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## Congressional Research Service

Report RL32394

Indonesia: Domestic Politics, Strategic Dynamics, and
American Interests

Bruce Vaughn, Foreign Affairs, Defense, and Trade Division

June 20, 2007

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



# **CRS** Report for Congress

Indonesia: Domestic Politics, Strategic Dynamics, and American Interests

Updated June 17, 2008

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

#### **Summary**

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

United States foreign policy concerns have focused on building relations with Indonesia to more effectively counter the rise of militant Islamist extremists, as well as develop relations with a geopolitically important state. The United States has also sought to promote democracy, the rule of law, and human rights in Indonesia in addition to promoting American trade and investment interests there. There have been several cases of avian flu in humans reported in Indonesia, and there have been concerns that Indonesia does not have the resources sufficient to contain a large scale outbreak should one occur.

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

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

#### **Recent Developments**

**Lead up to Elections.** The political environment in Indonesia will increasingly be shaped by the upcoming parliamentary and presidential elections scheduled for 2009. It is thought that rising food and energy prices have to an extent undermined popular electoral support for the president. There was reportedly widespread discontent with his decision to increase the price of subsidized fuel by 28.7% in May 2008. It is likely that President Susilo Bambang Yudhovono's support from coalition partners beyond his own small Democrat Party will be increasingly limited as elections near. Yudhoyono's main rival is likely to be former president Megawati Sukarnoputri. Yudhoyono's popularity dropped in one poll held 10 days after the fuel price hike from 38.1% in December 2007 to 20.7% while Megawati's approval rate increased from 27.4% to 30.4% over the same period.<sup>2</sup> Despite these factors, some observers believe that Yudhoyono may be reelected to a second five-year term as president in 2009. Others are less sure. The election will probably be a contest between well established political figures. Yudhoyono's political situation will also likely mean that he will be very cautious on Islamic issues and economic policy in the run up to the polls.

The General Election Commission of Indonesia (KPU)<sup>3</sup> has announced that it is planning on shifting the general parliamentary election date to April 8 or 9, 2009. The Indonesian House of Representatives (DPR) previously directed the KPU to set the date. To be eligible to run in the parliamentary elections a party must have broad representation in two-thirds of Indonesia's 33 provinces. Much media attention has been directed at the recent electoral performance of the Prosperous Justice Party (PKS) that has a more Islamist agenda than the mainstream political parties in Indonesia most of which are secular-nationalist based.<sup>4</sup> Observers attribute their

<sup>&</sup>lt;sup>1</sup> Yudhoyono's Difficult Year Ahead," Economist Intelligence Unit, May 30, 2008.

<sup>&</sup>lt;sup>2</sup> "Indonesia President's Popularity Drops on Fuel Price Hike," *Reuters*, June 29, 2008.

<sup>&</sup>lt;sup>3</sup> Abbreviations for Indonesian entities are based on the Indonesian spelling.

<sup>&</sup>lt;sup>4</sup> This report uses the term Islamist, as opposed to Islamic, to connote a more radical approach to Islamic affairs. The term Islamic is here used for that which pertains to Islam and does not imply a radical agenda.

success in gubernatorial elections in West Java and North Sumatra to disillusionment with the main established parties.<sup>5</sup>

The presidential election of 2009 will follow the parliamentary election three months later and will likely be held in July 2009. The president is now directly elected by popular vote. Under existing rules parties must have 3% of the seats of the DPR to nominate a presidential candidate.<sup>6</sup> In June 2008, the DPR was debating proposed legislation that would change this requirement. The government's proposal to raise the threshold to 15% of House seats, or 20% of the popular vote for parties or coalitions, was supported by Indonesian Democratic Party-Struggle (PDI-P) while Golkar and the National Awakening parties favor an increase of the minimum threshold for political parties or coalitions to 30% of House seats. Smaller parties, such as the National Mandate Party prefer allowing all parties that qualify for parliamentary election to be able to name presidential candidates.<sup>7</sup>

**Religious Freedom.** Indonesia's reputation as a moderate Muslim nation has come under scrutiny as the Ahmediya minority sect, as well as moderate groups that support religious freedom, have come under attack by small religious extremist groups in recent months.

The government's response appears to seek to avoid alienating both religious extremists and moderates. On the one hand, the government issued a decree banning the sect from spreading its message. On the other hand, it pledged not to persecute Ahmediya. Its move to arrest those extremists that used violence against moderates demonstrating in support of religious tolerance also demonstrates the government's desire to place limits on how far the extremists can go.

Most Muslims do not believe Ahmadiyyah are true Muslims because they do not believe that Mohammad was the last Prophet. Many see the issue as indicative of the extent to which the government will bend to religious extremists at the cost of minority groups' rights to freedom of religion.

The extremist Komando Laskar Islam, thought to be affiliated with the Islamic Defenders Front (FPI), attacked an alliance of moderate groups, known as the National Alliance for Freedom of Religion and Faith, that was demonstrating peacefully in support of religious freedom on June 1, 2008, at the Indonesian National Monument Square (Monas) in Jakarta. The FPI has in the past been involved with demonstration against the U.S. Embassy and the offices of Playboy magazine. The FPI has also been responsible for past actions against Jakarta nightclubs and pool halls. The moderates' rally on June 1st was seeking to "reclaim

<sup>&</sup>lt;sup>5</sup> "Indonesia: Country Report," *The Economist Intelligence Unit*, May 2008.

<sup>&</sup>lt;sup>6</sup> "Indonesia's General Election to be Held Either April 8 or 9: Commission," *Xinhua News Agency*, June 11, 2008.

