



Ear to Asia podcast

Title: What drives Australia-Indonesia relations?

Description: Australia's relationship with Indonesia is complex, often fluid but sometimes fraught. How do these two nations regard each other, and how can Australia strengthen its ties with its populous neighbour? Veteran Indonesia watcher Professor Richard Robison takes us into the web of contemporary Australia-Indonesia relations. Presented by Ali Moore. An Asia Institute podcast. Produced by profactual.com. Music by audionautix.com.

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Voiceover: The Ear to Asia podcast is made available on the Jakarta Post platform under agreement between the Jakarta Post and the University of Melbourne.

Ali Moore: Hello, I'm Ali Moore. This is Ear to Asia.

R. Robison: There are, in Indonesia, supply side constraints to investment from outside; things like poor infrastructure, pervasive corruption, rampant red tape, unpredictable rules and regulations. And Australian business can insulate themselves to some degree in things like mining but getting into more complicated investments, they're exposed to the full force of these things, and they would rather go somewhere else.

Ali Moore: In this episode, what drives the relationship between Australia and Indonesia? Ear to Asia is the podcast from Asia Institute, the Asia research specialists at the University of Melbourne.

Ali Moore: Former Australian Foreign Minister Gareth Evans once said that no two neighbours anywhere in the world are as comprehensively unlike as Australia and Indonesia. That may be true with the two countries sharing little in terms of history, culture, religion, or worldview, but their geographic proximity means the bilateral relationship, however challenging, is strategically significant.

Ali Moore: Still, Australia's relationship with Indonesia is too often derailed by disagreements over issues such as trade, asylum seekers, and even military ties, and there still appears to be a lack of mutual trust. So how vital is the bilateral relationship for Australia? And does Indonesia rank it with equal importance? What are the key drivers of ties between the two countries? And what can be done to strengthen the connection with our populous neighbour?

Ali Moore: To take us into the sometimes thorny subject of contemporary Australia-Indonesia relations, we're joined by veteran Indonesia watcher, Emeritus Professor Richard Robison from the Centre for Asia Research at Murdoch University. Welcome to Ear to Asia, Richard.

R. Robison: Thanks, Ali.



- Ali Moore: Let's start with the current state of the bilateral relationship between Indonesia and Australia. We're into Jokowi's second and final term, as Indonesia's president. We're into the third consecutive term of a conservative government in Australia. How would you describe the relationship between the two countries?
- R. Robison: Concern over the relationship is something that's been going on from the Australian side at least for 50 years or more. Australia has a built-in anxiety about the relationship with Indonesia. And to some extent that's justified, particularly now with the concern for Chinese expansion, where Indonesia will fit in that, concerns about domestic stability in Indonesia, especially the threat of Islamist political movements, and I suppose more recently the demonstrations on the streets, which were not Islamists and were aimed directly at problems like corruption and inequality.
- R. Robison: So Australia generally sees itself walking on eggshells in its relationship with Indonesia. And occasionally, there are sort of outbursts that seem to rupture the relationship. There was the Bali bombing Timor, the ever present issue of West Papua, the live cattle export problems. Even today, Indonesian policies relating to mining and adding value added to processes, which keep business off balance all the time. So it's an onward-going series of concerns and worries and irritations.
- Ali Moore: And I guess every bilateral relationship has those ongoing worries and concerns and irritations. But what makes the walking on eggshells such an issue with Indonesia? Is that because of that comprehensive unalikehood that Gareth Evans referred to? Is it because we are so fundamentally different?
- R. Robison: I don't think so. I think that it's because Indonesia is a huge nation just to our North. It sits between us and the rest of Asia. There's a whole lot of issues that we have to get right with Indonesia. For example, we rely on collaboration with Indonesia on issues like the movement of migrants and the refugees, problems like the outbreak of diseases, quarantine. These might seem small issues, but they're issues that we wouldn't be concerned to the same extent with a country even with China or other countries in Southeast Asia.
- Ali Moore: It's because of where they are and how big they are.
- R. Robison: It's because of where they are and how big they are and it's in the psyche of Australia to be very concerned about it. Whereas with Indonesia, that focus is much less because the Indonesian psyche looks at China. They look at the rest of Southeast Asia, maybe even the United States. It's a different balance to the relationship [crosstalk 00:04:42]-
- Ali Moore: Well indeed, I think it's fair to say that Indonesians are quite fond of saying that Australia needs Indonesia more than Indonesia needs Australia.
- R. Robison: Yeah, that's right.



Ali Moore: Is that a true statement?

