

CRS Report for Congress

Indonesia: Domestic Politics, Strategic Dynamics, and American Interests

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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 a 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. 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.

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.

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.

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Recent Developments

Bilateral relations between the United States and Indonesia at the state to state level are now closer than they have been for many years. This improvement in relations is seen to be the result of common security concerns and the increasing democratization of Indonesia.¹ The visit by President George Bush to Indonesia in November of 2006 was viewed by some in the region as conferring the “special treatment” that Indonesia deserves at a time when the past freeze on bilateral military relations has been lifted.² While diplomatic ties are closer, this sentiment is not necessarily mirrored by public perceptions in Indonesia. The Indonesian Koran Tempo newspaper stated that the President’s visit “can only be seen as a symbol that the superpower state still deems Indonesia an important power in the war against terrorism in Asia.”³ A few Indonesian Islamists, representing a small minority of the Indonesian public, also demonstrated against the Bush visit.

President Susilo Bambang Yudhoyono’s position was strengthened in November 2006 when the Golkar party reasserted its support of his government. Golkar has stated that they will remain a partner of the government to the end of its term in 2009. According to opinion polls, Yudhoyono remains popular with the Indonesian public. The President will need this support to carry out election promises to create jobs and increase investment. These are two key policies against which he may be judged by the Indonesian electorate in the 2009 presidential election.⁴ The need for more foreign direct investment, the slow pace of infrastructure development, the need for bureaucratic reform, and high levels of corruption may act to limit Indonesia’s progress.⁵

The terrorist group Jemaah Islamiya (JI) remains active in Indonesia and the region despite successful efforts by the Indonesian government in pursuing it. In November 2006 the Indonesian and Malaysian armed forces signed an agreement to

¹ Joe Cochrane, “Visit to Mark Closer Ties with Jakarta; Military Cooperation Grows as U.S. Concerns on Rights Issues Recede,” *The Washington Post*, November 19, 2006.

² “Bush’s Brief Trip to Jakarta Fruitful,” *The Straits Times*, November 25, 2006.

³ “Indonesia Gives Muted reaction to Bush Visit,” *Agence France Presse*, November 21, 2006.

⁴ “Indonesia: Country Outlook,” *Economist Intelligence Unit*, January 2, 2007.

⁵ Michael Vatikiotis, “The Direction of Indonesia in 2007,” *The Jakarta Post*, January 9, 2007.

increase cooperation in counterterrorism.⁶ It was reported in January 2007 that JI may be developing new loose networks and recruiting as part of the lead up to a new series of attacks on Western interests.⁷ Ongoing ties between JI and the Abu Sayyaf group in the Philippines were confirmed when a JI member was killed along with five members of Abu Sayyaf in a sea clash with Philippines troops of Tawi Tawi province in the southern Philippines.⁸

It also appears that the government is scaling back plans to force the military to divest itself of commercial interests. This has been interpreted as a lessening of the government's commitment to military reform. A 2004 bill passed by parliament called for the military to divest itself of all businesses in five years.⁹

Overview

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. Indonesia also represents a moderate form of Islam that has the potential to act as a counterbalance to more extreme

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,

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: 5.5 to 6% (2007 est.).

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

Unemployment rate: 11.8% (2005 est.)

Main exports: Oil, natural gas, appliances, textiles

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

⁶ "RI, Malaysia Agree to Increase Cooperation in War on Terror," *LKBN ANTARA*, November 23, 2006.

⁷ Charles Miranda, "Terrorists Recruiting for Assault," *The Daily Telegraph*, January 9, 2007.

⁸ "Indonesian Militant killed in Clash with Philippine Troops," *Dow Jones Newswire*, January 7, 2007.

⁹ M. Taufiqurrahman, "Much-Awaited Military Reform Stops at the Barracks Door," *The Jakarta Post*, December 26, 2006 and T. Vestergaard, "Government of Indonesia Cuts Down on Military Reform Policy," *Global Insight*, June 21, 2006.

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, government corruption, and a faltering economy all undermine stability in Indonesia. Despite this, Indonesia has been consolidating democratic gains, building a more robust civil society, and further strengthening 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.

Issues for Congress

A series of policy decisions taken in 2005 mark a fundamental shift in the U.S. approach toward Indonesia. 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 helped deepen the bilateral relationship and laid the groundwork for further improved relations. Indonesia has also moved forward on issues of concern to the United States. The relationship has improved for a number of reasons as outlined below.¹⁰

- 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, and valuable U.S. assistance to Indonesian counterterrorism security organizations.
- 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.
- Peace in Aceh.
- Increasing appreciation in the U.S. of the strategic and geopolitical importance of Indonesia.
- The potential that Indonesian military reforms will proceed.
- Indonesia's position on the East Asian Summit.¹¹

¹⁰ This is an expanded version of a list developed by CRS Specialist Larry Niksch.