<sup>&</sup>lt;sup>7</sup> "Parties Divided Over Presidential Election Threshold," *The Jakarta Post*, June 2, 2008.

<sup>&</sup>lt;sup>8</sup> "Indonesia Detains 59 Muslim Radicals," *The Age*, Melbourne, June 4, 2008.

political space for groups adhering to the secular state ideology Pancasila." <sup>9</sup> The Monas incident points to ongoing tension within the Indonesian polity between pluralism and religious extremism. It is unclear just how widespread this is. Human Rights Watch has called on President Yudhoyono to reverse the government decree that allows persecution of Ahmadiyyah for "spreading interpretations and activities which deviate from the principal teachings of Islam." <sup>10</sup>

Bilateral Relations with the United States. Bilateral relations between the United States and Indonesia at the state-to-state level have improved much in recent years. This improvement in relations is seen to be the result of common security concerns and the increasing democratization of Indonesia. While diplomatic and security ties are closer, this sentiment is not necessarily mirrored by public perceptions in Indonesia. According to one survey, 73% of Indonesians polled believe it is the goal of the United States to "weaken and divide the Islamic world."

The U.S. Naval Medical Research Unit (NAMRU-2) provides a "forward presence that combines virology, microbiology, epidemiology, immunology, parasitology, and entomology into a comprehensive capability to study tropical diseases where they occur." The Indonesian public, and a growing number of politicians, government officials, and some experts, are coming to view the NAMRU-2 lab as not in the interest of Indonesia. Some Indonesian experts have deemed current cooperation on NAMRU-2 as not having clear goals for Indonesia and not concerned with the health priorities of Indonesia. <sup>14</sup>

**Counterterrorism.** The operational capabilities of the terrorist group Jemaah Islamiya (JI) are thought to be much reduced in Indonesia and the region largely due to ongoing efforts by the Indonesian government in pursuing it.

<sup>&</sup>lt;sup>9</sup> Fatima Astuti, "Fallout From Jakarta's Monas Incident: What is to Be Done with Fringe Groups?" *RSIS Commentaries*, Singapore, June 11, 2008. Pancasila, or the five principles, refers to the official political ideology of Indonesia. The five principles are: belief in one God, humanitarianism, the unity of Indonesia, consultative and representative Democracy, and social justice.

<sup>&</sup>lt;sup>10</sup> "Reverse Ban on Ahmadiyyah Sect," *Human Rights Watch*, June 10, 2008.

<sup>&</sup>lt;sup>11</sup> Joe Cochrane, "Visit to Mark Closer Ties with Jakarta; Military Cooperation Grows as U.S. Concerns on Rights Issues Recede," *The Washington Post*, November 19, 2006.

<sup>&</sup>lt;sup>12</sup> World Public Opinion, "Muslims Believe US Seeks to Undermine Islam," April 24, 2007.

<sup>&</sup>lt;sup>13</sup> Naval Medical Research Uit 2, Jakarta, Indonesia, [http://www.navy.mil/namru\_2.htm]

<sup>&</sup>lt;sup>14</sup> "NAMRU-2 Disadvantageous Indonesia," *Septutar*, June 3, 2008 as reprinted in U.S. Embassy Indonesian News Roundup, June 3, 2008.

#### **Overview**

Indonesia is the world's most populous Muslim nation and is the world's fourth most populated nation overall after China, India and the United States. Its population is growing by approximately three million people a year.<sup>15</sup> It has extensive natural resources. A large percentage of world trade transits the strategically important straits of Malacca which link the Indian Ocean littoral to the South China Sea and the larger Pacific Ocean basin. Indonesia is also perceived by many as the geopolitical center of the Association of Southeast Asian Nations (ASEAN), which is a key actor in the geopolitical dynamics of the larger Asia-Pacific region. Indonesia is still emerging from a period of authoritarian rule and is struggling to consolidate its status as one of the world's largest democracies. Indonesia also represents a moderate form of Islam that has the potential to act as a

#### Indonesia at a Glance

**Population:** 245 million with a growth rate of 1.3%

Life expectancy: 70.46

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

**Geography:** An archipelagic state of 17,000 islands, including some 6,000 occupied islands,

Capital: Jakarta, 8.8 million

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

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

**Literacy Rate:** 90.4%

**Religion:** approximately 86.1% Muslim.

**GDP growth:** 5.9% 2008 est.

Per capita GDP purchasing power parity: \$3,834

**Unemployment rate:** 11.8%

Main exports: Oil, natural gas, appliances, textiles Natural resources: petroleum, tin, natural gas, nickel, timber, copper, soils, coal, gold, silver Sources: U.S. Department of State, CIA World Fact Book, Economist Intelligence Unit, BBC News.

counterbalance to more extreme expressions of Islam. Despite this, radical Islamists and terrorist cells have operated amidst the country's many social, economic, and political uncertainties. Internal strife and social dislocation stemming from intercommunal discord, autonomous and secessionist movements, political machinations among elites, Islamic extremism, government corruption, and economic uncertainty have all undermined stability in Indonesia in the past. More recently, Indonesia has been consolidating democratic gains, building a more robust civil society, and strengthening its economy which suffered major setbacks during the Asian financial crisis of 1997/98.

