

outlook

2012 SERIES | NEW ZEALAND IN SOUTHEAST ASIA

INDONESIA AND ITS SIGNIFICANCE FOR NEW ZEALAND

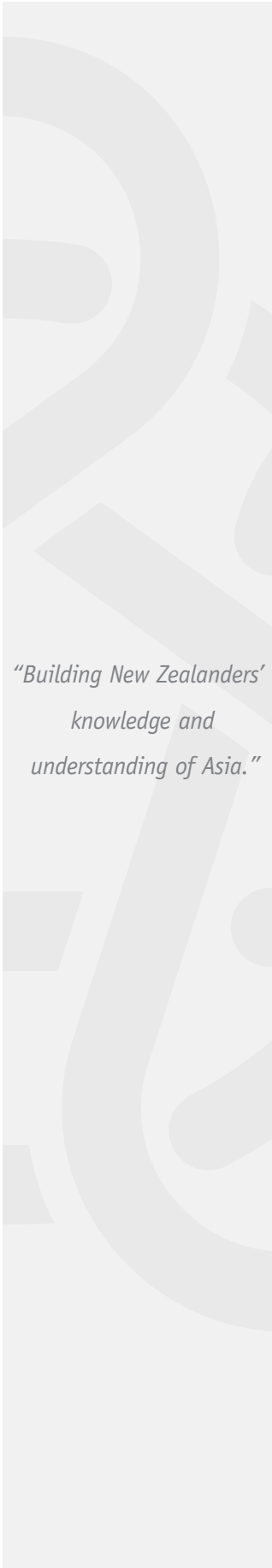
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*“Building New Zealanders’
knowledge and
understanding of Asia.”*

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The views expressed in this paper are the responsibility of the author alone; as are any errors of fact or interpretation.

INDONESIA: OVERVIEW

*"Despite its size and relative proximity to New Zealand, Indonesia has often seemed more distant and less influential than countries further afield."*¹

*"... it, unfortunately, can be safely said there is no country in the world as important as this [Indonesia] about which we know so little."*²

By almost any measure, Indonesia ranks among the leading nations of the contemporary world.

"Indonesia is the fourth most populous country, a continent-sized archipelago of 17,000 islands across three time zones. It is the third largest democracy in the world, with more Moslem citizens than any other state. It is the biggest economy in Southeast Asia and predicted to be the seventh largest in the world by 2050. An increasingly affluent middle class numbers 45 million and growing..." "Thirteen years after the fall of President Suharto, Indonesia is one of the most stable, open democracies in Asia with a vibrant press and active civil society, and an economy approaching investment grade as it grows at around 6 percent per annum."³

Not all indicators are positive however, and there remain some risks to Indonesia's longer-term political stability and economic progress: *"... poverty remains widespread: over 100 million people live on less than \$2 per day. Economic crisis could still lead to a breakdown of civil governance or a return to autocratic structures. There is an underlying risk of radicalisation which could be exacerbated by economic pressures. Health and education provision is poor, as is infrastructure (energy, roads, ports etc). Indonesia continues to suffer from corruption, weak institutions and erratic rule of law. Maintaining competitiveness and achieving the double digit growth many see as necessary for real take-off will be a real challenge. Meanwhile growth depends on exploitation of Indonesia's huge natural resources, and does not easily balance with the nation's ambitious goal to reduce carbon emissions by 26 percent from business as usual by 2020."*⁴

Even recognising these weaknesses, most assessments of Indonesia's present condition and future role are upbeat.

*"Indonesia is one of the most under-estimated countries in Asia. After three decades of authoritarian rule under President Suharto, it has transformed into a robust democracy. It re-emerged from the Asian financial crisis as undisputed leader in ASEAN... Judging by all the vital signs, the health of the Indonesian economy, polity and society is robust – and Indonesia is ready and able to make a significant contribution to regional and global affairs. With the institutions for democracy and economic growth taking root, the prospect is for rising Indonesian economic and political power in the medium to long term. The implications of this rise are profound, for Indonesia, for Indonesia's neighbours in East Asia, including Australia, and for the global community"*⁵

We can easily substitute 'New Zealand' for 'Australia' in the last sentence of Drysdale's commentary.

- 1 Michael Green, 'Uneasy Partners: New Zealand and Indonesia' in *Southeast Asia and New Zealand, A survey of contemporary Relations*, (Anthony Smith, ed) Institute of Southeast Asian Studies, Singapore, 2005.
- 2 Paul Wolfowitz, former United States Ambassador to Indonesia, *Testimony to the Committee on International Relations, USA, House of Representatives*, 7 May 1997.
- 3 United Kingdom Foreign and Commonwealth Office (FCO) *Country Profile, Indonesia*, October 2011, www.fco.gov.uk
- 4 FCO country profile, *ibid.*
- 5 Peter Drysdale, *East Asia Forum*, 19 September 2011, www.eastasiaforum.org

This paper examines Indonesia and its significance for New Zealand. Topics addressed include:

- Indonesia's regional role and economic characteristics
- Why Indonesia is seemingly little known and why both its current achievements and future potentiality are under-appreciated in New Zealand
- The main elements of the connections between New Zealand and Indonesia
- The prospects for the future development of the relationship

DOMESTIC POLITICS

A detailed review of Indonesia's domestic political situation is largely beyond the scope of this paper, focusing as we are on that country's significance for New Zealand. Indonesia's foreign relations, its economy and economic development path are of much greater relevance to the subject to be addressed. The big picture is that since the return to democratic government in 1999 and the consequent far-reaching political reforms, including decentralisation, the adherence to a constitutional form of government, and the attention given to social, legal and political rights, Indonesia has, as noted above, become transformed into a modern polity. All is not plain sailing however, and the present government is a "fragile political coalition under the auspices of a Joint Secretariat (Sekber). This coalition remains tenuous because its pivotal members, the Golkar Party and the Prosperous and Justice Party (PKS), behave more like opposition parties than committed members of a coalition".⁶

Other issues clouding Indonesia's political agenda include election law reform, the performance of the Corruption Eradication Commission and, more broadly, the jockeying for position as the country heads towards the 2014 presidential election. Should a reversion to authoritarian rule occur, or social and political rights be rolled back, there could be negative consequences internally and in respect of Indonesia's foreign relations. Nevertheless the gradual modernising of Indonesia seems set to continue and the essential point is that political and economic developments in Indonesia in the past 12 years have served to transform the country and made it a key actor in the Asia Pacific region.

INTERNATIONAL RELATIONS

Indonesia has, in the past 10 years and since the political turmoil of the late 1990s, taken a number of steps to rebuild its international image and become an influential voice in global affairs.

*"The country has focussed on re-establishing its leadership role within ASEAN and has demonstrated a desire to assume a global role by promoting itself as the world's third largest democracy, largest moderate Muslim-majority country and as a 'bridge-builder' and 'problem-solver' in the wider global community."*⁷

By virtue of its size, its population, its resources and location, Indonesia is, by definition, the leading nation in Southeast Asia. Its international role has been burnished by its credentials as a moderate, democratic country with a Muslim majority. As its economy grows, and assuming a consolidation of its internal cohesion, its regional and international influence seems set to increase.

⁶ Leonard C. Sebastian and Yoes C. Kenawas, *Indonesia's Political Outlook 2012* S. Rajaratnam School of International Studies, Singapore, Commentary 005/2012.

⁷ Rizal Sukma, (Centre for Strategic and International Studies Jakarta), *Domestic politics and Indonesia's international posture*, East Asia Forum, 18 October 2011, www.eastasiaforum.org

The range of regional and global organisations in which Indonesia is actively engaged as a member is testimony to its international influence: the United Nations, the World Trade Organization (WTO), the G20, the East Asia Summit (EAS), Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN) of which it is a founding member, the Organisation of Islamic Cooperation (OIC), the Asia-Europe Meeting, the G77, the Non-Aligned Movement (NAM) and the Cairns Group to itemise only some of the main ones. Indonesia has taken a lead role in promoting an Interfaith Dialogue, an international discourse on how different religions can interact and how to bridge differences and encourage harmony among societies, and has established the Bali Democracy Forum. The reach of Indonesia's international role is, however, constrained by the relatively cautious approach that successive Indonesian governments – including that of the current President Susilo Bambang Yudhoyono – have adopted towards a comprehensive international engagement. Involvement in ASEAN still dominates Indonesia's day-to-day diplomacy; the near at hand is the first priority. And it is not to be ignored that Indonesia is conscious of its propinquity to, and ethnic links with, the South Pacific (it is, for example, a dialogue partner of the South Pacific Forum).

Since its formation, Indonesia has generally sought to maintain a balance in its international connections to allow itself a degree of freedom of movement to pursue its national interests in a relatively untrammelled manner. At its birth, Mohammed Hatta described Indonesia's position as *"rowing between two reefs"* i.e. not allying itself with either of the (then) big powers. More recently, Indonesia's official stance has been characterised as *"independent and active"*; see Resolution no. 11/MPR/1993 of the People's Consultative Assembly regarding Indonesia's foreign relations. This resolution states that after collaboration with ASEAN nations, *"greater cooperation should be fostered among the countries of the South Asian and the Southwest Pacific regions"*.⁸ The current Foreign Minister, Marty Natalegawa, has said that Indonesia has consistently pursued the creation of a *"dynamic equilibrium"* in the region.⁹ The important point here is that for small countries in the neighbourhood, such as New Zealand, Indonesia's overall approach to its foreign relations permits, and indeed positively encourages, the fostering of close ties.

