weaponry from non-U.S. sources. If the U.S. policy does not change, this trend will increase as the new weaponry price becomes more affordable (transitioning from an initial procurement to a sustainment model) and Indonesia adapts to the different technology and doctrine. If this scenario happens, for better or worse, the Russian or Chinese influence will also be

attached to the arms sale and slowly, Indonesia will move toward closer political relationships with them.

Given the long tradition of cooperation between the U.S. and Indonesia, both in terms of military equipment and economic exchanges that are of great benefit to Indonesia, the importance of the U.S. relationship cannot be overstated. Even though the neighbors to the north are growing economic powers, the nature of their economies make them more competitors with Indonesia for the U.S. export market than possible importers of Indonesian products. Because the U.S. will remain Indonesia's significant trading partner, it is important to help the relationships in all areas. A key way to do this is by eliminating the current military problems (security is very important for Indonesian leadership) that is in turn linked to political issues.

To reduce the possibility of moving toward the Sino-Russian sphere without violating the Leahy Amendment, Indonesia needs to improve the military education for its officers in the U.S. using the IMET programs. The education improvements are not only in number but also in the kind of courses that will help officers understand civilian leadership, democracy and human rights. In Indonesia, U.S.-trained officers formed the core of the reformist officers in the post-Suharto era, but most of them are now retired and to build other reformist officers will take years. Improving the U.S.-Indonesian military relationship will also contribute to the U.S. efforts in the war against terrorism by creating a counterbalance to extremism in Indonesia and strengthening the democratic system since Indonesian officers are naturally nationalistic. The U.S. leaders should understand that beyond the military jurisdiction, there are three main points which could hinder the creation of a professional military that need to be remembered: the

politicization of the military by the elite politicians; the absence of political decision makers who truly understand the various laws that regulate national defense; and the decline in a political stance by the public regarding the political role of the military as a result of the public frustration of civilian politicians.<sup>39</sup>

Engagement with the Indonesian military would improve the ability of the United States to promote a democratic model of military professionalism in Indonesia and to play a role in fostering intra-ASEAN defense cooperation and interoperability.<sup>40</sup> Beyond that mentioned above, the strong Indonesian democratic system could have a major impact on the Muslim countries of the world. This democratic transition could also possibly have enormous important global consequences, including its influence in the Arab heartland to change authoritarian and intolerant models of governance.

## Conclusion

This analysis has reviewed a complex situation involving the SCO, its members' interests and their strategic significance for Indonesia, and the Indonesia-U.S. relationship and its future challenges. The conclusion is that Indonesia must continue to improve its human rights record, and the U.S. should proceed in reestablishing its relationship with Indonesia, including its military. Although many obstacles lay ahead, such as getting credit for meeting requirement the Leahy Amendment and unfinished Indonesian military reforms, there are many projected advantages to reengaging Indonesia. For Indonesia, the military is part of the nation, intact and respected by all elements of the nation. As a result of military reforms, the Indonesian military is not directly involved in politics, but their influence is still significant. Trying to marginalize the Indonesian military will not meet U.S. interests to create a strong democratic Indonesia

as a regional counterbalance to China, minimizing the possibility of terrorist havens and access to an important source of natural resources. But if the U.S. chooses another direction, there is the possibility that Indonesia will continue its weaponry purchases from China and Russia. In the long term Indonesia will learn the different technologies and doctrine and move to a closer political relationship with China and Russia and other SCO members. Thus, arms sales for both countries not only become revenue sources but also will play a key role in the attempt to win friends and influence abroad.

Facing these challenges, Indonesian leaders should support the military reforms and transform its military culture, a culture that was shaped decades ago. It will require hard work, time and patience to adjust the Indonesian military to the latest developments in the spirit of military reform, a process that would be enhanced by increased Indonesian access to U.S. schools. The U.S. leaders should continue to seek the best way to reach national security objectives in the global war on terrorism and remember that the three main points which could hinder the creation of a professional military in Indonesia are not coming from the military side. Indonesia should understand that sometimes U.S. policy is solely for the short-term and domestic purpose, while U.S. policy planners should understand the Indonesian culture, history and its civil-military relationship and avoid short-term policies that conflict with long-term interests.

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