#### **Issues for Congress**

A series of policy decisions taken in 2005 mark a fundamental shift in the U.S. approach toward Indonesia. The Bush Administration's lifting of restrictions on International Military Education and Training (IMET), Foreign Military Financing (FMF), and Foreign Military Sales (FMS) in 2005 helped deepen the bilateral

<sup>&</sup>lt;sup>15</sup> "Indonesia's Population Increasing by 3 Million Yearly," *Xinhua News Agency*, June 3, 2008.

relationship and laid the groundwork for further improved relations. Indonesia has also moved forward on issues of concern to the United States. The relationship has improved for a number of reasons as outlined below.<sup>16</sup>

- The expansion and consolidation of Indonesia's democracy through the 2004 parliamentary and presidential elections.
- The election of President S.B. Yudhoyono, who is generally seen as reform-oriented.
- The goodwill towards, and increased understanding of, Indonesia in the United States in the wake of the December 26, 2004 tsunami.
- The U.S. perception of Indonesia as an increasingly valuable partner in the war against militant Islamist extremists, and valuable U.S. assistance to Indonesian counterterrorism security organizations.
- East Timor's desire to develop positive relations with Indonesia.
- The arrest of Anthonius Wamang, a suspect in the shooting of two Americans near Timika.
- Peace in Aceh.
- Increasing appreciation in the U.S. of the strategic and geopolitical importance of Indonesia.
- The potential that Indonesian military reforms will proceed.
- Indonesia's position on the East Asian Summit.<sup>17</sup>

Unresolved human rights issues may yet limit the extent of the bilateral relationship particularly in the area of military-to-military cooperation should new human rights abuses occur. Others attitudes towards Indonesia may change should it develop closer ties with China though for historical reasons there may be limits to how far such ties can be taken.

Military-to-Military Ties and Human Rights. In 2005, the Administration of President George Bush moved to open International Military and Education and Training (IMET), Foreign Military Financing (FMF), and Foreign Military Sales (FMS) programs for Indonesia. This was viewed by many as a first step toward normalizing the military-to-military relationship. Indonesia has been a key player in the war against terror in Southeast Asia and as an increasingly important geopolitical actor in the Asia-Pacific region. Despite these developments, many continue to have concern over human rights abuses in Indonesia. Senator Patrick Leahy has stated "a key gap remains regarding justice for the victims of atrocities." Other Members, however, have emphasized the progress Indonesia has made in several areas. Senator Christopher Bond, for instance, has stated that President Yudhoyono has made "a

<sup>&</sup>lt;sup>16</sup> This is an expanded version of a list developed by CRS Specialist Larry Niksch.

<sup>&</sup>lt;sup>17</sup> Indonesia reportedly worked to have a more expansive membership in the recently formed East Asian Summit to include Australia, New Zealand and India in addition to the ASEAN states, China, Japan, and Korea. Other countries, led by China, reportedly favored a more exclusive grouping that left out India, Australia, and New Zealand. This move was viewed by some observers as favorable to American interests. Sunny Tanuwidjaja, "The East Asian Summit and Indonesia," *The Jakarta Post*, February 1, 2006.

strong commitment to reform, to a recognition of human rights and to fighting corruption." <sup>18</sup>

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

Some analysts have argued that the need to obtain effective counterterror cooperation and to secure American strategic interests in the region necessitates a working relationship with Indonesia and its key institutions, such as the military. Other observers take the view that the promotion of American values, such as human rights and religious freedom, should guide U.S. relations with Indonesia while others would put trade and investment first. Some have viewed military cooperation between the U.S. military and the Indonesian military during relief operations following the December 2004 tsunami in Sumatra as having focused attention on the issue of the need for military to military cooperation.

**Avian Flu.** Most cases of the H5N1 virus in Indonesia are thought to have been transmitted through contact with birds. There is continuing concern however, that the virus could mutate and become readily communicable between people. In May 2008, a sudden die off of thousands of domestic birds in the area of Rimbo Bujang District, Tebo regency, Jambi Province led officials to act to stem the transmission of the bird flu to humans. Indonesian inspectors have sought to disinfect areas where birds are kept and promote improved hygiene but face a daunting challenge as many people in Indonesia keep small numbers of birds. It is estimated that some 500,000 birds are kept in Jakarta alone. Indonesia lacks resources to implement adequate anti-Avian Flu measures. Indonesia lacks

U.S. efforts to work with Indonesia to address the problem have encountered difficulty. NAMRU-2 is a biomedical research laboratory established in 1970 to study diseases such as malaria, dengue fever, enteric infections, and other emerging

<sup>&</sup>lt;sup>18</sup> Ken Guggenheim, "Fight Looms in Congress Over Easing Indonesia Military Restrictions," *Associated Press*, February 2, 2005.

<sup>&</sup>lt;sup>19</sup> "Bird Flu Alert in Tebo," *The Jakarta Post*, May 21, 2008.

<sup>&</sup>lt;sup>20</sup> "Asia Remains Key in Battle Against Bird Flu," US Fed News, January 3, 2007.

infectious diseases such as avian influenza.<sup>21</sup> Indonesian critics of the facility have called on the Indonesian government to reject the extension of cooperation with the United States on NAMRU-2. DPR Commission IX Chairman Dr. Ribka Tjiptaning stated that there is no reason to extend cooperation and breach national sovereignty.<sup>22</sup>

#### **Historical Background**

Modern Indonesia has been shaped by the dynamic interaction of indigenous cultures with external influences — especially the succession of influences of Hinduism, Buddhism, Islam, Dutch colonial rule, and a powerful and nationalistic independence movement.<sup>23</sup> The geographic definition of modern Indonesia began to take shape under Dutch direct colonial rule, which began in 1799.<sup>24</sup> The Dutch East Indies were occupied by Japan during World War II. Following the Japanese surrender in 1945, independence was declared by nationalist leader Sukarno. After a four-year anti-colonial insurrection, the Republic of Indonesia gained its independence from the Dutch in 1949. The Dutch retained control of the present day territory of Papua and West Papua until the transition period 1963-1969.