ECONOMY

The bare facts:

INDONESIA	NEW ZEALAND
GDP US\$695 billion (International Monetary Fund [IMF] 2010)	GDP US\$149 billion
GDP per head US\$2963 (IMF 2010)	GDP per head US\$34,400
Population 240 million	Population 4.1 million
Annual growth 6.1 percent (2010)	Annual growth 0.7 percent
Inflation 5.1 percent (2010)	Inflation 1.8 percent

Indonesia's major sectors, by composition of GDP in 2010, include agriculture (13.2 percent), manufacturing (25.8 percent), mining (8.1 percent) and services (45.5 percent)¹⁰.

The contrast in scale between Indonesia and New Zealand is noteworthy, as is the current robust trajectory of Indonesia's growth path.

8 By the author.

9 4 January 2012 www.kemlu.go.id

10 Source: Bank of Indonesia.

*"Indonesia's economy grew more than 6 percent for a fourth straight quarter as consumption, investment and exports weathered a faltering global economy"*¹¹

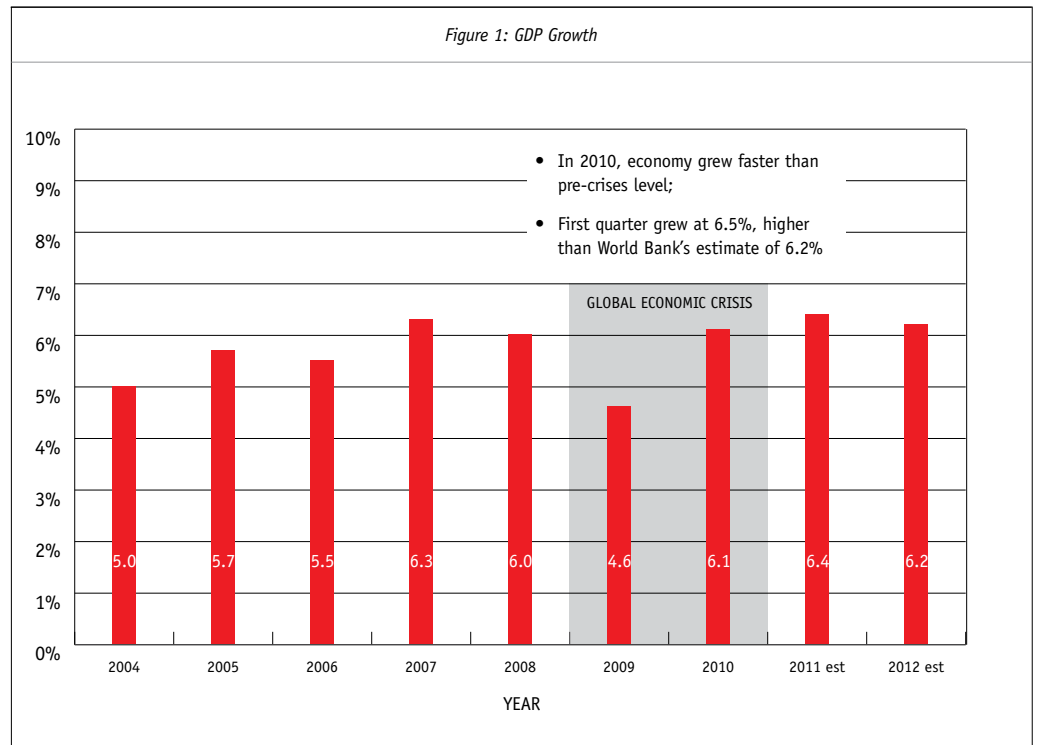
*"Bank Indonesia forecasts gross domestic product expansion of as much as 6.8 percent this year and possibly 6.7 percent in 2012."*¹²

One of the striking aspects of the structure of Indonesia's economy is that it depends more on internal than external factors. Indonesia's growth has not been export driven, and Indonesia's exports are mainly resource or primary products (around 60 percent), in contrast to the pattern of export-led manufactured products commonly associated with other major Asian economies.

In this respect Indonesia resembles more closely Brazil and Russia than China or other export-oriented ASEAN countries such as Vietnam and Malaysia. *"The world's fourth-most populous nation relies on consumption more than some of its neighbours, making it less vulnerable to swings in global demand."*¹³

Two important take-away points: first, Indonesia's consumption-dominated economy is naturally resilient to international events as its year-on-year growth through the global financial crisis and the subsequent international recession has shown. And, second, in Asia Indonesia's growth path is only exceeded by those of China, India and Vietnam.

GDP GROWTH



Source: World Bank, Bank Mandiri

¹¹ www.bloomberg.com/news 7 November 2011.

¹² www.bloomberg.com/news 24 September 2011.

¹³ www.bloomberg.com/news 7 November 2011.

Other positives are the relatively low level of public debt (around 30 percent of GDP and declining); the high level of foreign reserves (around US\$120 billion),¹⁴ increasing levels of foreign direct investment; and a youthful population.

Commonly quoted weaknesses – or challenges – confronting Indonesia are its weak institutional structures and the prevalence of corruption, its relatively under-developed infrastructure, and its low levels of educational attainment. Three graphs following, illustrate these assertions.

INSTITUTIONAL FRAMEWORK

Figure 2: Institutional Framework

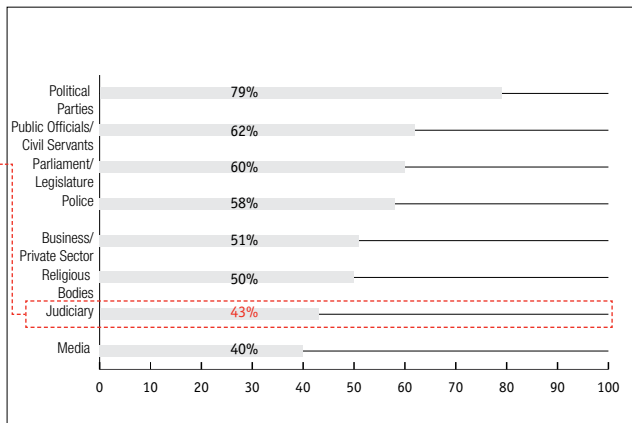
CORRUPTION PERCEPTION INDEX 2010

RANK	COUNTRY	SCORE	RANK	COUNTRY	SCORE	RANK	COUNTRY	SCORE
1	Denmark	9.3	19	Qatar	7.7	110	Indonesia	2.8
1	New Zealand	9.3	20	United Kingdom	7.6	116	Vietnam	2.7
1	Singapore	9.3	22	United States	7.1	127	Timor-Leste	2.5
4	Finland	9.2	25	France	6.8	134	Bangladesh	2.4
4	Sweden	9.2	39	South Korea	5.4	134	Nigeria	2.4
7	Netherlands	8.8	50	Saudi Arabia	4.7	134	Philippines	2.4
8	Australia	8.7	56	Malaysia	4.4	143	Pakistan	2.3
8	Switzerland	8.7	69	Brazil	3.7	154	Cambodia	2.1
10	Norway	8.6	78	Greece	3.5	154	Laos	2.1
13	Hong Kong	8.4	87	India	3.3	154	Russia	2.1
15	Germany	7.9	98	Egypt	3.1	176	Myanmar	1.4
17	Japan	7.8	98	Mexico	3.1	178	Somalia	1.1

INDONESIA: MOST CORRUPT INSTITUTIONS

RANK	INSTITUTIONS	SCORE
1	Police	4.2
2	Legislative	4.1
2	Judiciary	4.1
4	Political Party	4
5	Licensing Authority	3.8
6	Tax Office	3.6

GLOBAL: MOST CORRUPT INSTITUTIONS

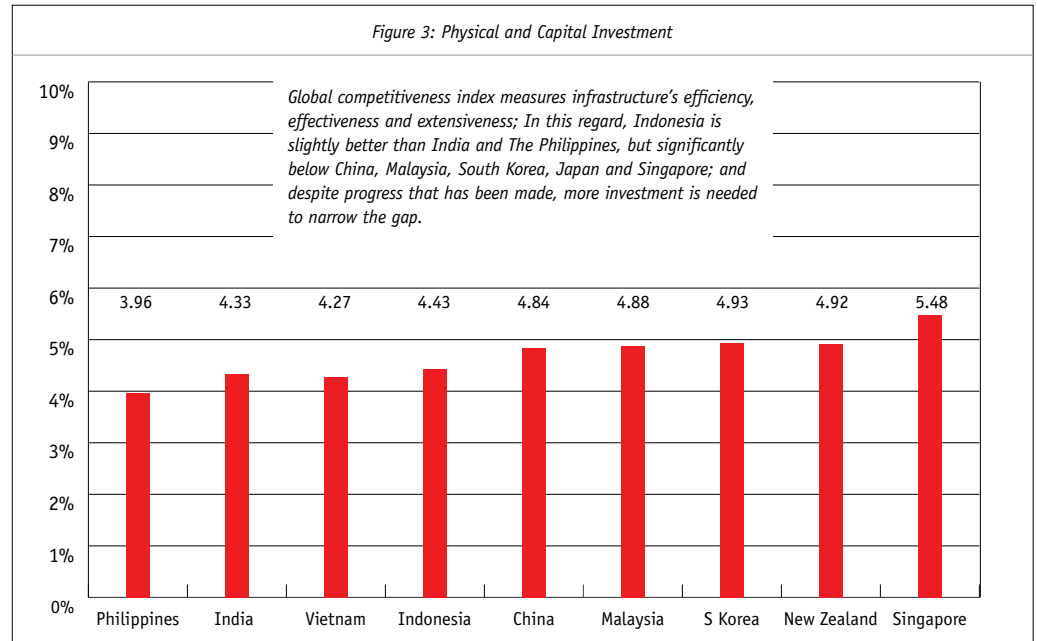


Source: Transparency International 2010

14 World Bank 2011.

PHYSICAL AND CAPITAL INVESTMENT

Global competitiveness index measures the efficiency, effectiveness and extensiveness of a country's infrastructure.