¹¹ 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.

Unresolved human rights issues may yet limit the extent of the bilateral relationship particularly in the area of military-to-military cooperation should new human rights abuses occur. 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 continue to have concern over human rights abuses in Indonesia.¹² 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.”¹³

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

¹² “US Determined to Restore Ties with Indonesian Military, Naval Chief,” *Associated Press Newswire*, May 6, 2005.

¹³ Ken Guggenheim, “Fight Looms in Congress Over Easing Indonesia Military Restrictions,” *Associated Press*, February 2, 2005.

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.)

Avian Flu. More people have been killed by the H5N1 virus in Indonesia than in any other state. So far most cases are thought to have been transmitted through contact with birds. There is much concern however, that the virus could mutate and become readily communicable between people. 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. Indonesia lacks resources to implement adequate anti-Avian Flu measures.¹⁴ As of January 2007 Indonesia continued to report new cases of Avian Flu. (For further information see CRS Report RL33219, *U.S. and International Responses to the Global Spread of Avian Flu: Issues for Congress*, 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.¹⁵ The geographic definition of modern Indonesia began to take shape under Dutch direct colonial rule, which began in 1799.¹⁶ 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 1965.¹⁷ 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

¹⁴ "Asia Remains Key in Battle Against Bird Flu," *US Fed News*, January 3, 2007.

¹⁵ 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).

¹⁶ Harvey Demaine, "Indonesia: Physical and Social Geography," *The Far East and Australasia* (Surrey: Europa Publications, 2002). p. 493.

¹⁷ Michael Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order* (London: Routledge Publishers, 1998). p. 1.

gaining control of the country.¹⁸ 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%¹⁹ from 1987 to 1997.²⁰

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.²¹

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 by 2009.²² Yudhoyono is a former general and went through US IMET training earlier in his career. He is viewed as sympathetic to military reform.²³

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

¹⁸ John Bresnan, ed. *Indonesia: The Great Transition*. (Lanham: Rowman and Littlefield, 2005) pp. 245-7.

¹⁹ “Background Note: Indonesia,” Department of State, Bureau of East Asian and Pacific Affairs, October 2003.

²⁰ Michael Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order* (London: Routledge Publishers, 1998). p. xviii.

²¹ “Survey of Indonesian Electorate,” *Asia Foundation*, December 9, 2003.

²² Donald Greenless, “Indonesia Wants its Military out of Business,” *International Herald Tribune*, May 4, 2005.

²³ Jane Perlez, “Bush Seeks to Heal Long Indonesia Rift,” *The New York Times*, February 8, 2005.

more firmly established civil society while also delivering the benefits of economic prosperity to the people.²⁴

Political Transition

There are a number of signs that Indonesia has made significant progress toward institutionalizing its democracy and more firmly establishing civil society.²⁵ The General Elections Commission functioned well during the 2004 elections.²⁶ A vigorous and open media has taken root.²⁷ 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 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

²⁴ Muthia Alagappa, ed. *Political Legitimacy in Southeast Asia: The Quest for Moral Authority* (Stanford: Stanford University Press, 1995).

²⁵ John McBeth, "The Betrayal of Indonesia," *Far Eastern Economic Review*, June 26, 2003.

²⁶ Christine Tjhin, "Civil Society After Akbar's Acquittal," *The Jakarta Post*, February 17, 2004.

²⁷ Tim Meisburger, ed. *Democracy in Indonesia: A Survey of the Indonesian Electorate in 2003* (Jakarta: The Asia Foundation, 2003). p. 55.

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.²⁸

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.²⁹ 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.³⁰ That said, some observers are concerned about its indirect influence over politics. The Indonesian military has attracted negative attention through reports of involvement with human rights abuses in East Timor, Aceh, Papua, and Maluku, although current problems seem associated mostly with Papua.

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 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.³¹ The government is currently reviewing military-run businesses. Those deemed inefficient are being turned over to the government.³² President Yudhoyono has 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

²⁸ Ridwan Max Sijabat, “DPR Criticized for Bad Performance,” *The Jakarta Post*, October 4, 2005.

²⁹ Asia Society, “Indonesia,” [<http://www.asiasource.org>].

³⁰ 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).

³¹ S. Kagda, “Reforming the Armed Forces in Indonesia,” *The Business Times*, February 7, 2006.