Indonesian independence was followed by a period of parliamentary democracy, which was replaced in 1959 by President Sukarno's "Guided Democracy" that lasted until 1965. In the late 1950s the United States provided clandestine assistance to military rebellions in outlying provinces of Indonesia out of fear that the communist PKI was gaining control of the country. On September 30, 1965, the military, under General Suharto, neutralized Sukarno. One interpretation of events is that the military stepped in to avert a communist coup. In the aftermath, an estimated 500,000 Indonesians lost their lives in riots and purges that were characterized as "anticommunist." President Suharto ruled Indonesia until 1998. During this 32-year period, his authoritarian "New Order" provided the political stability thought necessary by his supporters for fast paced economic growth. Indonesia's economy grew at an average annual rate of almost 7% from 1987 to 1997. Suharto's death

<sup>&</sup>lt;sup>21</sup> Public Affairs Section, "The Truth About NAMRU-2," U.S. Embassy Fact Sheet, April 23, 2008.

<sup>&</sup>lt;sup>22</sup> "DPR Want Government to Reject NAMRU-2," Sinar Harapan, as reprinted in U.S. Embassy Jakarta Public Affairs Section, *Indonesian News Roundup*, June 5, 2008.

<sup>&</sup>lt;sup>23</sup> Much of the background information is drawn from a comprehensive chapter by Harvey Demaine, "Indonesia: Physical and Social Geography," in *The Far East and Australasia* (Surrey: Europa Publications, 2002).

<sup>&</sup>lt;sup>24</sup> Harvey Demaine, "Indonesia: Physical and Social Geography," *The Far East and Australasia* (Surrey: Europa Publications, 2002). p. 493.

<sup>&</sup>lt;sup>25</sup> Michael Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order* (London: Routledge Publishers, 1998). p. 1.

<sup>&</sup>lt;sup>26</sup> John Bresnan, ed. *Indonesia: The Great Transition*. (Lanham: Rowman and Littlefield, 2005) pp. 245-7.

<sup>&</sup>lt;sup>27</sup> "Background Note: Indonesia," Department of State, Bureau of East Asian and Pacific (continued...)

in January 2008 served as a point of reflection on his rule during which economic development and political stability came at the price of corruption and repression.<sup>28</sup>

A period of reform, or "reformasi," followed Suharto's fall. Suharto was succeeded by B.J. Habibie (1998-99), Abdurrahman Wahid (1999-2001), and the daughter of former President Sukarno, Megawati Sukarnoputri (2001-2004). Despite the political instability during this period, a number of key reforms designed to enhance good governance and expand democracy were implemented. Particularly important was a 1999 law that transferred enormous authority from the central government to provincial and district-level government. However, by 2003, the momentum for reform appeared to be faltering.<sup>29</sup> President Yudhoyono is thought to have moved the reform agenda forward but has been hindered by his limited support in Parliament.

The source of legitimacy, or lack thereof, for government has changed for the Indonesian people over time. The Dutch colonial administration was viewed as illegitimate. The Sukarno Presidency sought to base its rule on moral concepts but it did not provide sufficient economic development. This was subsequently provided by President Suharto until 1997, when the Asian financial crisis undermined his ability to do so. At that point, with economic growth declining, Indonesians were no longer prepared to accept what was increasingly viewed as a corrupt and authoritarian regime. This brought on the era of democratic reform whose energy, prior to 2004, had appeared to be dissipating before fully completing its goal of instituting responsive and representative government.

#### **Political Transition**

Indonesia has done much to consolidate its democratic reform process following the Suharto era. Since his departure, civil society has expanded, and a vigorous and open media has emerged. In addition to the first direct election of the president, the military no longer has seats in parliament and the police have separated from the military. Indonesia has made significant progress toward institutionalizing its democracy and more firmly establishing civil society. The General Elections Commission functioned well during the 2004 elections. Indonesia's parliamentary elections in April 2004, and Presidential elections of July and September 2004, were deemed by international observers to be free and fair, did much to instill confidence

Affairs, October 2003. Michael Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order* (London: Routledge Publishers, 1998). p. xviii.

<sup>&</sup>lt;sup>27</sup> (...continued)

<sup>&</sup>lt;sup>28</sup> "The Death of Suharto: Epitaph of a Crook and a Tyrant," *The Economist*, January 31, 2008

<sup>&</sup>lt;sup>29</sup> "Survey of Indonesian Electorate," *Asia Foundation*, December 9, 2003.

<sup>&</sup>lt;sup>30</sup> John McBeth, "The Betrayal of Indonesia," Far Eastern Economic Review, June 26, 2003.

<sup>&</sup>lt;sup>31</sup> Christine Tjhin, "Civil Society After Akbar's Acquittal," *The Jakarta Post*, February 17, 2004.

in Indonesia's democratic process. These elections led to great expectations on the part of Indonesians at a time when the state's capacity to deliver was limited.<sup>32</sup>

**Structure of Parliament.** Indonesia's national legislative structure consists of three separate bodies. First is a House of Representatives (DPR) of 550 members elected from party lists in multi-seat districts. The DPR has the primary role in passing laws. Second is a 128-seat Regional Representative Council (DPD) whose members are elected directly. Third is the People's Consultative Assembly (MPR), which is composed of members of both the DPR and the DPD. It is responsible for passing constitutional amendments and conducting presidential impeachments.