R. Robison: Well, I think it is. I think it is. For example, for Indonesia, the imperative to build markets and investment between them and us is not at the forefront of their minds. Whereas with Australia, there's been this belief that Indonesia is going to be the fourth biggest economy in the world, that it's got a booming middle class that is going to be a fabulous market.

Ali Moore: We'll go to that in a minute when we talk about the economic side of things, but at the same time, as you say, it's a true and fair statement that we care more than Indonesia cares about Australia. Government to government ties have really broadened in recent years, haven't they? I mean whether it's military or counter terrorism or governance reforms in the finance sector, our overseas embassy, our embassy in Jakarta is now our largest offshore diplomatic mission.

R. Robison: Now, that's true. There's different ways of understanding the relationship. And I just read a book called Strangers Next Door. And the emphasis there was on the fact that we really didn't have this deep cultural understanding and knowledge, including language and things like that. And so we kept having misunderstandings. I wrote a review about it saying, "Look, I don't think this is absolutely true," but if you go and ask people in government and DFAT and that, they're very happy with the relationship. They now have a raft of strategic agreements and the Free Trade Agreement that was recently signed. Whole lot of deep collaborative arrangements with parts of the Indonesian government.

R. Robison: And if you ask them, they would say, "Look, the relationship's going well." And they talk about the links in terms of collaborative institution building between the two countries and between sections of the Indonesian bureaucracy and our bureaucracy as it were.

Ali Moore: In terms of that relationship and what drives Australia's interests, and you've talked about security and stability on our borders, can you put that into a broader context of what's happening with Australia's foreign policy? It does seem that, and many would argue, that we now have a much more security-related focus in foreign policy. You just have to look at the attention on foreign influence, for example.

R. Robison: Well, I think two very important things have happened in Australia. One is the movement from social democracy or liberalism, moderate liberalism to a much more conservative outlook. And as conservative politics have emerged, there is the rise of the politics of resentment in Australia, the appeal to a political base on the grounds of fear, fear of immigration, terrorism, left-wing activity, environmentalism and-

Ali Moore: But I guess when it comes to Indonesia, we have a different relationship because of the Bali bombings, because of what I guess in many ways that's led to with the very close ties in antiterrorism efforts. We do now have, I suppose deep security relationships with Indonesia, don't we?

- R. Robison: We do have deep security relationships with Indonesia, as you said, following the Bali bombing, but also following the general rise of ISIS and other groups across the world, including in the Philippines and that this has, I think, led to a shift in Australian policy in the region. Our relationships are increasingly defined in security terms rather than they used to be, say, in development terms. Security terms and economic terms are the two pillars of our relationship today.
- Ali Moore: And when it comes to Indonesia, are there risks with defining a relationship in security terms?
- R. Robison: There certainly are risks. If we look at historically at the way in which security has been at the heart of say US foreign policy in Central and South America or in the Middle East, we find that in many cases what they've simply done is to enable governments to focus themselves on security as a solution to a whole range of social and economic and political problems. And in many cases, they've hollowed out moderate reformist democratic forces in the country so that they become more and more reliant on authoritarian governments and that. Now, Indonesia is vastly different to the Philippines for example, or a place like Brazil, or the Middle East. Nevertheless, there are pressures on the government there.
- Ali Moore: Well, indeed, I was going to say to you that, I mean we have an increasingly socially and morally conservative Islamic population in Indonesia. We have seen moves to cut back freedom of expression. We now have, I mean Jokowi has embraced his electoral opponent, Prabowo who is now defence minister. He is the former special forces commander. Do you see those moves all feeding into this security focus that you speak of?
- R. Robison: Yes, I think so. You see, the thing with Jokowi is that while he is himself not driving an authoritarian agenda, his political base is very fractured and it's not institutionalised. He doesn't control an effective political party to give him base of support within the parliament. He has to rely on juggling all sorts of people, meeting people's different demands, buying off people. And so he is being pulled in different directions by the demands of all of these different groups.
- Ali Moore: So how does all of that feed into the bilateral relationship?
- R. Robison: It feeds into the bilateral relationship because Australia has less predictability, certainty, or influence over what's happening. Jokowi is moving on his own and he has to respond to things on a day to day basis. So it would be different, for example, to the relationship between European partners, or in fact China or Japan. Jokowi has to be nimble and patch together coalitions on an ongoing basis.
- R. Robison: But I think that one of the things he is interested in, and the military there and the police is a strong security apparatus that's feeding into, from the Australian side, the shift to security thinking within Australia and externally.