³² “Indonesian Government to Take Over Inefficient Army-owned Businesses,” *BBC News*, February 1, 2006.

command structure, a move viewed by many as seeking to gain favor with the relatively powerful army.³³

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.³⁴ 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.³⁵

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. The TNI budget is estimated by some to be 50% self-generated. This part of the TNI budget is thought to be 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.³⁶ The TNI will likely continue to play a central role in the evolution of the Indonesian polity in the years ahead. It could continue to 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.³⁷

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

³³ Munnigarr Sri Saraswati, "Suyanto Vows to Reform TNI," *Jakarta Post*, February 2, 2006.

³⁴ 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).

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

³⁶ Col. John Haseman, William Liddle and Salim Said, "The Evolving Role of the TNI," USINDO Security Workshop, October 16, 2003.

³⁷ Angel Rabasa and John Haseman, *The Military and Democracy in Indonesia: Challenges, Politics, and Power* (Santa Monica: RAND Corp. 2002).

moderate approach may reach accommodation where other efforts to quell Indonesia's fissiparous tendencies have failed.

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."³⁸ Forces of economic integration, or the creation of a national identity stemming from the nationalist movement which started in Java in 1908,³⁹ 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.⁴⁰ 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.⁴¹

³⁸ Merle Ricklefs, "The Future of Indonesia," *History Today*, December 1, 2003.

³⁹ Jusuf Wanandi, "Indonesia: A Failed State?" *The Washington Quarterly*, Summer, 2002, p. 135.

⁴⁰ "Ford and Kissinger Gave Green Light to Indonesia's Invasion of East Timor, 1975," *The National Security Archives*, December 6, 2001.

⁴¹ Michael Mally, "Regions: Centralization and Resistance," in Donald Emmerson ed. *Indonesia Beyond Suharto: Polity, Economy, Society, Transition* (Armonk: M.E. Sharp, 1999). p. 98.

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 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 Habibie.⁴²

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.⁴³

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.⁴⁴ 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.⁴⁵ 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.⁴⁶

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

⁴² John Haseman, "Indonesia," in David Wiencek, ed. *Asian Security Handbook 2000* (Armonk: M.E. Sharpe Publishers, 2000).

⁴³ Emerson, p. 356.

⁴⁴ "Indonesia: International Relations," *The Economist Intelligence Unit*, May 17, 2005.

⁴⁵ Sian Powell, "Xanana and SBY Let Shame File Slide," *The Australian*, February 18, 2006.

⁴⁶ Rob Taylor and Olivia Rondonuwu, "'Gusmao, Yudhoyono Meet in Bali,'" *AAP Bulletins*, February 17, 2006.

the Jakarta trials for crimes committed in 1999 to be “manifestly inadequate.”⁴⁷ (For further information on East Timor see CRS Report RS22136, *East Timor: Potential Issues for Congress*, by Rhoda Margesson and Bruce Vaughn.)

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.⁴⁸ 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 have viewed 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.”⁴⁹

The recent 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 at the time among Indonesian voters.⁵⁰

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 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 election of December 2006 selected a radical ex-rebel candidate over candidates more closely aligned with Jakarta. Former independence fighter Irwandi Yusuf received approximately 40% of the vote in a field of eight candidates. The Islamic PKS party candidate received only 10% of the vote.⁵¹ As governor, he has

⁴⁷ Human Rights Watch, “East Timor,” [<http://www.hrw.org>]

⁴⁸ S. Wiuryono, “The Aceh Conflict: The Long Road to Peace,” *Indonesian Quarterly*, 3rd Quarter, 2003.

⁴⁹ Kirsten Schulze, *The Free Aceh Movement (GAM): Anatomy of a Separatist Movement* (Washington: East West Center, 2004).

⁵⁰ 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).

⁵¹ Mark Forbes, “Aceh Rebel’s Big Election Win a Snub to Jakarta,” *The Sydney Morning* (continued...)

emphasized improving Aceh's economy, including efforts to attract foreign investment. He has hosted potential Thai, Japanese, Korean, and Malaysian investors and has entered into negotiations with the Irish Dublin Post Company to build a container facility. He also has challenged the Indonesian military's illegal logging in Aceh by banning logging in the province for five years. In order to check the military's illegal logging, however, he will need support from the central government, which is doubtful.⁵² Moreover, prior to his taking office, the Aceh provincial government had established Islamic Sharia law in the province. A key issue for the governor likely will be whether Sharia law will discourage foreign companies from operating in Aceh. (For further information, see CRS Report RS20572, *Indonesian Separatist Movement in Aceh*, by Larry Niksch.)

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 Irian Jaya Barat and 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 the region. Papuans are mostly Christians and animists. The province is rich in mineral resources and timber.⁵³

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.