#### The Role of the Military

The Indonesian National Defense Force (TNI) is generally regarded as the strongest institution in Indonesia. Its origins date to the struggle for independence. The TNI traditionally has been internally focused, playing a key role in Indonesian politics and preserving the territorial integrity of the nation — largely from internal threats — rather than focusing on external security concerns. Its strong tradition of secular nationalism has acted to help integrate the nation. The key elements of the military in Indonesia are the Army Strategic Reserve Command, the Army Special Forces Command, other special forces, and the Military Regional Commands. There are also Air Force and Naval commands. While the military now has a less formal role in the politics of the nation than it had in the Suharto era, it remains a key actor behind the scenes.<sup>33</sup>

Some observers are concerned about its indirect influence over politics. The Indonesian military has attracted negative attention through its past involvement with human rights abuses in East Timor, Aceh, Papua, and Maluku, although current problems appear largely limited to Papua and West Papua.

During the initial period of reform, the TNI officially abandoned the doctrine of *dwifungsi*, or dual function, which gave it an official role in the politics of the nation.<sup>34</sup> Appointed members to the legislative bodies from the military were removed, while the police were separated from the TNI. Efforts were also begun to more firmly establish civilian control of the armed forces. Supporters of the reform agenda in Indonesia would like to see additional measures taken, including reform of the army's territorial structure, a full withdrawal of the military from business activities, and improving the military's sensitivity to human rights.<sup>35</sup>

<sup>&</sup>lt;sup>32</sup> Damien Kingsbury, "Indonesia: 2007," Asian Survey, February 2008.

<sup>&</sup>lt;sup>33</sup> Rizal Sukma, "The Military and Politics in Post-Suharto Indonesia," in Thang Nguyen and Frank Jurgen Richter, eds., *Indonesia Matters: Diversity, Unity, and Stability in Fragile Times* (Singapore: Times Media Private Ltd. 2003).

<sup>&</sup>lt;sup>34</sup> For a detailed analysis of earlier role of the military in politics, see Harold Crouch, *The Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1978).

<sup>&</sup>lt;sup>35</sup> Angel Rabasa and John Haseman, *The Military and Democracy in Indonesia: Challenges*, (continued...)

The TNI budget is thought to be to a large extent self-generated. This part of the TNI budget is largely outside governmental control. The TNI has emerged from the *reformasi* period with its territorial command structure intact, even as it lost its military representatives in parliament.<sup>36</sup> The TNI will likely continue to play a key role in the evolution of the Indonesian polity in the years ahead. It could continue to play a largely constructive role supporting democratic change, or at least not obstructing it, or it could act to slow change. It will also likely seek to preserve its prominent place in Indonesian society.<sup>37</sup>

While slowed, there are still signs that the reform process continues in Indonesia. A policy document to guide the government in its efforts to take over TNI controlled businesses was commissioned in 2008. As of June 2008, it was reported that the TNI controlled some 1,520 business units, 1,071 cooperatives, and 25 foundations in Indonesia. A 2004 law requires the TNI to get out of business by 2009. The DPR was also to consider legislation in 2008 to amend a law on military tribunals to allow military personnel to be tried in civilian courts for civilian crimes. It is thought that such moves would at least in part limit the TNI's independence from civilian authority.

#### **Autonomous and Secessionist Movements**

Center-periphery tensions between the dominant Javanese culture and minority groups in outlying regions have been sources of political instability and strife for the Indonesian state. There are signs that Indonesia is adapting its approach to such tensions to alleviate autonomous or secessionist tension. This relatively more moderate approach has reached accommodation where other efforts to quell Indonesia's fissiparous tendencies have failed.

The primary security threats to Indonesia are generally thought to come from within. The political center of the Indonesian archipelago is located in Jakarta on Java, the densely populated island where 60% of Indonesia's population lives. Traditionally, power has extended from Java out to the outlying areas of Indonesia. This has been true both under Dutch rule, when Jakarta was known as Batavia, and the modern Indonesian state. Throughout its history there has been resistance in peripheral areas to this centralized control. This manifested itself in the predominantly Catholic former Indonesian province of East Timor, which is now an

Politics, and Power (Santa Monica: RAND Corp. 2002).

<sup>35 (...</sup>continued)

<sup>&</sup>lt;sup>36</sup> Col. John Haseman, William Liddle and Salim Said, "The Evolving Role of the TNI," USINDO Security Workshop, October 16, 2003.

<sup>&</sup>lt;sup>37</sup> Angel Rabasa and John Haseman, *The Military and Democracy in Indonesia: Challenges, Politics, and Power* (Santa Monica: RAND Corp. 2002).

<sup>&</sup>lt;sup>38</sup> Adianto Simamora, "Policy to Put TNI Out of Business On the Way," *The Jakarta Post*, May 29, 2008.

<sup>&</sup>lt;sup>39</sup> Abdul Khalik, "House to Pass Military Tribunal Law," *The Jakarta Post*, May 21, 2008.

independent state, as well as in the far west of Indonesia, in Aceh, and in the far eastern part of the nation, in Papua and West Papua. Each of these regions has strong ethnic, cultural, and/or religious identities very different from those of Java.