- Ali Moore: You've talked about points of tension. And if I just raise a couple. I mean, if you think about the revelations that Australia spied on the former President Yudhoyono and his wife, the plans to move Australia's embassy in Israel to West Jerusalem, or even if you go back further than that to the former Australian Prime Minister Tony Abbott, and when he called on Indonesia to reciprocate for the aid Australia gave after the tsunami by sparing some Australians who were on death row. If you look at all those things, from Indonesia's standpoint, do they give Indonesia cause to question Australia's motives?
- R. Robison: I don't think they're fundamental problems. The Jerusalem move - er -
- Ali Moore: The embassy move.
- R. Robison: ... the embassy move alarmed some people in the Indonesian government because they thought it would give the Islamists an opportunity to have a go at the government and bring up the Australian relationship. A lot of things we think in Indonesia are between Australia and Indonesia have their base within tensions inside politics in Indonesia.
- Ali Moore: The connections to domestic politics.
- R. Robison: That's right.
- Ali Moore: Yes.
- R. Robison: So I don't think that they are very deep problems. I think that they probably [crosstalk 00:12:48]-
- Ali Moore: They don't lead to a broader question of what exactly is Australia...
- R. Robison: Well, I think actually that things like the response to the 2017 White Paper in Indonesia where they said, "Look, all Australia could do is talk about Indonesia as a market."
- Ali Moore: This is the Defence White Paper?
- R. Robison: Yeah, the Defence White Paper in 2017, the emphasis that we place on Indonesia as a market rather than talking about deeper relationships, they felt that this was overdone, but I still-
- Ali Moore: Do you see that as more damaging?
- R. Robison: It's difficult to say what any Indonesian position is because you move from one group to the other, but I think personally that Indonesian government, they feel that the Australian relationship is good, but I think that there cast a wary eye about some inconsistencies in it and I think maybe taking Indonesia for granted might be a problem in some cases.



- Ali Moore: What about Australia's alliance with the US, is that an impediment to closer relations?
- R. Robison: I don't think it is because I think Indonesia sees that US may be declining in the region. In any case, they understand that it's part of the Australia-US Alliance is also part of the shifting strategic situation in Asia. They don't take it personally, I don't think.
- Ali Moore: You're listening to Ear to Asia from Asia Institute at the University of Melbourne. I'm Ali Moore and I'm joined by long time Indonesia watcher, Professor Richard Robison. We're talking about Australia's relationship with its close neighbour, Indonesia. Richard, let's look now at the economic side of the relationship. How significant are bilateral trade ties? I think the answer is not very.
- R. Robison: Yeah, there have been great expectations on the part of Australia that Indonesia would become a significant partner in trade and in investment, and yet consistently in these areas, we have been minor players for them and them for us. For example, trade is only 1.8% of the total trade between the two countries. That's about 13th rank of trading relationships for each country. [crosstalk 00:15:01]-
- Ali Moore: Is that because though we don't necessarily have what each other wants?
- R. Robison: Well, when Australia signed the Free Trade Agreement, there were high hopes that it could remove a lot of the hurdles to trade, the tariffs and open up some areas to markets in that. But I don't think that is going to be as important as it seems for two reasons. One, of course, is the idea that we are complementary economies. They produce an export, the same sort of things in many cases as we do. For example, we export to them minerals, wheat and live cattle. We get from them oil and some agricultural products, much the same sort of thing.
- R. Robison: Of course outside the merchandise trade, there's tourism and education. They're important exports for us in areas where we could potentially up the game. But it may not be this problem of complementarity that's the real problem. I think one of the real problems is a problem inside the Australian economy where, for example, we find it difficult to move out of this sort of easy exports, easy production in things like unprocessed minerals and energy and agricultural production, even education.
- R. Robison: It's interesting that our concern with exporting education is focused very heavily on a fairly low value added. We're after undergraduate students mainly who will pay fees. They come into our universities as undergraduates. The emphasis here in Australia is not so much on providing very high value added postgraduate and technical and specialised sort of education services despite the fact that we're very good at them. And one of the reasons for that is that there is pressure on the universities now to fund themselves from outside sources because as public funding is gradually drawn down, we're pushed in those directions.



Ali Moore: But is that why do you think that we don't have closer economic ties with Indonesia? I mean, it's not just about what we sell to them, it's about investment as well. It's about business ties. And it does seem that while we do have the security ties, we have strong education, we have strong tourism, a lot of companies, a lot of Australian companies just don't think of Indonesia.

R. Robison: Well, that's right. I mean-

Ali Moore: Or think of it and discount it as too difficult.

R. Robison: Yeah. What I was talking about there were the impediments to building the economic relationship that come out of the Australian economy itself. If Indonesia looks to high value investment and high value trade, they look to Europe, the United States, Japan, and China. Even though we've got these products, even though we potentially can do them, we're not putting much effort into those.