⁵¹ (...continued)

Herald, December 13, 2006.

⁵² Tom Wright, "Aceh woos foreign money," *The Wall Street Journal Asia*, March 30, 2007.

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

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.⁵⁴ By some estimates, as many as 100,000 Papuans are thought to have died as the result of military operations.⁵⁵ Others assert that this figure is an overestimation. 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.”⁵⁶

The arrest and trial of Anthonius Wamang, who has been sentenced to life in prison in November 2006 for carrying out an attack in 2002 that killed two Americans working for the Freeport mine near Timika, Papua, has done much to resolve an issue that has been an impediment to closer relations between the United States and Indonesia. The mine is a subsidiary of Freeport McMoRan of New Orleans. Some have wondered why Wamang and his co-defendants did not use the trial to reassert earlier statements that the Indonesian military was involved.⁵⁷ 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 Maluku, 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.⁵⁸ There has also been inter-group conflict elsewhere in Indonesia such as between

⁵⁴ “When Jacob Rumbiak was 11,” *Port Philip Leader*, April 4, 2005.

⁵⁵ “Indonesian Police, Demonstrators Clash in Papua Province,” *Oster Dow Jones*, May 10, 2005.

⁵⁶ “A People Under the Jackboot,” *The West Australian*, September 18, 2004.

⁵⁷ John McBeth, “The Murder Muddle,” *The Straits Times*, November 11, 2006.

⁵⁸ See Sydney Jones’ definitive work for the *International Crisis Group*, [<http://www.crisisgroup.org>].

Muslims and Christians in Poso in Central Sulawesi, the Muluccas, and between local Dyaks and internal Madurese migrants to Kalimantan.⁵⁹

There has been much attention focused on the potential rise of Islamic sentiment in Indonesia in recent years. This is most notable in a political context with the rise of the PKS Justice Party in the 2004 election. In that election, the PKS increased its seats to 45 from 7 following the 1999 parliamentary election. Many have attributed the success of the PKS in parliamentary elections in 2004 to its campaign on a platform of good governance and its party organization rather than to its Islamist character. The PKS received 10% of votes in the December 2006 election in Aceh which is considered to be a more staunchly Islamic area of the country. This result followed an October 2006 poll of Indonesians that found that only 9%, as opposed to 20% two years earlier, would support an enlarged role for Islam in government. Only 2.5% of those polled in an October 2006 poll said they would vote for the PKS, which is down from their 7.3% approval in the 2004 parliamentary election.⁶⁰ Another October 2006 poll found that 43% of Indonesians support secular parties, while only 5% said they support Islamic parties.⁶¹ One manifestation of the rise of political Islam in Indonesia is the March 2006 demonstrations outside the American Embassy in Jakarta sponsored by Hizbut Tharir which featured banners that read, “Now is the time for the Caliphate to rule the world with Sharia” and “Crush the Zionist America and Israel.”⁶²

A major Islamic challenge to the secular nature of the Indonesian state is over cultural and moral issues. Not only the strictly fundamentalist Muslims but also more traditional Muslims protest the influence of Western cultural and moral values in Indonesian society. The Islamic challenge has four components. One is the direct action by radical Muslim groups against businesses and institutions which they accuse of representing Western cultural and moral values. The most widely publicized group is the Islamic Defenders Front (FPI). The FPI targets such businesses for direct, violent action. Squads of FPI cadre have forcibly shut down gambling dens, discos, nightclubs and bars that serve alcoholic beverages, and brothels. The FPI also has targeted Christian churches. Attacks by the FPI and like-minded Muslim groups have forced the closure of upwards of 100 Christian churches since September 2004, including more than 30 in West Java alone.⁶³ The FPI is estimated to have supporters in the tens of thousands at most. It and similar groups receive financial backing from Saudi Arabia. Its influence is felt widely partly because police and law enforcement authorities have adopted a permissive attitude toward its activities. Arrests of FPI members are few and infrequent despite the

⁵⁹ Amit Chanda, “Seven Killed in Indonesia, as Violence Flares up Again in Restive Maluku Province,” *Global Insight Daily*, May 17, 2005.

⁶⁰ “Islam and Politics in Indonesia,” *The Wall Street Journal*, October 24, 2006.

⁶¹ Ary Hermawan, “Gloomy Outlook for Islamist Parties,” *The Jakarta Post*, October 16, 2006.

⁶² Amy Chew, “5,000 Rally Outside US Embassy,” *New Straits Times*, March 6, 2006.