Such diversity has led to debate about whether Indonesia is an organic state or an artificial creation of Dutch colonial rule. Analysis of early Indonesian history reveals a level of integration in terms of economics and trade, if not extensive political unity. While early indigenous empires were precursors of the Indonesian state, political unity is generally considered to have been a product of Dutch colonial rule, including a series of lengthy wars to subdue outlying islands and independent political units. It has been suggested that a key lesson of Indonesian history is that "unifying the archipelago administratively can only be done by the use of force."<sup>40</sup> Forces of economic integration, or the creation of a national identity stemming from the nationalist movement which started in Java in 1908, <sup>41</sup> could be viewed as other integrative forces.

#### **East Timor**

The Portuguese, whose influence in Timor dates to the 1600s, gave up control of the island in 1975. With the Portuguese departure, three main parties emerged. Of these, Frente Revolucionaria do Timor Leste Independente (Fretelin), a leftist leaning group, soon emerged as the dominant party. On December 7, 1975, Indonesia invaded East Timor with the then tacit compliance of the United States and Australia. Indonesia, Australia, and the United States are thought to have been concerned that East Timor would turn into another Soviet satellite state similar to Cuba. A third of the population of East Timor is thought to have died as a result of fighting or war-induced famine during the subsequent guerilla war fought by Fretelin against Indonesia's occupation. <sup>43</sup>

On August 30, 1999, East Timorese voted overwhelmingly to become an independent nation. 98.6% of those registered to vote in the referendum voted, with 78.5% rejecting integration with Indonesia. In the wake of the vote, pro-integrationist militias attacked pro-independence East Timorese and destroyed much of East Timor's infrastructure. More than 7,000 East Timorese were killed and another 300,000, out of a total population of 850,000, were displaced, many to West Timor. Hardline elements of TNI formed pro-integrationist militias in East Timor. These

<sup>&</sup>lt;sup>40</sup> Merle Ricklefs, "The Future of Indonesia," *History Today*, December 1, 2003.

<sup>&</sup>lt;sup>41</sup> Jusuf Wanandi, "Indonesia: A Failed State?" *The Washington Quarterly*, Summer, 2002, p. 135.

<sup>&</sup>lt;sup>42</sup> "Ford and Kissinger Gave Green Light to Indonesia's Invasion of East Timor, 1975," *The National Security Archives*, December 6, 2001.

<sup>&</sup>lt;sup>43</sup> Michael Mally, "Regions: Centralization and Resistance," in Donald Emmerson ed. *Indonesia Beyond Suharto: Polity, Economy, Society, Transition* (Armonk: M.E. Sharp, 1999). p. 98.

groups sought to intimidate the East Timorese into voting to remain integrated with Indonesia under an autonomy package being offered by then President Habbibie. 44

It is thought that the TNI had two key reasons for trying to forestall an independent East Timor. First, there was an attachment to the territory after having fought to keep it as a part of Indonesia. Second was the fear that East Timorese independence would act as a catalyst for further secession in Aceh and Papua. The subsequent devastation of East Timor may have been meant as a warning to others who might seek to follow its secessionist example. Some believe that TNI involvement in the violence stemmed largely from local "rogue" elements. Others believe that it was orchestrated higher up in the military command structure. <sup>45</sup>

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

The United Nations tribunal, which included the Serious Crimes Investigation Unit, shut down in May 2005. During its six-year operation, the tribunal convicted some East Timorese militia members for their role in the atrocities of 1999, but was unable to extradite any indictees from Indonesia. A parallel Indonesian investigation ended in acquittals for all Indonesians. A 2005 U.N. Commission of Experts found the Jakarta trials for crimes committed in 1999 to be "manifestly inadequate." East Timor has undergone a period of political instability in recent years.

#### Aceh

Aceh is located at the extreme northwestern tip of the Indonesian archipelago on the island of Sumatra. The 4.4 million Acehenese have strong religious beliefs as well as an independent ethnic identity. Many Acehenese have in the past viewed

<sup>&</sup>lt;sup>44</sup> John Haseman, "Indonesia," in David Wiencek, ed. *Asian Security Handbook 2000* (Armonk: M.E. Sharpe Publishers, 2000).

<sup>&</sup>lt;sup>45</sup> Emerson, p. 356.

<sup>&</sup>lt;sup>46</sup> "Indonesia: International Relations," *The Economist Intelligence Unit*, May 17, 2005.

<sup>&</sup>lt;sup>47</sup> Sian Powell, "Xanana and SBY Let Shame File Slide," *The Australian*, February 18, 2006.

<sup>&</sup>lt;sup>48</sup> Rob Taylor and Olivia Rondonuwu, ""Gusmao, Yudhoyono Meet in Bali," *AAP Bulletins*, February 17, 2006.

<sup>&</sup>lt;sup>49</sup> Human Rights Watch, "East Timor," at [http://www.hrw.org].

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Indonesia as an artificial construct that is no more than "a Javanese colonial empire enslaving the different peoples of the archipelago whose only common denominator was that they all had been colonized by the Dutch."<sup>50</sup>

The Acehenese fought the Portuguese in the 1520s as well as the Dutch in later years. The Dutch Aceh War lasted from 1873 to 1913; making it possibly the longest continuous colonial war in history. As a result of their resistance and independence, Aceh was one of the last areas to come under Dutch control. Its struggle for independence from Indonesia was once again taken up by the group Gerakan Aceh Merdeka (GAM) until a peace agreement was reached in the wake of the December 2004 tsunami which killed over 130,000 people and devastated much of Aceh. The peace agreement signed by GAM and the government of Indonesia in Helsinki in August of 2005 brought an end to a conflict that claimed an estimated 15,000 lives. Under the agreement, partial autonomy was granted to Aceh as was the right to retain 70% of oil and gas revenue.