R. Robison: There are problems inside the Indonesian economy, and this is the sort of thing that I was writing about with Vedi Hadiz -

Ali Moore: Vedi Hadiz's from the University of Melbourne.

R. Robison: ... from University of Melbourne, and that is that Indonesia also is basically a low value added exporter of primary products. But the Indonesian business manufacturers, they see themselves essentially as subcontractors, [inaudible] within established global supply chains. Indonesia is not a big exporter or investor. It's not going to be Asia's next economic giant.

R. Robison: The key to success in Indonesia generally is through rents and monopolies and that. And there are what they call supply side constraints to investment in Indonesia from outside, things like poor infrastructure, pervasive corruption, rampant red tape, unpredictable rules and regulations. And Australian business can insulate themselves to some degree in things like mining, all that. But getting into more complicated investments, they're exposed to the full force of these things. And they would rather go somewhere else than to try to overcome these sort of hurdles. So it's both domestic Indonesian problems, domestic Australian problems that are obstacles to building our trade and investment in the region.

Ali Moore: And when you look at those domestic Indonesian problems and you look at that piece that you did title a tale of misplaced expectations, you don't think that Indonesia does strive to be the world's fourth biggest economy by 2050, which is where it's tipped to be? What are the key drivers behind, as you see it, Indonesia having such an inward-looking focus when it comes to its economy?

R. Robison: This is in a sense the elephant in the room. And I and colleagues of mine have written about the importance of oligarchy in Indonesia, that we could say the transition from Suharto to the present system is a transition from authoritarianism to oligarchy. And oligarchs, very powerful individuals or groups of individuals who sit

astride the world of business, investment, politics, and even into parliament, how do they survive? How do they get rich? They get rich by controlling monopolies, by controlling access to contracts. At every level, oligarchs have political access. And it's the political dimension of business and investment trade that is important.

- R. Robison: So if you look at the oligarchies in Indonesia, they were in banking. They've largely moved out of banking, but they're in areas like the production of food stuffs and tobacco, and that for domestic consumption. They're in areas of mining. They're in areas of property, construction, real estate.
- R. Robison: All of these areas are generally domestically-focused and that's where the wealth has come. They don't want to really compete in high value production of goods and export of goods because-
- Ali Moore: But even the oligarchs, won't they need to take a more external focus in order to maintain growth rates and to continue to build wealth as the country does?
- R. Robison: Well, there is already an external focus in Indonesia in two ways. There is mining and agricultural product, particularly mining and energy. They're the big export drivers in Indonesia as they are in Australia. The second thing is that many Indonesian corporations act in product chains that are owned by say Japanese, Chinese sort of companies and they perform a lot of the low value added functions within Indonesia in a whole range of areas from plywood, woodworking, engineering, these sorts of things. They export those products back, but they're defined externally, not domestically. They're not trying to break open the pattern.
- R. Robison: The third way in which oligarchs move externally is through business networks, often family business networks linked to largely Chinese-owned corporations in places like Singapore, Malaysia, Hong Kong, even China. And it's this sort of almost dark world that is outside their formal national economy that oligarchs often move. So that the oligarch, the way that Indonesia politically and economically is dominated by these all shapes their economic priorities, shapes the sort of economy. And there's no pressure there, for example, for regularisation of the economy. There's no pressure to support the KPK, the anti-corruption commission for example. There's no concerns with red tape and unpredictable rules because they often work outside that network of rules. So-
- Ali Moore: And that leads to the insularity?
- R. Robison: And that's part and parcel of this insularity. Countries like Japan and Korea and that, there was corruption there, but it was subordinate to national goals to build an export economy like Japan and China and Korea all built their economies on the basis of exports, Chinese-owned or Japanese-owned or Korean-owned exports to other countries, which they defined. And then they gradually move up the high value added chain.

R. Robison: Well, Indonesia's links with the world are defined within existing patterns of product cycles. They operate within the given. They're not there to define a globally powerful Indonesian economy that can shape and influence global rules or the rules of other countries.

R. Robison: Look, it could very well get further up the ladder in terms of GDP. There is a huge domestic market that is growing all the time inside Indonesia, but Indonesia is a very domestic-focused economy. And it's not going to be a bigger player because it doesn't need to be. You can have a big economy without being a big economic player. And if you do that, you don't need so much to be concerned with shaping the rules of a global economy or shaping the economic rules within other countries.

Ali Moore: We've talked about the security aspect to the bilateral relationship and the economic or lack of it aspect of the bilateral relationship. What about the development side of the relationship?