⁶³ Yuli Tri Suwarni, “Another Christian church attacked in Bandung,” *Jakarta Post* (internet version), June 4, 2007.

government's revisions of public assembly laws to make it easier to disband violence-prone groups.⁶⁴

The second component is pressure by Muslim groups on authorities to establish Islamic Sharia law. This is felt primarily on the provincial and local levels. The State Department's human rights report for 2006 cited an estimate that more than 56 Sharia-based local laws have been issued throughout Indonesia. These laws often require that women wear head scarves, require that officials read the Koran in Arabic, segregate men and women in public places, and prohibit alcohol and gambling. So far, the central government have not challenged the constitutionality of such laws.⁶⁵ At the national level, the Indonesian parliament is considering an anti-pornography law. Fundamentalist Muslim groups like the Islamic Defenders Front are lobbying for a far-reaching law that would outlaw kissing in public and women exposing their navels.⁶⁶

The third is judicial action against non-Muslims or Indonesians who are accused of insulting Muslim beliefs. The State Department's 2006 human rights reports described an increase in local court rulings in favor of fundamentalist Muslim groups since 2004. Nationally, the most celebrated case involves the Indonesian government's prosecution of the editor of Playboy Indonesia for breaching the country's indecency laws after mounting protest against the magazine by fundamentalist Muslim groups.⁶⁷

The fourth component is in education, particularly in the thousands of "pesantren" Islamic boarding schools in Indonesia. Observers warn that the instruction in these schools increasingly is of a fundamentalist nature that emphasizes intolerance of other religions and non-Muslim, secular practices. One such observer, former Indonesian President Abdurrahman Wahid, warned in April 2007 that the teaching of fundamentalist Islam in the pesantren schools is an acute problem and that the problem is spreading into Indonesian universities.⁶⁸

⁶⁴ Tom McCawley, "Once Free, Indonesian Cleric could 'revitalize' radicals," *Christian Science Monitor*, June 14, 2006. Bret Stephens, "The Arab invasion," *The Wall Street Journal Asia*, April 18, 2007.

⁶⁵ Blake Respini, and Herdi Sahrasad, "The rise of sharia seems not a threat to civil society," *Jakarta Post* (internet version), May 19, 2007. Jane Perlez, "Spread of Islamic law in Indonesia takes toll on women," *New York Times*, June 27, 2006.

⁶⁶ Tom McCawley, "Once free, Indonesian cleric could 'revitalize' radicals," *Christian Science Monitor*, June 14, 2006.

⁶⁷ Sadanand Dhume, "Playboy in Indonesia," *The Wall Street Journal Asia*, March 30, 2007. "Playboy exposes Indonesian tensions," *The Wall Street Journal Asia*, April 11, 2007.

⁶⁸ Bret Stephens, "The Journal interview with Abdurrahman Wahid: the last king of Java," *The Wall Street Journal Asia*, April 10, 2007. Alpha Amirrachman, "Pesantren communities unable to accept pluralism, tolerance" *Jakarta Post* (internet version), January 27, 2006.

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 2003.⁶⁹ Indonesia is considered to have a well-balanced economy with all major sectors contributing. Domestic consumption accounts for roughly a majority of Indonesia's GDP, but expanded foreign investment and exports are considered crucial for GDP growth. Foreign businesses have in the past been reluctant to invest in Indonesia in part because of concerns about the legal and judicial framework. Concern about transparency and security conditions have also inhibited past foreign investment.⁷⁰ (For further information see CRS Report RS21753, *Indonesia-U.S. Economic Relations*, by Wayne Morrison.)

Indonesian GDP,% Real change

1996	7.8%
1997	4.7%
1998	-13.1%
1999	0.8%
2000	4.9%
2001	3.5%
2002	3.7%
2003	4.1%
2004	5.1%
2005	5.3%
2006	5.5% est
2007	6% forecast

Economist Intelligence Unit Database

The Indonesian economic growth is expected to accelerate to 6% in 2007. Interest rates and inflation are expected to fall while consumption increases. Measures to encourage investment are also expected to begin to take effect. The Rupiah is expected to fall to 9,484 to one U.S. dollar in 2007.⁷¹

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

⁶⁹ John McBeth, "The Betrayal of Indonesia," *Far Eastern Economic Review*, June 26, 2003.

⁷⁰ John McBeth, "Indonesia: Warning Signs," *Far Eastern Economic Review*, December 4, 2003.

⁷¹ "Indonesia: Country Outlook," *Economist Intelligence Unit*, January 2, 2007.

Indonesia's forests will be logged out in 10 years.⁷² 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 1997.⁷³

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.⁷⁴

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

⁷² Tanja Vestergaard, "Indonesia Launches Talks with U.S. on Fight Against Illegal Logging," *Global Insight Daily Analysis*, April 5, 2006.