The recently resolved struggle dates to 1976. In the late 1980s, many of GAM's fighters received training in Libya. GAM then began to reemerge in Aceh. This triggered suppression by the TNI from which GAM eventually rebounded. Former President Megawati then called on the military to once again suppress the Free Aceh Movement. This was the largest military operation for the TNI since East Timor. The decision to take a hard-line, nationalist stance on Aceh was popular at the time among Indonesian voters outside of Aceh. <sup>52</sup>

Under the leadership of President Yudhoyono, Indonesia leveraged the opportunity presented by the 2004 tsunami and achieved a peace settlement where previous peace efforts have come unraveled. Under the agreement, the Free Aceh Movement (GAM) disarmed in December 2005 as the Indonesian Military TNI dramatically reduced its presence in Aceh.

The election of December 2006 selected a radical ex-rebel candidate to be governor of Aceh over other candidates more closely aligned with Jakarta. Former independence fighter Irwandi Yusuf received approximately 40% of the vote in a field of eight candidates. The Islamic PKS party candidate received 10% of the vote. As governor, Irwandi has emphasized improving Aceh's economy, including efforts to attract foreign investment. An October 2007 International Crisis Group report pointed to post conflict complications and stated "The behaviour of many elected Free Aceh Movement (GAM) officials and ex-combatants is part of the

<sup>&</sup>lt;sup>50</sup> Kirsten Schulze, *The Free Aceh Movement (GAM): Anatomy of a Separatist Movement* (Washington: East West Center, 2004).

<sup>&</sup>lt;sup>51</sup> S. Wiuryono, "The Aceh Conflict: The Long Road to Peace," *Indonesian Quarterly*, 3<sup>rd</sup> Quarter, 2003.

<sup>&</sup>lt;sup>52</sup> John Haseman, "Indonesia: A Difficult Transition to Democracy," in David Wiencek and Ted Carpenter eds. *Asian Security Handbook*, 3<sup>rd</sup> ed. *Terrorism and the New Security Environment* (Armonk: M.E. Sharpe, Inc., 2004).

<sup>&</sup>lt;sup>53</sup> Mark Forbes, "Aceh Rebel's Big Election Win a Snub to Jakarta," *The Sydney Morning Herald*, December 13, 2006.

reason for gloom: Acehenese voters seem to have substituted one venal elite for another. Extortion, robbery and illegal logging involving ex-combatants ... are cause for concern."<sup>54</sup> It was reported in May 2008 that the central government would allow local Aceh parties to contest elections in 2009 in accordance with the 2006 Aceh Administration Law.<sup>55</sup> GAM renamed its local party Partai Aceh and indicated that this marked the end of its armed struggle for independence.<sup>56</sup>

#### **West Papua and Papua**

The region, formerly known as West Irian or Irian Jaya, refers to the western half of the island of New Guinea and encompasses the two Indonesian provinces of West Papua and Papua. West Papua and Papua have a population of approximately two million and an area of approximately 422,000 square kilometers, which represents about 21% of the land mass, and less than 1% of the population of Indonesia. Papua has a long land border with Papua New Guinea to the east. About 1.2 million of the inhabitants of West Papua and Papua are indigenous peoples from about 250 different tribes, the rest have transmigrated to the region from elsewhere in Indonesia. There are about 250 language groups in the region. Papuans are mostly Christians and animists. The province is rich in mineral resources and timber. <sup>57</sup>

Papuans are a Melanesian people and are distinct from the Malay people of the rest of the Indonesian archipelago. Like Indonesia, Papua and West Papua were part of the Dutch East Indies. Many Papuans have a sense of identity that is different from the main Malay, and predominately Muslim, identity of the rest of the Indonesian archipelago, and many favor autonomy or independence from Indonesia. 58

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

<sup>&</sup>lt;sup>54</sup> "Aceh: Post-Conflict Complications," *International Crisis Group*, October 4, 2007.

<sup>&</sup>lt;sup>55</sup> "Govt to Approve 12 Aceh Parties," *The Jakarta Post*, May 26, 2008.

<sup>&</sup>lt;sup>56</sup> Hoti Simanjuntak, "GAM Evolves Into New Political Party, *The Jakarta Post*, May 23, 2008.

<sup>&</sup>lt;sup>57</sup> "A People Under the Jackboot," *The West Australian*, September 18, 2004.

<sup>&</sup>lt;sup>58</sup> "When Jacob Rumbiak was 11," *Port Philip Leader*, April 4, 2005.

Papuan groups continue to oppose Indonesian control over Papua and West Papua. The Free Papua Movement, or Organisasi Papua Merdeka (OPM), emerged in opposition to Indonesian control. By some estimates, as many as 100,000 Papuans are thought to have died as the result of military operations during the course of this conflict. Others assert that this figure is an overestimation. Coordinator of the Institute for Human Rights and Advocacy John Rumbiak has reportedly stated that "The Government in Jakarta has allowed the military to prevail in Papua, to take the security approach which has denied ordinary people their rights and enriched military officers who are making big money for themselves through dealings with mining, logging and oil and gas interests." The United States has a large business presence in the region.

The arrest and trial of Anthonius Wamang, who has been sentenced to life in prison in November 2006 for carrying out an attack in 2002 that killed two Americans working for the Freeport mine near Timika, Papua, has done much to resolve an issue that had been an impediment to closer relations between the United States and Indonesia. The mine is a subsidiary of Freeport McMoRan of New Orleans. Some have wondered why Wamang and his co-defendants did not use the trial to reassert earlier statements that the Indonesian military was involved.<sup>61</sup>

The Human Rights Watch report, Endemic Abuse and Impunity in Papua's Central Highlands," of July 2007 made the following statement.