Source: World Economic Forum 2011

EDUCATION INDEX

RANK	COUNTRY	INDEX 2007	RANK	COUNTRY	INDEX 2007
1	New Zealand	0.993	73	Philippines	0.888
20	United States	0.968	96	Malaysia	0.851
34	South Korea	0.949	102	Indonesia	0.840
52	Singapore	0.913	113	Vietnam	0.810
72	Thailand	0.888	145	India	0.643

Source: UNDP Human Development Report 2010

Even taking into account these evident weaknesses, assessments of Indonesia's overall economic outlook are generally positive. It is noteworthy that Indonesia recently regained an investment-grade rating for its sovereign debt (both foreign and local currency) at Fitch Ratings, after 14 years.¹⁵

"The upgrades reflect the country's strong and resilient economic growth, low and declining public-debt ratios, strengthened external liquidity and a prudent overall macro policy framework."¹⁶ "Fitch projects Indonesia's GDP growth will average more than 6 percent per annum over the period to 2013... Indonesia's domestically-oriented economy and success in delivering relatively strong economic growth without the creation of external imbalances, or a reliance on short-term external financing suggest economic growth prospects should prove resilient to external shocks..."¹⁷

15 Bloomberg, 16 December 2011 www.bloomberg.com/news/2011-12-15.

16 Ibid.

17 Ibid.

NEW ZEALAND AND INDONESIA

*"The lack of attention given to the development of the relationship with Indonesia represents a failure of New Zealand Incorporated."*¹⁸

HISTORY

Michael Green has provided a definitive account of the history of New Zealand's relations with Indonesia.¹⁹ The title of Green's essay (*Uneasy Partners*) neatly evokes the nature of the relationship. Green notes that *"early recognition of Indonesia's independence promoted positive, if shallow, political ties but bilateral relations remained less substantial than with Southeast Asian countries which shared New Zealand's British connections..."*.

He traces the gradual development of relations from the 1970s, following the difficult period during Confrontation when New Zealand military units were deployed in Borneo as part of a Malaysian and Commonwealth effort to counteract Indonesian incursions.

Arguably, attention given to the relationship – at least by the New Zealand government – was greater in the 1970s and 1980s than at any other time, including to the present day. Michael Green: *"the potential of the relationship was more fully realised in the Suharto era. The two governments forged a rounded relationship comprising political links, development assistance, trade and economic ties, diplomatic coordination on regional problems, defence coordination and a range of people-to-people contacts"*.²⁰

By the 1990s the authoritarian nature of the Suharto government, criticism of human rights abuses including in Aceh and, most particularly, the situation in East Timor, the 'pebble in the shoe' in terms of Indonesia's international standing, seriously and negatively impacted on the relationship. *"A tendency to judge relations with Indonesia through the prism of East Timor dominated public attitudes throughout the 1990s..."*²¹. The onset of the Asian financial crisis, the death throes of the Suharto regime and New Zealand's involvement in the subsequent intervention in East Timor all contributed to the negative trend in the relationship. Trade levels fell, military cooperation was curtailed and the level of interchange between Indonesia and New Zealand diminished during this period. It was not until elections were held in 1999, that the East Timorese were allowed to choose their own future and wide-ranging internal reforms were put in place that the level of interest in, and engagement with, Indonesia began to revive.

*"Resumption of normal political ties was signalled by President Abdurrahman Wahid's visit to New Zealand in 2001 and Prime Minister Clark's to Indonesia in 2002."*²²

In April 2005 Prime Minister Helen Clark made the following remark at a State Dinner for President Susilo Bambang Yudhoyono during his visit to New Zealand: *"New Zealand is part of the Asia-Pacific and our closest neighbour in Asia is Indonesia. The dramatic political evolution [in Indonesia] means that there is much that it is positive to build on for the future, and we look forward to working with you and your government to strengthen our ties"*.²³

This brief canter through the history of the not-always-green pastures of Indonesia/New Zealand relations suggests, first, that there have been ups and downs but second that barriers to a sustained, upward trend seem, since the revitalisation of the Indonesian body politic, largely to have been removed.

While as Michael Green suggests, *"sustained improvement in bilateral relations depends ultimately on events in Indonesia"*, it is surely incumbent on the smaller partner to put in the effort to make this happen.

18 Former New Zealand government representative in Jakarta.

19 See *Uneasy Partners: New Zealand and Indonesia* in Anthony L Smith (ed.) *Southeast Asia and New Zealand*, Singapore Institute of Southeast Asian Studies, 2005.

20 Ibid.

21 Green, *ibid.*

22 Ibid.

23 Helen Clark, 6 April 2005, www.beehive.govt.nz

NEW ZEALAND AND INDONESIA: PRESENT CONDITION

In this section we look at the various strands of the relationship, with a view to building up a composite picture of the whole of its parts.

A recent Council for Security Cooperation in the Asia Pacific (CSCAP) paper²⁴ makes the case that a greater understanding of and engagement with Asia are of fundamental importance for New Zealand's security (economic and military). While emphasis is commonly placed on building economic linkages with Asia, the CSCAP paper argues that New Zealand should not ignore the security dimension that underpins economic development.

*"As New Zealand's economic interests with Asia grow, so also does New Zealand's exposure to the risk from potential crises there. Security crises, natural disasters or cross border problems within the region could impose significant costs on New Zealand's business with Asia."*²⁵

Thus a broad-based, thorough and close political relationship with Indonesia can be seen as part of this web of linkages with the major players in Asia. *"If New Zealand is to be an effective part of a region in which security issues are prominent, it will need to maintain an understanding of those issues and be able to engage with countries important to it about issues important to them."*²⁶

The paper recommends, *inter alia*: *"New Zealand would benefit from broader relationships with influential and increasingly prosperous countries of Southeast Asia. In particular, New Zealand should build resilient and broad links with Indonesia as it emerges as a regional leader"*.²⁷ And *"strategic choices for closer relationships with New Zealand would be those countries with increasing influence, increasing stability and increasing prosperity – in particular Indonesia and to a lesser extent Vietnam"*.²⁸

The CSCAP paper highlights the changing strategic balance in the region and in particular the evolving impact of the significant increase in China's economic and military influence and a concurrent diminution in the economic influence of the United States: *"the rebalancing of power relations in Asia is driven in particular by the rapid rise of Chinese economic and political power and political influence"*.²⁹

President Obama's announcement in November 2011 of a US *"pivot"* to Asia has given rise to much discussion about the possibility of an increase in tensions in US/China relations. Interestingly the Indonesian reaction has been cautious: *"What I would hate to see is for the agreement (to base US marines in Darwin) to provoke a reaction and counter-reaction that would create a vicious cycle of tensions and mistrust"*.³⁰

24 *Projecting Our Voice*, CSCAP:NZ, September 2011 <http://www.victoria.ac.nz/css/>

25 *Ibid.*

26 *Ibid.*

27 *Ibid.*, recommendation d.

28 *Ibid.*, para 86.

29 *Ibid.*

30 Foreign Minister Marty Natalegawa, as quoted in the *Jakarta Post*, 17 November 2011.

BILATERAL

Indonesia seems never to have been regarded as a security threat to New Zealand. The *New Zealand Defence White Paper 2010* makes no specific mention of Indonesia, although, by inference, a number of the possible security threats identified in the White Paper could relate to Indonesia. For example, the necessity to maintain open sea routes, the dangers of illegal incursions by asylum seekers and illegal fishing and possible terrorist attacks could in theory involve Indonesia. And the use of force is contemplated in two scenarios that could be linked to Indonesia. These are “as part of New Zealand’s contribution to the Five Power Defence Arrangements” and in circumstances when New Zealand would “immediately respond to an attack on Australia”.³¹ Even to mention these two scenarios is, however, to draw a very long bow and the important point is the absence of any specific reference to Indonesia in New Zealand’s major defence planning document.

It should not be forgotten that New Zealand military forces were engaged against Indonesian units in 1965 in Borneo during Confrontation. And in the period following the referendum in East Timor in August 1999, when Australian and New Zealand troops were deployed as part of INTERFET, there was potentially, at least, the danger of violent engagement between New Zealand and Indonesian forces. During times of tension with Indonesia, such as the two just mentioned, there have been concerns about possible interruptions to sea lanes through the Indonesian archipelago and through Indonesian air space.³²

Bilateral relations have thus not been exempt from security-related tensions, but open dialogue, mutual understanding, trust and familiarity, especially at the government-to-government level, do help to mitigate any bilateral difficulties. Thus ministerial visits, intergovernmental agreements and officials’ consultations are grist to this mill. The Ministry of Foreign Affairs and Trade’s (MFAT’s) Indonesia Information Paper³³ itemises recent visits in both directions, of which many to Indonesia have taken place in the context of regional and multilateral meetings (ASEAN, the ASEAN Regional Forum [ARF], the EAS, the Interfaith Dialogue, the Bali Democracy Forum etc). In this respect, a comparison with the number of high-level visits to, say, Singapore is instructive: the balance does not favour Jakarta. There is a strong case for more frequent, focused bilateral governmental visits.

A longstanding strand in the connection with Indonesia has been through the New Zealand official development assistance (ODA) programme. Beginning in the 1950s under the umbrella of the Colombo Plan, New Zealand extended technical assistance and provided training in-country and in New Zealand. In the decades since then Indonesia has consistently been New Zealand’s major ODA partner in Asia. The allocation is NZ\$19 million for the 2011/2012 financial year,³⁴ and this amount is set to increase. In the new ODA strategy for Indonesia currently under development, the main foci of the programme are likely to be economic development (encompassing agriculture, renewable energy and disaster risk management), human resource development (through the New Zealand-ASEAN Scholars flagship programme) and eastern Indonesia (local economic and human development).³⁵ While miniscule in the overall scheme of things, the New Zealand ODA programme has served to underpin the bilateral relationship, has been positively acknowledged at high political levels in the Indonesian government and has assisted those individuals and communities touched by it.