⁷³ "Special Report: The Logging Trade," *The Economist*, March 25, 2006.

⁷⁴ Tanja Vestergaard, "Indonesia Launches Talks with U.S. on Fight Against Illegal Logging," *Global Insight Daily Analysis*, April 5, 2006.

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.'⁷⁵ President Yudhoyono has speculated that trade between Indonesia and China could triple to \$20 billion in three years.⁷⁶ 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 bilateral military cooperation.⁷⁷ It is also reported that China will work with Indonesia to develop short range missiles.⁷⁸

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.⁷⁹ Indonesian Kostrad units were placed on full alert as a result of the tensions.⁸⁰ Indonesia and Malaysia agreed to resolve the dispute peacefully after a Malaysian patrol boat and a Indonesian Navy ship collided in the disputed area.⁸¹

Indonesia and the War Against Terrorism

Indonesia has been waging a successful war against radical Islamist extremists.⁸² 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. Since the 2002 Bali

⁷⁵ Amit Chanda, "Economic Pact Between China and Indonesia," *Global Insight Daily*, April 26, 2005.

⁷⁶ "The Indonesia-China Partnership," *The Jakarta Post*, April 27, 2005.

⁷⁷ "China Offers Arms to Indonesia to Secure Malacca Strait Ally," *BBC News*, April 26, 2005.

⁷⁸ "Indonesia, China to Develop Missiles," *Reuters News*, May 17, 2005.

⁷⁹ "Malaysia, Indonesia Agree to Standoff in Sulawesi Sea," *Voice of America*, May 6, 2005.

⁸⁰ "Indonesian Strategic Reserve Troops to Guard Ambalat Waters," *BBC News*, April 29, 2005.

⁸¹ "Indonesia Alleges Malaysian Navy Ship Collides with Indonesia Vessel," *Associated Press*, April 9, 2005.

⁸² For further information, see CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn, Emma Chanlett-Avery, Thomas Lum, Mark Manyin, and Larry Nicksch.

bombing, Indonesian police and counterterrorism organizations have arrested nearly 500 JI cadre.⁸³ Key JI bombmaker Azahari bin Husin was killed in a shootout in east Java in November 2005. Since that time, counterterrorism authorities have focused on capturing his associate Noordin Top and have arrested a number of militants linked to Top.⁸⁴ In June 2007, authorities made a major breakthrough, arresting the head of the overall JI organization, Zarkasih, and JI's military commander, Abu Dujana. 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.⁸⁵ 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 Thailand and in northern Australia. A majority are thought to favor a focus on Indonesia.⁸⁶ The JI also is reportedly split over whether to continue major terrorist attacks or shift tactics toward political action and attacks against smaller targets. Violent efforts to rekindle inter-communal violence between Christians and Muslims in Sulawesi and the Muluccas have largely been contained. JI has not conducted a major terrorist attack since 2005, and experts believe that the arrests of Zarkasih and Abu Dujana will weaken the organization substantially.⁸⁷

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 leaders have worked together to address the threat. 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.⁸⁸ Domestic perceptions may limit the ability of President Yudhoyono to take on politically sensitive issues in Indonesia.⁸⁹ Although U.S.-Indonesian government-to-government counterterror cooperation is improving, past polls

⁸³ McCawley, Tom. "Indonesia's terrorist hunt bears fruit." *Christian Science Monitor*, June 15, 2007. p. 6.

⁸⁴ Tewily Nathalia, "Indonesia Looks for New Group's Links to al Qaeda," *Reuters*, January 31, 2006.

⁸⁵ Zakki Hakim, "Al Qaeda Aid in Indonesia Attacks Cited," *Philadelphia Inquirer*, March 1, 2006.

⁸⁶ See Sydney Jones' definitive work for the *International Crisis Group*, [<http://www.crisisgroup.org>].

⁸⁷ Seth Mydans, "Indonesian terror group limits attacks," *New York Times*, June 18, 2007.

⁸⁸ "Polling on Indonesia," *International Republican Institute*, March, 2003.

⁸⁹ John McBeth and Tom McCawley, "Bleak Prospects Ahead for the Front Runner," *Far Eastern Economic Review*, October 2, 2003.

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.⁹⁰

United States-Indonesian Relations

Although the bilateral government-to-government relationship made significant progress in 2005 and 2006, there have been 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.⁹¹ 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 mine.⁹² In April 2007, thousands of Freeport workers protested over wages and benefits and demanded that Freeport hire more native Papuans.⁹³ 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.⁹⁴ 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.⁹⁵ 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.⁹⁶ 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.⁹⁷ However, in

⁹⁰ Ellen Nakashima, "U.S. Policy Censured in Indonesia," *The Washington Post*, October 21, 2003.