R. Robison: Well, our development, assistance, collaboration, cooperation with Indonesia really has declined as a proportion of our total activity within Indonesia, and partly-

Ali Moore: It has across the board, not just with Indonesia.

R. Robison: Well, as it has across the board. I suppose partly is the belief that these are now middle level countries that don't need that form of assistance anymore, if you're thinking in those terms. If you're thinking of development and that sort of collaboration and cooperation as a tool for building a relationship rather than as assistance, then it's something that has huge potential but is declining.

R. Robison: One of the problems of course in Australia is that there is a big debate going on that's not connected specifically to Indonesia about the hollowing out of our public administrative bureaucratic capacity as things are outsourced, and that many government departments, including AusAID, for example, are moving from public projects aimed at national interests into more or less being a base for allocating rents to private companies and corporations and that. In other words, it's become a means of distributing rents within Australia rather than having some national programme. And this, I think, has damaged our ability to see development as something in our national interest rather than just giving assistance.

R. Robison: Now, I don't think you can ever go back and it never really was that all the expertise can be in house.

Ali Moore: But do you think we've got the balance wrong?

R. Robison: I think we've got the balance extremely wrong, yeah.

Ali Moore: So if we look into the future and, as you've said, Australia's had anxiety about its relationship with Indonesia for 50 years, what do you think the biggest risks are? Not necessarily to the relationship itself, but to the issues that we have to handle. I

suppose I'm thinking here things like China, for example, and the influence of China on Indonesia.

- R. Robison: In terms of China and Indonesia, we have various agreements with Indonesia, security agreements and so on. We have other organisations like ASEAN, however effective we think that that organisation is, but I think we really have to have a realistic understanding of Indonesia. And Indonesia forms its own policy on China that is not amenable to Australian pressure. And Indonesia is very cautious of China. And there's a long history in Indonesia of suspicion of China, suspicion that China was trying to get Indian ocean ports in Cambodia and Myanmar.
- R. Robison: Indonesia is concerned about China's expanding influence, economic and political in the region. They have been very cautious about taking these loans from China that where we find in Sri Lanka or in other countries that these countries are not able to repay these loans and therefore there are other accommodations that the countries have to make. Indonesia's very aware of all of this sort of thing.
- Ali Moore: So how do you see China's relationship with Indonesia affecting Australia's relationship with Indonesia?
- R. Robison: Well, Australia is very anxious that Indonesia be a partner in its strategic concerns in the Asian region. I think that Indonesia in any case is not necessarily going to be a partner, but may have common interests and common concerns that can't be reduced to strategic agreements and those sorts of things, which can change overnight.
- Ali Moore: So what are the biggest direct, if not threats, then potential issues in the relationship in coming years?
- R. Robison: Well, I think that collaboration between Indonesia is really important in a whole range of things, including internal security, but including things like the movement of people. It's been really important to have Indonesia on side in the flow of refugees to Australia.
- R. Robison: It's important that we have Indonesia on side on things like health matters, control of epidemics and working closely together with them. I think it's also important that we work together with Indonesia in terms of environmental problems, because I think that they are going to ultimately affect Australia and the region as a whole in any case.
- Ali Moore: So you'd argue we need to work harder to deepen those ties beyond the security focus?
- R. Robison: I think there's a whole range of areas where we can expand and deepen these sort of ties. A lot of the relationships between Indonesians and Australians, you will find it within universities, between scientific organisations and NGOs and groups like



that. There's a deep fabric of relationships between Australia and Indonesia there. I think that we should expand those.

R. Robison: And I think we should also think about what we can supply to Indonesia that will be useful to them and strengthen our national interests. For example, we have huge high-tech capacities in areas like medicine, agriculture and so on. Boosting these relationships with Indonesia and pulling in Indonesians who work in those areas I think will pay huge dividends, but that's not always commercially viable. It's not amenable to privatisation mentality. It requires long term investments by Australia that will pay off in the longer term but maybe not in the shorter term.

Ali Moore: Richard Robison, thank you very much for talking to Ear to Asia.

R. Robison: Thanks very much.

Ali Moore: Our guest has been veteran Indonesia watcher, Emeritus Professor Richard Robison from Murdoch University. Ear to Asia is brought to you by Asia Institute at the University of Melbourne, Australia. You can find more information about this and all our other episodes at the Asia Institute website. Be sure to keep up with every episode of Ear to Asia by following us on the Apple podcast app, Stitcher, Spotify, or SoundCloud. And if you like the show, please rate and review it on Apple Podcasts. Every positive review helps new listeners find the show. And of course, let your friends know about us on social media.

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