31 *New Zealand Defence White Paper 2010*, www.defence.govt.nz

32 Green, *ibid.*

33 www.mfat.govt.nz/Countries/Asia-South-and-Southeast/Indonesia

34 See www.aid.govt.nz/programmes/c-indonesia

35 Interview with Helen Bradford, Development Manager, New Zealand Aid Programme, Ministry of Foreign Affairs and Trade, August 2011.

REGIONAL/MULTILATERAL

“Through regional organisations – the most important of which are ASEAN, APEC, the ARF, the EAS and the Asian Defence Ministers’ Meeting plus – the region is developing mechanisms to minimise tension.”³⁶

Indonesia is a leading light in these aforementioned groupings. New Zealand is also a participant in other fora in which Indonesia plays an important role, such as the Interfaith Dialogue and the Bali Democracy Forum. Insofar as these organisations can impinge on New Zealand’s national interests, interacting cooperatively in them with influential players such as Indonesia can help to ensure New Zealand’s concerns are recognised. It is inconceivable, for example, that a Free Trade Agreement with ASEAN or New Zealand’s invitation to join the EAS could have come about without Jakarta’s support.

Indonesia is active in NAM, the OIC and the G20 – of which New Zealand is not a member. But common adherence to the UN and its various functional and regional institutions and sub regional organisations, such as the Cairns Group and the South Pacific Forum of which Indonesia is a dialogue partner, helps to create alliances of common interest. In UN fora, such as the WTO, the International Atomic Energy Agency and other disarmament and arms-control bodies, New Zealand and Indonesia find a good deal in common.

There is a solid historical basis to New Zealand’s links with Indonesia, underpinned by ODA cooperation and various modes of bilateral exchange and common participation in regional and international organisations. In contrast to the increasing degree of contact evident at the inter-governmental and commercial levels, and the increasingly warm nature of these contacts,³⁷ there has been persistent criticism from non-government organisations (NGOs) in New Zealand of Indonesia’s human rights record, especially, in recent years, in respect of Papua. The Indonesian Human Rights Committee actively reports on human rights abuses in Papua and elsewhere.³⁸ It is clear that in parts of Indonesia, including Papua, there continue to be violations of basic freedoms, often perpetrated by the Indonesian National Armed Forces (TNI – Tentara Nasional Indonesia) and the police.³⁹ The Indonesian National Commission for Human Rights, Komnas Ham, investigates and draws attention to many violations of human rights throughout the country. One notable development in this regard is the media attention in Indonesia given to abuses or violations. Human Rights Watch summarises the overall situation as follows: *“Over the past 12 years Indonesia has made great strides in becoming a stable, democratic country with a strong civil society and independent media. However, serious human rights concerns remain.”*⁴⁰ The attention given in the New Zealand media to human rights problems⁴¹ and issues such as the many natural disasters that regularly afflict the archipelago deserves to be balanced against the many notable positive developments in Indonesia’s political and economic lives. On the whole it seems the negative stories outweigh the coverage of positive developments.

A contrary view on this point has been articulated by Professor David Robie, who has accused the media in New Zealand of ignoring the West Papua situation. *“It is shameful that the New Zealand and registered news media fail to cover the ongoing human rights atrocities and disturbances with the seriousness they deserve... the ongoing West Papua crisis is a greater threat to Pacific security than the Fiji issue.”*⁴²

³⁶ CSCAP:NZ, *ibid.*

³⁷ See footnote 20 page 8.

³⁸ See www.indonesiahumanrights.org.nz

³⁹ See, for example, the *2010 Human Rights Report: Indonesia* published by the US State Department, which itemises various human rights incidents in Indonesia in the previous year www.state.gov

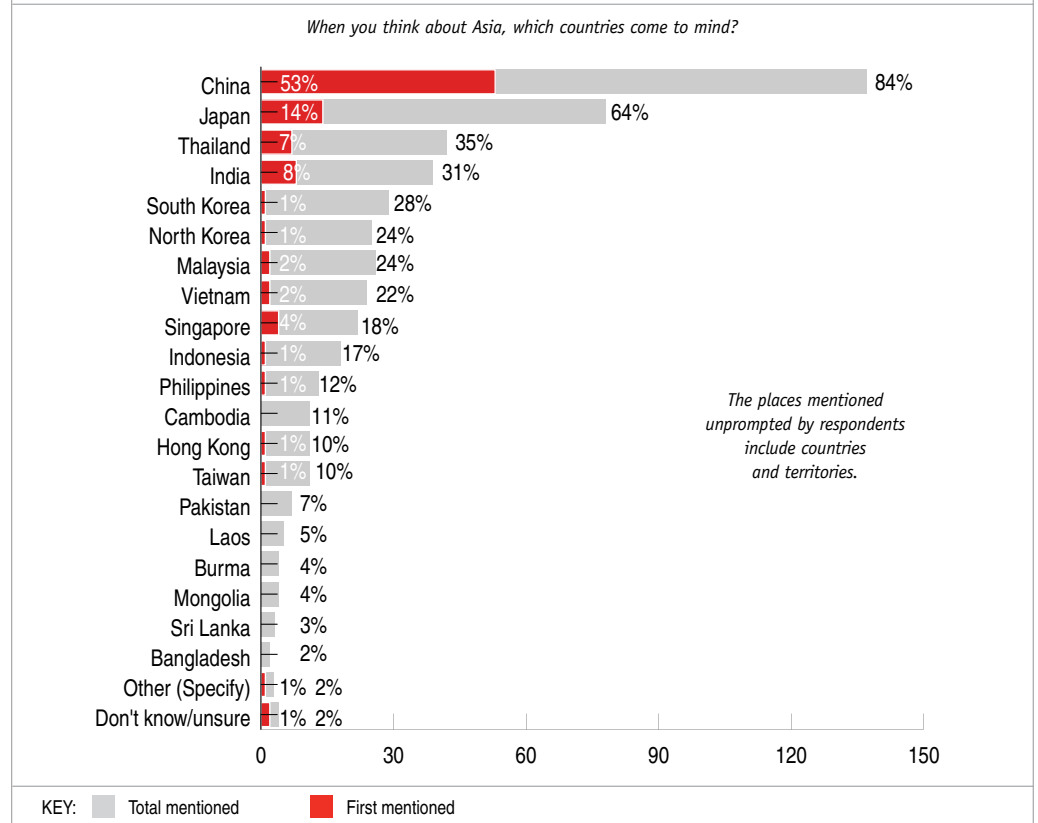
⁴⁰ p 321 Human Rights Watch *World Report 2011* www.hrw.org

⁴¹ See, for example ‘MPs, NGOs urge New Zealand government to take action over West Papua issue’ Radio New Zealand International 1 December 2011.

⁴² Pacific Media Watch 4 December 2012 www.pmc.ac.nz

ASIA NEW ZEALAND FOUNDATION SURVEY 2010

Figure 4: Countries and territories that come to mind when New Zealanders think about Asia



Source: Asia New Zealand Foundation: New Zealanders' Perception of Asia and Asian People in 2010

Having established Indonesia's regional and global significance, having outlined the strength of its economy and human and physical resources, and having traced the web of historical and foreign policy linkages between New Zealand and Indonesia, it is salutary to be confronted with the results of the above survey, according to which Indonesia ranks well down the list of countries in Asia that come to the mind of New Zealanders. This survey is not an aberration or one-off indicator: other surveys conducted in 2008 and 2009 came up with much the same result. Other Asia New Zealand Foundation (Asia:NZ) sampling and indeed its own activities reflect the relatively low level of appreciation and understanding of Indonesia among New Zealanders.

WHY IS THIS SO? AND DOES IT MATTER?

The late Professor Jamie Mackie in his essay on *'Australia and Indonesia: Current Problems, Future Prospects'*⁴³ makes some pertinent observations that provide a context. Indonesia, he says, is "profoundly different from Australia in so many ways and is an unfamiliar kind of nation state"; its size and diversity 'rent by sea' and its often tumultuous recent history have served to separate, not bind. All the more so for most New Zealanders. Indonesia's language, religions, colonial and pre-colonial history, population size and political, legal and social systems make it very foreign to most New Zealanders. There is much to set Indonesia apart. It seems the incomprehension is mutual. Former Indonesian Ambassador to New Zealand, Amris Hassan: "New Zealand is unknown in Indonesia".⁴⁴ Media coverage in New Zealand is minimal or at best highlights natural disasters, terrorist incidents and other rather sensational stories. The big picture about what is happening in Indonesia rarely rates attention. While it is notoriously difficult to influence media coverage of a subject such as Indonesia's modern development, it is possible that social networking and IT-based information systems could be more useful and responsive means for getting the message out.

Having said that, there are, in the government and the business and other communities, some groups whose purpose is to try to close the information gap. The Indonesian Embassy has recently created an Indonesia New Zealand Friendship Group and there is a New Zealand Indonesia Association and an Indonesian chapter of the ASEAN New Zealand Combined Business Councils. Asia:NZ includes Indonesia in its journalism internships, media travel grants, arts and community programmes, and research and policy programmes. The New Zealand Embassy in Jakarta, with scant resources, heroically maintains an active outreach programme. But if the survey above is an indicator, there is much to be done to help overcome the knowledge gap.