⁹¹ Mark Forbes, "Investment Fears Over Mine protest," *Sydney Morning Herald*, March 4, 2006.

⁹² "Papuans Protesting Daily over Freeport Mine in Indonesia," *Agence France Presse*, March 7, 2006.

⁹³ "Protest, talks continue over pay with US gold, cooper firm in Indonesia." *Agence France Presse*, April 20, 2007.

⁹⁴ "Indonesia Leans to Exxon in Cepu Dispute," *International Oil Daily*, March 6, 2006.

⁹⁵ "Exxon to Appeal Decision Allowing Indonesian Suit," *Bloomberg Business News*, March 4, 2006, and "Exxon to Face Suit," *Los Angeles Times*, March 3, 2006.

⁹⁶ P. Kyne and I. Sentana, "'Newmont, Indonesia Settle Civil Suit," *The Wall Street Journal*, February 17, 2006.

⁹⁷ "Indonesia, USA's Newmont Reach 30m-dollar Settlement," *BBC News*, February 17, 2006.

April 2007, the panel of judges hearing the case acquitted Newmont and the American head of the mining project of all charges.⁹⁸

Human Rights

Much attention has been focused on human rights aspects of the bilateral relationship. The State Department's 2006 annual human rights report, released March 2007, described the Indonesian government's human rights record as having improved and that there was "sharply reduced frequency and gravity" of human rights abuses. It added that "inadequate resources, weak leadership, and limited accountability contributed to serious violations by security force personnel." Widespread corruption, including "a corrupt judicial system," further degraded an already weak regard for rule of law and contributed to impunity." The report noted a growing application of favoritism toward Islam and Muslims by Indonesian courts and the growth of local governments that enact provision of Islam's sharia law.⁹⁹ The U.S. Commission on International Religious Freedom has placed Indonesia on a "watch list." 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.¹⁰⁰

One investigation and trial that may be viewed as a test case is that against Pollycarpus Budihardi Priyanto who was convicted of killing human rights activist Munir Thalib with arsenic poisoning while on a Garuda flight bound for Amsterdam on September 7, 2004. Pollycarpus' sentence to 14 years in prison for the crime was overturned by the Supreme Court in October 2006 though he did receive two years in prison for falsifying documents. He was released from prison on December 25, 2006.¹⁰¹ During the investigation it became known that Pollycarpus had numerous telephone conversations with State Intelligence Agency (BIN) official Major General Muhdi Purwo Prandjono.¹⁰² Indonesian police announced in April 2007 that its investigation showed that Munir was poisoned during a stopover at Singapore's Changi airport. Police arrested the former head of Garuda Airlines and an ex-Garuda secretary.¹⁰³ Many had hoped a successful investigation and trial of those responsible

⁹⁸ Tom Wright, "Newmont is cleared in court — judge in Indonesia says pollution case 'cannot be proven,'" *The Wall Street Journal Asia*, April 25, 2007.

⁹⁹ U.S. State Department, "Indonesia Country Report on Human Rights Practices 2006," March 2007.

¹⁰⁰ "Rights Group Blasts Plans for Expanded U.S. Military Cooperation with Indonesia," *Associated Press*, February 28, 2006.

¹⁰¹ "President Summons Top Security Officials Over Munir Case," *LKBN Antara*, December 26, 2006.

¹⁰² "Indonesia Sentences Killer of Rights Activist to 14 years in Prison," *Thai News Service*, January 12, 2006.

¹⁰³ "Indonesian police interview fresh witnesses suspected on links to Munir murder," *Agence France Presse*, April 26, 2007.

for Munir's death would signal an end to a culture of impunity in Indonesia for such crimes.¹⁰⁴

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.¹⁰⁵ 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.¹⁰⁶ 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."¹⁰⁷ 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.

Indonesia's more active role in ASEAN has made it a bigger factor in U.S. policy toward Burma, another member of ASEAN. The Bush Administration has encouraged Indonesia to criticize the human rights abuses of the Burmese government and to consider the application of international sanctions against Burma. Indonesia has stepped up criticism of the Burmese government, but it continues to support the overall position of ASEAN government that sanctions are not justified. In January 2007, Indonesia abstained in the vote of the U.N. Security Council resolution that specified that human rights conditions in Burma were a threat to regional and international security. (China and Russia vetoed the resolution.)