43 Jamie Mackie, *Australia and Indonesia: Current Problems, Future Prospects*, Lowy Institute of International Policy, Paper No 17, NSW: Longueville Media.

44 Meeting with Amris Hassan on 7 September 2011.

TRADE AND ECONOMIC RELATIONS

"It is often said Indonesia is important to New Zealand but with the exception of a few high-profile businesses, it has yet to become a priority market."⁴⁵

As a country with a commodity-based export sector and a relatively under-developed industrial sector, Indonesia would not, at first blush, seem to be a natural economic partner for New Zealand. However, looking at Indonesia's economy from a macro point of view, the following factors are germane.

First, Indonesia's commodity exports are largely energy products and minerals (gas, coal, iron ore, copper, gold) plus tropical forestry products and tropical agricultural products (palm oil, rubber, coffee, spices). There is virtually no overlap with New Zealand's temperate-climate agricultural and forestry export products. In fact there is a natural fit in terms of comparative advantage.

Second, Indonesia's agricultural sector not only is tropical but consists mainly of cereal production and cash crops such as vegetable oil. Rice is the major crop (23 percent of total agricultural production)⁴⁶ followed by cassava and maize.

Third, the livestock sector is relatively weak. The livestock sector GDP as a proportion of total agricultural GDP is 12.5 percent.⁴⁷ Cattle and buffalo numbers have been static in recent years (13.7 million in 1990; 13.7 million in 2002) and the sheep and goat population have been increasing gradually (to 20.2 million in 2002).⁴⁸ Only in chicken production has there been a marked upward trend: an annual growth rate was registered of 4.1 percent between 1990 and 2000.⁴⁹ Although Indonesia has long espoused an agricultural policy based on achieving self-sufficiency in food products, it is significant that in 2005 self-sufficiency in meat products was 99.6 percent and only 35.2 percent in milk.

Fourth, rising incomes have led to a demand for new food products: *"... strong economic growth and vibrant trade have increased consumer demand for higher value foods and have expanded US export opportunities for fruit, dairy, other packaged food..."*⁵⁰ Meat consumption, per capita, increased from 8.3 kg in 1990 to 11.9 kg in 2005; and milk consumption from 4.4 kg in 1990 to 7.3 kg in 2005.⁵¹ In a US Department of Agriculture study, it is asserted that *"if Indonesian income levels rose 10 percent the demand for higher valued foods such as dairy and fish would rise about 8 percent for each whereas cereal demand would increase by only 5 percent"*.

The proposition is therefore that there are complementarities between the Indonesian and New Zealand economies, and that the two countries' comparative advantages reside in separate and different agricultural spaces.

The significance of Indonesia's economy for New Zealand is:

- A nearby, large and rapidly growing economy, insulated to a significant degree from global economic vicissitudes
- A positive outlook for continued, sustained economic growth, especially if infrastructural, institution building and educational challenges are confronted
- A rapidly growing middle class, with increasingly sophisticated demands
- A crop-based agricultural sector complementary to, rather than competitive with, New Zealand's

45 Gilbert Peterson, Asia:NZ website 11 July 2011, www.asianz.org.nz

46 Abare Conference Paper 07.6 Bond, Rodriguez, Penn August 2007.

47 Jennifer Ifft, *Survey of East Asia Livestock Sector*, Rural Development and Natural Resources Sector Unit, East Asia and Pacific Unit, World Bank, September 2005.

48 World Bank, *ibid*

49 *Ibid*.

50 Nicholas Rada and Anita Regmi, *Trade and Food Security Implications from the Indonesian Agricultural Experience*, US Department of Agriculture, 17 May 2010, www.ers.usda.gov/publications/wrs1001

51 Abare, *ibid*.

TRADE

Despite, as we have noted, the unfamiliarity of Indonesia to most New Zealanders, the trade relationship is significant.

TRADE STATISTICS: NZ\$ MILLION DECEMBER YEARS

	2006	2007	2008	2009	2010
Exports (fob)	613	777	1006	963	930
Imports	674	731	1155	720	647

Source: Statistics New Zealand

The following points can be added to these bald trade statistics:

- Indonesia was New Zealand's 11th most important trade partner in 2010 (exports and imports)
- Indonesia was New Zealand's largest export market in ASEAN in 2010
- Indonesia was New Zealand's seventh largest export market in 2010

A more detailed breakdown of the nature of the trade relationship is set out below:

INDONESIA: BILATERAL TRADE WITH NEW ZEALAND

MAIN PRODUCTS	NZ\$ MILLION DECEMBER YEARS		
	2008	2009	2010
EXPORTS			
Milk powder	332	263	221
Frozen beef	85	85	144
Malt extract	63	38	63
Butter	47	32	56
Chemical wood pulp	49	72	52
Cheese	40	39	43
Ferrous waste and scrap	83	52	40
Wood pulp	20	30	36
Casein	32	27	28
Timber	20	23	25
Meat offal	22	18	25
TOTAL EXPORTS	1006	963	930
IMPORTS	2008	2009	2010
Oil cake	149	57	146
Petroleum oils	592	221	109
Coal	36	61	16
Electric transformers	18	40	25
Paper	26	15	6
TOTAL IMPORTS	1155	720	647

Source: Statistics New Zealand

Some general points can be derived from these statistics:

- 92 percent of New Zealand's exports to Indonesia are agricultural or forestry products
- There has been a variable trend line in the value of the main export products (cf Vietnam and India where New Zealand exports have shown a steady increase in the same period: from NZ\$283 million to \$420 million in respect of Vietnam, and from NZ\$544 million to \$901 million in the case of India, in the period 2008 – 2010)
- A declining trend line in imports and exports in the past three years
- Indonesia was the third most important beef export market in 2010 (after the US and Japan)
- Indonesia was the ninth most important export market for dairy products in 2010
- Indonesia was the seventh most important export market for forestry products in 2010
- There has been an declining value of crude oil and coal imports.

The overall summation is that Indonesia is an important trade partner for New Zealand, both in comparison with other ASEAN countries and on a global basis. The growing demand for high-quality meat and dairy products, combined with increasing income levels in Indonesia, leads to the conclusion that Indonesia can only become a more important trade partner for New Zealand. Both Fonterra and the Meat Industry Association see Indonesia as a key market for New Zealand for dairy products and meat (notably offal) for these very reasons.⁵²

New Zealand Trade and Enterprise (NZTE) provides advice about doing business in Indonesia and identifies on its website a number of business opportunities for New Zealand companies. These include in the food and beverage sector (meat, dairy, processed foods, wine, seafood), in the wood pulp and timber sector, in education and in the halal products area (including health products, cosmetics and beauty items).⁵³ The services sector would seem to be another sector of considerable interest (geothermal, seismic engineering, building and construction, aviation, IT, food processing). It is worth recalling in this context that in the 1970s two New Zealand consortia were established (GENZL and ANZDEC) to pursue opportunities in engineering and agriculture, respectively, in Indonesia and elsewhere in Asia. Since that time the New Zealand engineering company Beca has operated in Indonesia and has had an office in Jakarta for many years. But Beca's is a lonely example. It is noteworthy that although NZTE maintains an office in the Embassy in Jakarta, there is no Trade Commissioner resident in Indonesia and the Trade Commissioner in Kuala Lumpur has oversight of the Indonesian market. This would seem to be anomalous given both the size of the Indonesian market and the difficulties of doing business there.

⁵² Private email from James McVitty, Trade Strategy Group, Fonterra; interview with Tim Ritchie, Chief Executive, Meat Industry Association, September 2011.

⁵³ See www.nzte.govt.nz/indonesia

INVESTMENT

Indonesia does not register in Statistics New Zealand's investment tables on Stock of Direct Investment by country. This is not to say that Indonesian entities are not investing in New Zealand, but merely that the official figures do not register Indonesia as a source of foreign investment. Further investigation, outside the scope of this paper, would be required to ascertain the actual level of foreign direct investment (FDI) from Indonesia in New Zealand.

Similarly, statistics regarding FDI from New Zealand into Indonesia are lacking. Fonterra is looking at investing in processing plants in Indonesia,⁵⁴ and if this comes about investment might feature as another strand of the economic relationship. Very recently, New Zealand Oil and Gas has purchased oil and gas exploration rights in Indonesia.⁵⁵

TRADE POLICY FRAMEWORK

Indonesia is part of the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA). Indonesia has ratified AANZFTA, which entered into force for Indonesia on 10 January 2012. As a consequence, import duties will steadily decline on virtually all exports to Indonesia. By 2025 almost all exports and imports will be subject to zero tariffs.⁵⁶ That trade with Indonesia is not always a straightforward exercise is confirmed in the comment in this document that *"trade access problems for New Zealand exports (to Indonesia) are routine"*. Official mechanisms are in place to help reduce or ameliorate the impact of these non-tariff barriers (NTBs). Official talks about NTBs and access issues are held under the auspices of officials' meetings established under the Trade and Investment Framework signed in 2007, in the context of the Joint Ministerial Commission, which meets periodically, at the time of ministerial visits, and routinely through representations made by the Embassy in Jakarta.

A major ongoing issue relates to beef exports. Indonesia in effect operates a licensing or quota system for imports of frozen meat. Halal requirements and labelling are also sometimes problematical. The administration of this licensing system is opaque and seemingly subject to political influence. A cover story in *Tempo* dated 22 March 2011 reported that *"thousands of tons of imported frozen meat remain stuck at Tanjung Priok Port because importers allegedly exceeded their quota and allowable tonnage, in addition to lacking proper supporting documents. But this could well be the upshot of a conflict of quotas between leaders and members of the Justice and Prosperity Party"*.

TRADE OUTLOOK

The big picture, as noted above, is that Indonesia's demand for dairy and meat products seems set to grow steadily as incomes increase. Compared with relatively mature markets in Asia such as Japan, Singapore and Malaysia, Indonesia looks to be an under-supplied destination on a per capita basis and the most prospective market in ASEAN. On a population basis, only India and China could be regarded as outranking Indonesia as future growth markets.

54 Comment by Maspiyono Handoyo, Fonterra Brands representative in Jakarta on 6 September 2011.

55 Market announcement by New Zealand Oil and Gas, 12 December 2011 www.nzog.com/marketannouncements

56 See New Zealand Ministry of Foreign Affairs and Trade Indonesia Information Paper www.mfat.govt.nz/Countries/Asia-South-and-Southeast/Indonesia.php

TOURISM AND EDUCATION

“Personal connections are likely to drive more integration between New Zealand and Asian countries.”⁵⁷

While Indonesia is a reasonably well known destination for New Zealand tourists (Bali is the main attraction), Indonesian visitors to New Zealand are relatively few.

NEW ZEALAND-RESIDENT TRAVELLER DEPARTURES

COUNTRY OF DESTINATION	2006	2007	2008	2009	2010
Indonesia	10,843	11,049	11,812	12,401	14,992
Thailand	29,080	30,611	29,857	30,557	28,084
India	23,516	25,978	27,646	28,964	30,953
COUNTRY OF ORIGIN	2006	2007	2008	2009	2010
Indonesia	6929	7758	7569	9506	9787
Thailand	18,032	20,349	18,356	19,728	21,434
India	20,265	21,853	23,860	25,336	29,486

It is clear from these statistics that travel in both directions is relatively under-developed, both in terms of the absolute size of the Indonesian market and in comparison with other countries such as Thailand and India. One factor is the absence of direct or non-stop air services. *“The Air Services Agreement 1988 allows for services between Indonesia and New Zealand via intermediate points in Australia but the Garuda Indonesia commercial service, which operated for a number of years, is currently suspended.”⁵⁸* Travel to Jakarta or Denpasar from New Zealand is commonly undertaken through intermediate points in Australia or via Singapore, although Air New Zealand is shortly to begin a non-stop service to Bali. In terms of both convenience and cost, travel in both directions suffers in comparison with other destinations in Asia.

There can be little doubt that natural disasters in Indonesia, such as the 2004 Boxing Day tsunami and various volcanic eruptions, floods and earthquakes, on top of political unrest and terrorist events, notably the bomb attacks in Bali in 2002 and 2005 and the hotel suicide bombings in Jakarta in 2009, and communal violence, have discouraged the growth of travel from New Zealand to Indonesia. The official New Zealand government travel advisory currently in place states: *“There is a **high risk** to your security in Indonesia (including Jakarta, Bali, Batam and Bintan) and we advise against all tourist and other non essential travel due to the continuing high threat of terrorism. There is also a risk of kidnapping and civil unrest in certain parts of Indonesia.”⁵⁹*

Other warnings such as *“Indonesia: Legionnaires disease in Bali”⁶⁰* and *“Indonesia: Warning against drinking arak (distilled palm wine)”⁶¹* create a negative view of Indonesia as a destination.

By way of comparison, the Australian government advice on travel to Indonesia is as follows: *“We advise you to reconsider your need to travel to Indonesia including Bali at this time due to the very high level of terrorist attacks”⁶²* This is level three of a four level Australian government scale, level four being *“do not travel to”*.

The United Kingdom government has no travel restrictions in place in respect of Indonesia, but the Foreign and Commonwealth Office website gives a detailed description of the risks and issues relating to travel to Indonesia.⁶³

⁵⁷ CSCAP:NZ para 59 ibid.

⁵⁸ Ministry of Foreign Affairs and Trade Information Paper, ibid.

⁵⁹ www.safetravel.govt.nz

⁶⁰ Ibid, 8 August 2011.

⁶¹ Ibid, 26 October 2011.

⁶² www.smartraveller.gov.au

⁶³ See <http://ukindonesia.fco.gov.uk/en>

If the reason for New Zealanders not travelling to Indonesia in greater numbers can be ascribed to these two main factors – inconvenient and expensive air links and a negative perception, endorsed at governmental level, of Indonesia as a destination – the other side of the coin, why Indonesians do not travel to New Zealand in greater numbers, deserves investigation.

As a starting point it is evident that Indonesians do travel abroad, in considerable numbers. *“Outward travel from Indonesia has increased from 3.4 million per annum in 2000 to 6.4 million in 2009.”*⁶⁴ The five top destinations for Indonesian tourists are Malaysia, Singapore, China, Saudi Arabia and Hong Kong. Australia is seventh in this list. In 2010 127,000 Indonesians visited Australia.⁶⁵

Neither the Tourism New Zealand nor the Ministry of Economic Development Tourism Strategy Group websites contain any reference to Indonesia. India, Thailand, Singapore and Malaysia are the focus markets in Southeast Asia. It would appear that a dearth of in-market promotion and the lack of direct air services, contribute to this relatively poor performance of New Zealand in the Indonesian tourism market. It would seem to be a lacuna in the overall relationship.

64 www.tourism.Australia.com/en-an/documents/corporate_percent20-percent20Markets/Indonesia

65 Overseas Arrivals, Tourism Queensland.

INDONESIAN COMMUNITY

A significant aspect of people-to-people linkages and a telling contrast between Indonesia and other partners in Asia is the very low level of immigration from Indonesia to New Zealand and the concomitantly small size of the Indonesian community in New Zealand.

PERMANENT AND LONG-TERM ARRIVALS

	2006	2007	2008	2009	2010
Indonesia	270	281	344	356	333
Thailand	920	1004	833	874	823
India	2743	4232	5923	6888	7509

Source: Statistics New Zealand

According to the 2006 New Zealand census there were 4614 New Zealand residents of Indonesian origin in New Zealand at that time.

It is often postulated in respect of the small number of Indonesian immigrants that “Indonesians don’t go to live in other countries”. This is not factually correct: according to a recent International Labour Organization/European Union study, around 600,000 Indonesians travel abroad annually for work purposes and the total offshore community is in the region of 3.5 million.⁶⁶ But this same study reveals that almost 70 percent of these migrant workers are women going to Asian and Middle Eastern destinations and almost all are young and low skilled. The bulk are in fact domestic helpers and low-skilled labourers. Educated, middle-income-level Indonesians do indeed seem to have a low propensity to emigrate, although anecdotal evidence suggests that a significant number of Indonesian Chinese fitting this profile did leave Indonesia during the 1990s when there were manifestations against the Chinese community. The study further reveals that Indonesia is not counted among the top 50 migrant-origin countries in the OECD (Organisation for Economic Co-operation and Development). In general it seems the saying that “Indonesians don’t migrate” has some validity.

The small number of short-term visitors in both directions and the absence of a critical mass in the size of the Indonesian community in New Zealand are clearly important factors in explaining the relative unfamiliarity of Indonesia to most New Zealanders. The government and the private sector could well do more to encourage higher levels of tourism from Indonesia. On the other hand, New Zealand’s migration policy is not oriented to particular countries, and in theory at least there are no systemic reasons why the Indonesian community could not become larger. Perhaps in respect of this second point, education linkages could play a role.

66 Geoffrey Ducanes and Manolo Abella, *Prospects for Future Outward Migration Flows: China and Southeast Asia*, ILO/EU Asian Programme on the Governance of Labour Migration, Working Paper no. 24, March 2009, www.ilo.org/wcmsp5

EDUCATION

“Indonesia is an important partner for New Zealand in the education field...”

“Only 497 Indonesian students studied in New Zealand in 2010. There is a tremendous opportunity for New Zealand to welcome more Indonesian students.”

Both quotes are from a press statement issued by Hon Anne Tolley in her capacity as Minister of Education on 14 July 2011 and are, on the face of it, contradictory. The first implies a high level of educational linkages; the second indicates the potential is unfulfilled.

By any measure, Indonesia is not presently an important partner for New Zealand in the education field.

NUMBER OF FOREIGN STUDENTS STUDYING IN NEW ZEALAND

	2007	2008	2009	2010
Indonesia	474	484	615	497
Malaysia	1915	2134	2150	2133
Thailand	2996	2661	3098	3387
India	3105	5004	7476	9065
TOTAL ALL COUNTRIES	93936	91388	96978	99880

Source: Statistics New Zealand

The breakdown by sector of 2010 enrolments from Indonesia is: primary six, secondary 27, polytechnics 43, universities 176, private training establishments [mostly English language] 134, others 11.

The statistics in the chart above are revealing. Absolutely and in comparison with some other Asian countries, it can be seen that the level of education exchange with Indonesia is minimal. Despite its large education-age population (according to UNESCO figures, nearly five million Indonesians were undertaking tertiary study in 2010), its location, the relative under-development of its own education sector⁶⁷ and growing wealth, Indonesia was the 21st-largest source country for New Zealand education providers in 2010. Only 0.5 percent of the foreign students in New Zealand were Indonesian.

It is not only in respect of the small number of students in New Zealand that attention on Indonesia can be seen to be at a low level. Contrary to the situation in the 1990s, there are now no Indonesian studies programmes offered at any New Zealand university. Language study has lapsed too and Bahasa Indonesia is currently not one of the 13 languages supported by the Ministry of Education.⁶⁸ Revealingly, in an Indonesian commentary at the time of Minister Tolley’s visit in July 2011, it was stated that “... since 2008, the Indonesian government has provided 750 scholarships for foreign students to study Indonesian language and culture. But, these past five years, there has been no New Zealand students participating in this scholarship scheme”.⁶⁹

The contrast between the potential for educational exchanges between Indonesia and New Zealand and the reality of its present level is noteworthy and discouraging, especially taking into account the capacity of this sector to encourage people-to-people links, to enhance mutual understanding and to underpin economic and commercial connections.