¹⁰⁴ M. Taufiqurrahman, "Two Years on, Munir Murder Case is Cast in Shadows," *The Jakarta Post*, January 4, 2007.

¹⁰⁵ Ed Masters, *Report of the National Commission on U.S. Indonesian Relations* (Seattle: National Bureau of Asian Research, 2003).

¹⁰⁶ John Noer with David Gregory, *Chokepoint: Maritime Economic Concerns in Southeast Asia* (Washington: National Defense University Press, 1996).

¹⁰⁷ 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.

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 cooperation on security as well as subject matter expert exchanges.¹⁰⁸ Indonesian Marines and U.S. Navy Seals have held joint counterterror exercises.¹⁰⁹ 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.¹¹⁰

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.

The Administration's policy on assistance to Indonesia is informed by the role that Indonesia plays in the war against terror in Southeast Asia. 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 Treasury Department and training and assistance to establish a border security system as part of the Terrorist Interdiction Program.¹¹¹ A major accomplishment of these programs is the increasing capabilities of Detachment 88, an elite counterterrorism unit that has received assistance from the United States and Australia. Detachment 88 has been responsible for tracking down scores of JI cadre, including Azahari bin Husin, Zarkasih, and Abu Dujana.¹¹²

¹⁰⁸ "United States-Indonesia Military Relations," *Congressional Record*, Senate, Page S734, February 1, 2005.

¹⁰⁹ "US, Indonesian Navies Hold Joint Anti-Terror Exercises," *Oster Dow Jones*, May 10, 2005.

¹¹⁰ J. Gittler, "U.S. to Train Indonesian NCOs as Part of Renewal of Ties," *Pacific Stars and Stripes*, February 27, 2006.

¹¹¹ Information drawn from State Department Fact Sheet, "Summary of Counter Terrorism Assistance for Indonesia," October 2003 update.

¹¹² Tom McCawley, "Indonesia's terrorist hunt bears fruit," *Christian Science Monitor*, June 15, 2007.

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	FY2006 est	FY2007 Request
CSH ¹¹³	\$33,000,000	\$37,100,000	\$28,017,000	27,507,000
DA	33,291,000	27,848,000	33,212,000	26,724,000
ESF	49,705,000	64,480,000	69,300,000	80,000,000
FMF	—	—	990,000	6,500,000
IMET	599,000	728,000	792,000	1,285,000
INCLE	—	—	4,950,000	4,700,000
NADR-ATA	5,778,000	5,987,000	5,542,000	6,141,000
NADR-EXBS	220,000	275,000	450,000	450,000
NADR-CTF		—	100,000	1,180,000
P.L. 480 Title II	3,315,000	10,489,000	—	24,000,000

Source: “FY2007 Congressional Budget Justification for Foreign Operations,” U.S. Department of State, released February 13, 2006.

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 to fight terror. These objectives are pursued through a number of programs. The United States-ASEAN Work Plan for Counter-Terrorism has identified information

¹¹³ 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).

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.¹¹⁴

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 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.¹¹⁵ In the wake of the tsunami, the U.S. government pledged a total of \$397.3 million in humanitarian and recovery assistance for Indonesia.¹¹⁶ (For further information see CRS Report RL32715, *Indian Ocean Earthquake and Tsunami: Humanitarian Assistance and Relief Operations*, Rhoda Margesson, Coordinator.)

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. 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.

¹¹⁴ Drawn from State Department budget justification material.

¹¹⁵ "Indonesia: Tsunami Reconstruction," USAID, May 11, 2005, [<http://www.usaid.gov>]

¹¹⁶ "USAID Rebuilds Lives After the Tsunami," *USAID Tsunami Reconstruction*, March 24, 2006. [<http://www.usaid.gov>]

- **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.
- **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.”¹¹⁷

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

¹¹⁷ Human Rights Watch, “East Timor,” [<http://hrw.org>].

“building the infrastructure of democracy.”¹¹⁸ 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.¹¹⁹ The promotion of democratic values would also likely have a positive impact on other issue areas such as the promotion of human rights.

- **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.¹²⁰ 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.

¹¹⁸ The National Security Strategy of the United States of America, March 2006.

¹¹⁹ For an example of some existing activities see National Democratic Institute, “Asia: Indonesia,” [<http://www.ndi.org>]

¹²⁰ “Indonesian Bio-diversity,” [<http://www.geocities.com/rainforest/4466/biodiver.htm>].

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.¹²¹ Continued emphasis on further developing 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.

¹²¹ “U.S. Indonesia Strengthen Economic Ties, Says U.S. Trade Representative,” *U.S. Fed News*, April 5, 2006.

Figure 1. Map of Indonesia



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