67 See Figure 3 on page 7.

68 See <http://www.tki.org.nz/r/language/guide>

69 Quoted in a personal email from New Zealand Embassy, Jakarta.

Against this somewhat dismal background, a number of initiatives have been agreed at the inter-governmental level to upgrade the level of cooperation in the education sector. The then Minister of Education, Minister Tolley visited Indonesia in July 2011 and on 14 July signed an 'Arrangement between the Ministry of National Education of Indonesia and the Ministry of Education of New Zealand on Educational Cooperation'. According to the press release issued at that time, *"an Educational Cooperation Agreement will help facilitate increased education collaboration and improve access for New Zealand providers... establishing a Joint Working Group process will help set up a framework for engagement between the New Zealand and Indonesian Ministries of Education"*.⁷⁰

Under this Arrangement, *"New Zealand and Indonesia hope to develop a mechanism whereby for each scholarship funded by the New Zealand government, the government of Indonesia would also fund one scholarship for an Indonesian student to study in New Zealand"*.⁷¹

Other steps include the designation of Indonesia as a 'top ten priority country' for the New Zealand education sector as announced by Minister Tolley on 14 July 2011. This means more resources will be allocated to generating interest in Indonesia in educational opportunities in New Zealand. The number of scholarships available through New Zealand Aid Programme has also been increased from 15 per annum to up to 50. Two institutions in New Zealand – Victoria University of Wellington and the Auckland University of Technology – have been working to build up direct links with counterpart institutions in Indonesia, and the New Zealand government has signed a partnership arrangement with the University of Gadjah Mada that *"will enable New Zealand government agencies to increase their cooperation with one of Indonesia's premier universities"*, notably in the fields of geothermal engineering and disaster management.⁷²

70 <http://ienews.minedu.govt.nz/new-zealand-andindonesia-sign-education-arrangement>

71 See <http://www.nzembassy.com/indonesia/news/new-zealand-and-indonesia-to-increase-education-cooperation>

72 See <http://www.nzembassy.com/indonesia/news/new-zealand-education-sector-identifies-indonesia-as-a-top-ten-priority-country>

DEFENCE AND POLICE

From its beginnings, the armed forces have played a central role in the Indonesian Republic's politics, economy and development. As the successful protagonist in the armed struggle for independence the TNI came *"to believe they were not subordinate to the civil authority but rather the guardians of the state and ultimate arbiters of its direction"*.⁷³ During the Suharto New Order government, brought to power by the TNI, the armed forces' non-military role was explicitly acknowledged in the doctrine of *dwi fungsi* (dual function). The TNI then included the National Police and was a strong influence in civil society. In theory the TNI's influence and power have been circumscribed since the fall of the Suharto government, including through the decision to separate the police and make internal security a police responsibility, but Green concludes that these reforms do not *"unambiguously subordinate TNI to the civil authority"*. He argues that *"although TNI doctrine affirms that TNI is an apolitical force carrying out the policies of the democratically chosen government, there are few institutional safeguards against a future military intervention in politics and government"*.⁷⁴

With a manpower level of 350,000 and an annual budget of nearly US\$5 billion, the TNI is among the largest armed forces in the region.⁷⁵ However, in terms of its ability to project military force, the TNI has some evident weaknesses. The army remains the largest component of the TNI (at around 280,000 personnel) but sufficient and fit-for-purpose air and naval assets are lacking. Modernisation is necessary but, as Green states, *"the procurement tasks are significant, given the diverse sourcing of current weaponry, the high proportion of obsolete or inappropriate weapons systems and platforms, and the limited capability of Indonesia's defence industries"*. He concludes that *"Indonesia is ill-equipped militarily to meet the external challenges facing its neighbourhood"*.⁷⁶

So while the TNI may be large and remains an important domestic player, it has a limited capability to exert influence outside the archipelago, and even within Indonesia has a constrained capacity to deploy significant force, as was evident in respect of the inadequate reaction to the 2004 tsunami. Commentators are generally of the view that the TNI continues to have an inward-looking role: *"Indonesia's strategic posture is defensive, and it has virtually no power-projection capability"*.⁷⁷

Beginning in the mid-1970s, New Zealand defence cooperation with Indonesia gradually expanded through training programmes offered in New Zealand, and through joint naval and air exercises.⁷⁸ It is noteworthy that at this time Indonesia seldom exercised with foreign counterparts, preferring to assert a non-aligned and self-reliant posture. Despite the controversy caused by the Indonesian takeover of East Timor in 1975, New Zealand's defence cooperation with Indonesia increased through to the 1990s. From dental health programmes to Skyhawk maintenance instruction, the level of interaction broadened. *"Defence cooperation was seen as a way to promote or protect broader New Zealand interests by creating other channels into a government dominated by the armed forces"*.⁷⁹ However, the growing concerns of some NGOs and officials about the Indonesian armed forces' human rights record in East Timor, and elsewhere, came to affect the level of defence cooperation, which tapered off during the mid-1990s. And following the referendum in East Timor in August 1999 and TNI complicity in the subsequent violence, New Zealand suspended defence cooperation.

73 Michael Green in *Indonesia's armed forces in the democratic era*, Wellington, Centre for Strategic Studies, Victoria University of Wellington, *Strategic Briefing papers Volume 6: Part 1*: November 2011.

74 Green, *ibid*

75 See, for example, the US Department of State Background Note: Indonesia 3 June 2011, which adds: "Defense spending accounts for 1.8 percent of GDP but is supplemented by revenue from many military businesses and foundations".

76 *Ibid*.

77 Anne Marie Murphy in 'Strategic Posture Review' in *World Politics Review* 20 September 2011.

78 See Michael Green *Uneasy Partners* *ibid* pp 176-177.

79 Green, *ibid*, p.188.

Within New Zealand there has long been a debate about the value and morality of cooperation with the TNI. The East Timor Defence League argued that New Zealand should have no truck with the TNI, in any shape or form. On the other hand, *“to the critics of defence cooperation the government argued that cutting these very limited ties would not materially affect conditions in Indonesia or East Timor, while maintaining them ensured access to Indonesia’s military leaders and thus the possibility of influencing their behavior.”*⁸⁰ The fall of the Suharto government, the return to a democratic form of government and the healing of the East Timor wounds have led to a gradual revival of defence linkages. *“As a result of the significant reform in the Indonesian military and the strengthening of our bilateral relationship, at the end of 2006 New Zealand resumed low-level cooperation with the Indonesian armed forces... bilateral defence activities have resumed in the area of military education and training.”*⁸¹

Present-day defence cooperation is at a modest level and is focused on education, non-combat training and cooperation in humanitarian operations and navy-to-navy engagement.⁸²

The New Zealand Defence Force Statement of Intent 2011-2014 states: *“At the bilateral level in Southeast Asia, New Zealand and the NZDF continue to maintain strong relationships with Malaysia and Singapore. Closer ties are being developed with Indonesia, Timor Leste, Vietnam and Thailand.”*⁸³ Linkages also exist through regional forums such as the ASEAN Regional Forum (ARF) and the ASEAN Defence Ministers’ Meeting Plus (ADMM+). In addition a defence officials’ bilateral dialogue process began in late 2011.⁸⁴

The Indonesian National Police (INP) was formally separated from the TNI in 2004 and in that year the New Zealand Police signed a Memorandum of Understanding (MoU) with the INP. This MoU set the scene for training assistance and exchanges, largely funded by the New Zealand Aid Programme, most notably in the field of community policing, including in Papua and West Papua.⁸⁵

The key points regarding defence cooperation would seem to be:

- the ongoing important role of the TNI within Indonesia;
- the non-threatening nature, externally, of TNI’s military power;
- the reforms that have begun to place the TNI in a more conventional basis in the body politic; and
- the separation of the INP from the TNI.

The conditions for upgrading defence cooperation would seem to be in place. And if New Zealand is to increase its contact with Indonesia and be in a position both to gain an appreciation of the TNI capabilities and standards and to exert some influence at senior levels of the TNI, increased cooperation with both the TNI and INP would seem to make sense. However, as Green notes, *“changes in the NZDF [New Zealand Defence Force] structure and pressure on New Zealand defence expenditure make a substantial bilateral cooperation programme unlikely in the medium term.”*⁸⁶ If cooperation with Indonesia were accorded higher priority, it might be possible to move forward in this area of the relationship.

80 Green *ibid* p 191.

81 Ministry of Foreign Affairs and Trade Indonesia Information Paper, *ibid*.

82 Ewan Sinclair, International Defence Relations Branch, Ministry of Defence.

83 See <http://www.nzdf.mil.nz/downloads/pdf/public-docs/2011/soi/nzdf-soi-2011-14.pdf>

84 Paul Sinclair, Head, International Defence Relations Branch, Ministry of Defence/New Zealand Defence Force.

85 Communication from Kaspar Beech, International Project Officer, International Service Group, New Zealand Police.

86 *Ibid*.

SOME CONCLUSIONS

Indonesia, by any definition, is a country of considerable significance for New Zealand, by virtue of its size, location, population and resources. After more than a decade of significant political reform, Indonesia has become a moderate, open and democratic society.

Some challenges lie ahead for Indonesia, including overcoming under-development, addressing institutional weaknesses, building up the infrastructure, working through communal issues and reinforcing the rule of law. Political challenges, including electoral law reform, remain on the agenda. The conduct and outcome of the 2014 presidential election will be closely observed.

Indonesia's leading position in ASEAN and its growing international role make it a partner of growing importance to other countries in the region, such as New Zealand. The growing complexities of the economic, political and military balance in Asia and Indonesia's approach of favouring a 'dynamic equilibrium' in the region underscore its influence.

Indonesia's economy has been growing strongly in recent years. Its consumption-driven economic model and its diverse resource base have blunted the impacts of negative global economic trends. Resilient growth rates, declining public-debt ratios, considerable human and physical resources and a prudent macro policy framework augur well for a continuing strong economy.

Linkages between New Zealand and Indonesia are long standing and broad based, and have the potential to expand. Government-to-government exchanges through common membership of regional and multilateral organisations and on a bilateral basis are well established. Cooperation through ODA, defence and police channels is ongoing, albeit with opportunities for an upgraded level of interaction. But Indonesia seems under-rated by some government agencies and other elements of New Zealand Inc as a partner both on the basis of its size, its importance and its location and in comparison with the investment made in other relationships in the region.

As New Zealand's nearest neighbour in Asia, Indonesia is surprisingly little known by most New Zealanders. Asia:NZ surveys show a low level of recognition among New Zealanders. Negative impressions deriving from human rights issues, especially in Papua, and recurrent natural disasters, colour public attitudes.

People-to-people connections are weak. Levels of tourism and education exchanges are under-developed relative to other comparable Asian countries. The Indonesian community in New Zealand is small and Indonesian studies programmes are non-existent.

Filling this 'knowledge gap' should be a priority for concerned agencies such as Asia:NZ, MFAT, NZTE, Education New Zealand, the universities and the Ministry of Education.

Indonesia is among New Zealand's top 10 trade partners. Physical trade is dominated by primary products, and a continuing increase in this trade is on the cards given rising income levels in Indonesia and because Indonesia's tropical- and cereal-based agriculture is complementary to New Zealand's temperate agricultural production.

Trade and economic relations depend largely on the private sector. While recognising that doing business in Indonesia is not straightforward, and that barriers do exist to the development and expansion of goods' and services' exports and investment, the opening up of the Indonesian market through AANZFTA and the growth in the economy would seem to create a platform for a revival of interest in Indonesia as a trade and investment partner.

Trade in services (tourism, education, engineering, consulting, IT) is ripe for attention and expansion. The introduction of non-stop air services should help the expansion of services trade.

If it is accepted, as this paper argues, that Indonesia is a significant partner for New Zealand, it would make sense for New Zealand, as very much the smaller entity, to take steps to put more resources into building up connections with Indonesia. The government can play a leading role but New Zealand Inc should desirably be a partner in this endeavour.

ADDENDUM – INDONESIA AND AUSTRALIA

Comparisons can be both instructive and invidious. Indonesia and Australia are neighbours and the bilateral relationship has been given close attention by both governments and their academic and business communities for many years. The patent dangers of getting things wrong, and the sensitivities inherent in the relationship, have ensured that considerable efforts have been made to achieve a thorough understanding of the other. The relationship looms large, especially for Australia, and it is perhaps not reasonable to expect New Zealand Inc to have invested the same attention and energy into linkages with Indonesia as Australia Inc has done. But in considering the theme of this paper, Indonesia and its significance for New Zealand, it is perhaps helpful to look at Australia and Indonesia in order to gain an appreciation of both how to forge close ties and what the main features and benchmarks of the relationship are.

The Australian Department of Foreign Affairs and Trade *Indonesia Country Brief*⁸⁷ provides a very useful overview of the bilateral relationship. Its positive and almost triumphalist tone is in contrast to similar New Zealand documents. *“The relationship between Australia and Indonesia has never been stronger. Australia and Indonesia are close neighbours, with a highly productive relationship that ranges across political, security, commercial, environmental, cultural and people-to-people links... Australian-Indonesian relations are at an historical high point.”*⁸⁸

The political/security dimension of the relationship is recognised and formalised by the bilateral Framework for Security Cooperation (the Lombok Treaty) signed in 2006. This agreement *“provides a strong legal framework for encouraging intensive dialogue, exchanges and implementation of cooperative activities to combat terrorism and transnational crime, and to strengthen cooperation in defence, law enforcement, counter terrorism, intelligence, maritime and aviation security”*. The Agreement is underpinned by a number of other arrangements in areas of common concern, such as people smuggling, climate change, counterterrorism and illegal fishing, and is reinforced by a web of consultation mechanisms among ministers (including annual Heads of Government, Defence, Foreign Affairs and Trade Ministers’ meetings), at officials’ level and through a Leadership Dialogue and a Business Council, amongst many others.

The economic aspects of the relationship have a high profile, with bilateral two-way trade in 2010 reaching AU\$12.9 billion (although Indonesia is only Australia’s fourth-largest trading partner in ASEAN), and Australian investment in Indonesia is assessed at AU\$5.3 billion. A joint study has indicated that a comprehensive bilateral Free Trade Agreement would *“provide worthwhile economic benefits for both countries”*⁸⁹ and was welcomed by the Trade Ministers’ Meeting. Significantly, *“around 15,500 enrolments were received from Indonesian students for all levels of education in Australia in 2010 and a record 548,500 Australians visited Indonesia in 2009”*.⁹⁰

Other mechanisms for promoting bilateral linkages mentioned in this paper include through development cooperation (Australian ODA to Indonesia is predicted to be AU\$558 million in 2011/2012), the setting up of an Australian-Indonesian Institute, and the BRIDGE project, which involves teacher exchange and school e-twinning.

87 www.dfat.gov.au/geo/indonesia

88 www.dfat.gov.au/geo/indonesia

89 Ibid.

90 Ibid.

The connections between Australia and Indonesia are extensive because they need to be; Indonesia is significant for Australia and Indonesia regards Australia as an important regional and bilateral partner. This is not to say that the relationship is without tensions and problems. The state of the relationship has waxed and waned since the late 1940s when Australia was among the first countries to support the concept of an independent Indonesia. Mackie in his paper *Australia and Indonesia: Current Problems, Future Prospects*⁹¹ traces the ups and downs in some detail. From the euphoria of the Paul Keating years to the considerable uncertainties during the period of the Asia financial collapse and the East Timor crisis, attitudes oscillated. Indeed the Australia-led intervention in East Timor gave rise to suspicions in Jakarta that Australia was a threat to Indonesia's sovereignty and territorial integrity.

Mackie lists the main issues that could undermine the relationship:

- the separatist movement in Papua; terrorism/Islamic radicalisation in Indonesia;
- regional/global developments and the implications of the rise of China's economic power; and
- contiguity-related problems such as people smuggling, drug and criminal threats and fisheries disputes.

Australian criticisms of Indonesian policies and practices create sensitivities in Jakarta, witness the withdrawal of the Indonesian Ambassador in 2006 following the granting of refugee status to Papuan separatists. Importantly, Indonesia is not categorised as a security threat: the 1986 Dobb report concluded that *"Indonesia has neither the motive... nor the capacity to threaten Australia"*⁹².

By contrast, the Australian government seems to have taken a rather different view, at least in the early years of the Indonesian Republic. Witness this comment: *"The Whitlam government and the Nuclear Non-Proliferation Treaty put an end to two decades of Australian nuclear weapons planning. However residues of that secret history remain evident today. One manifestation is the F-111 fighter bombers, soon to be retired from the RAAF [Royal Australian Air Force], which were ordered in the expectation that they would be available to deliver nuclear bombs on urban targets in Indonesia. It is hardly surprising that another residue of this covert policy is the memory of Australian nuclear planning held by members of the Indonesian political and military elite"*⁹³.

But public attitudes seem not entirely to reflect this position – the 'too many, too close' view still permeates Australian views of Indonesia. *"Opinion polls show an increasing proportion of Australians now nominate Indonesia as our principal long term security threat"*,⁹⁴ and there appears to be some disconnect between official views and public opinion. There is no debate, however, about the significance of Indonesia for Australia; that is widely recognised.

The main point to take away from this thumbnail review of Australian/Indonesian relations is how Australia has gone about creating a wide web of linkages with Indonesia both to help avoid or mitigate problems that may arise and to develop natural common interests. The example of how Australia and Indonesia have gone about this should be of more than passing interest to New Zealand.

91 Mackie, Ibid.

92 Quoted in Mackie, Ibid.

93 Richard Tanter, *The re-emergence of an Australian nuclear weapons option?*, Nautilus Institute, 10 April 2010, www.nautilus.org

94 Ibid, p.105.

PROFILE: FRANK WILSON

After completing an MA at School of African and Oriental Studies (SOAS), London University in 1970, Frank Wilson joined the New Zealand Department of External Affairs (as it was then known). Frank worked for the Ministry of Foreign Affairs and Trade (as it later became titled) from 1971 until 2006, during which time he had three postings in Asia - in Saigon, in Bangkok and in Hong Kong. He was head of mission in three different locations during his career: Moscow (1981–1984), Santiago (1992–1996) and Hong Kong (2001–2005).

Following on from his time at SOAS Frank has had a particular interest in South and Southeast Asia and was at different times head of the Asia section of New Zealand Overseas Development Agency (NZODA), of the Asia section of the External Assessments Bureau in the Prime Minister's Department and of the South/Southeast Asia Division of the Ministry of Foreign Affairs and Trade.

In 2007, Frank was appointed Special Adviser to the Ministry of Foreign Affairs and Trade and has participated in the ASEAN Regional Forum's Expert and Eminent Persons group.

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The Asia New Zealand Foundation (Asia:NZ) was founded in 1994 as a non-profit, apolitical organisation dedicated to building New Zealand's links with Asia. Through its activities in education, business, media, culture, research and policy, Asia:NZ aims to promote initiatives that deepen understanding and relationships between New Zealanders and the peoples of Asia.

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