Among our key findings are that while civilian complaints of brutal treatment by soldiers continue to emerge, police officers rather than soldiers are responsible for most serious rights violations in the region today. We found that both army troops and police units, particularly mobile paramilitary police units (Brigade mobil or Brimob), continue to engage in largely indiscriminate village "sweeping" operations in pursuit of suspected militants, using excessive, often brutal, and at times lethal force against civilians.<sup>62</sup>

A June 2008 report by the International Crisis Group warned of the potential for inter-communal conflict in Papua. It pointed out that tensions were most acute along the west coast of Papua and that "continuing Muslim migration from elsewhere in Indonesia" was a key factor that is increasing strain between Christians and Muslims in Papua.<sup>63</sup>

<sup>&</sup>lt;sup>59</sup> "Indonesian Police, Demonstrators Clash in Papua Province," *Oster Dow Jones*, May 10, 2005.

<sup>60 &</sup>quot;A People Under the Jackboot," The West Australian, September 18, 2004.

<sup>&</sup>lt;sup>61</sup> John McBeth, "The Murder Muddle," *The Straits Times*, November 11, 2006.

<sup>&</sup>lt;sup>62</sup> "Out of Sight: Endemic Abuse and Impunity in Papua's Central Highlands," *Human Rights Watch*, July, 2007.

<sup>&</sup>lt;sup>63</sup> "Indonesia: Communal Tensions in Papua," *International Crisis Group Report*, June 16, 2008.

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

While the vast majority of Indonesians practice a moderate form of Islam, a very small radical minority have sought to establish an Islamic state. Some extremists are hostile to the Christian minority and an even smaller group would use violence to establish an Islamic Khalifate throughout the Muslim areas of Southeast Asia. While they represent an extremely small percentage of the population, such groups have created much internal turmoil in Indonesia. A distinction can be drawn between groups such as the now disbanded Lashkar Jihad that focused on Indonesian intercommunal conflict between Muslims and Christians in the Malukus, and factions of Jemaah Islamiya (JI), which have used terrorist methods to promote an extreme Islamist agenda with linkages to al Qaeda. There have also been allegations that Lashkar Jihad was a tool of hardliners within the military that opposed the reform movement and who allowed, or possibly even assisted, Lashkar Jihad activities that destabilized the nation, thereby highlighting the need for a strong military that could impose order. 64 There has also been inter-group conflict elsewhere in Indonesia such as between Muslims and Christians in Sulawesi and the Muluccas, and between local Davaks and internal Madurese migrants in Kalimantan. 65

There has been much attention focused on the potential rise of Islamic sentiment in Indonesia in recent years. This is most notable in a political context with the rise of the PKS Justice Party in the 2004 election. In that election, the PKS increased its seats to 45 from 7 (out of 550) following the 1999 parliamentary election. Many have attributed the success of the PKS in parliamentary elections in 2004, and in more recent local elections, to its campaign platform of good governance and its party organization rather than to its Islamist character. The PKS is not the largest Muslim party and does not represent the large Muslim mainstream groups. It is of interest because it has grown fast and proved effective, both among the poor and among intellectuals. As such, it is a new phenomenon and its scale and importance are as yet unclear. Some 90.4% of Indonesians believe religious affairs should be within the framework of Pancasila and the constitution. Some 91.6% of Indonesians believe that Indonesia's state ideology is correctly based on Pancasila.<sup>66</sup>

Another manifestation of the rise of political Islam in Indonesia is the March 2006 demonstrations outside the United States Embassy in Jakarta sponsored by Hizbut Tharir which featured banners that read, "Now is the time for the Caliphate to rule the world with Sharia" and "Crush the Zionist America and Israel." 67

A challenge to the secular nature of the Indonesian state is over cultural and moral issues. Not only the strictly fundamentalist Muslims but also more traditional

<sup>&</sup>lt;sup>64</sup> See Sydney Jones' work for the *International Crisis Group*, [http://www.crisisgroup.org].

<sup>&</sup>lt;sup>65</sup> Amit Chanda, "Seven Killed in Indonesia, as Violence Flares up Again in Restive Maluku Province," *Global Insight Daily*, May 17, 2005.

<sup>&</sup>lt;sup>66</sup> Robin Bush, "The Future of Islamic Parties and Islamic Politics in Indonesia," *The Asia Foundation*, 2008.

<sup>&</sup>lt;sup>67</sup> Amy Chew, "5,000 Rally Outside US Embassy," New Straits Times, March 6, 2006.

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Muslims protest the influence of Western cultural and moral values in Indonesian society. The challenge has four components.

One is the direct action by radical Muslim groups against businesses and institutions which they accuse of representing Western cultural and moral values. The most widely publicized group is the Islamic Defenders Front (FPI). The FPI targets such businesses for direct, violent action. Squads of FPI cadre have forcibly shut down gambling dens, discos, nightclubs and bars that serve alcoholic beverages, and brothels. The FPI also has targeted Christian churches. Attacks by the FPI and like-minded Muslim groups have forced the closure of upwards of 100 Christian churches since September 2004, including more than 30 in West Java alone. The FPI is estimated to have supporters in the tens of thousands at most. It and similar groups receive financial backing from Saudi Arabia. Its influence is felt widely partly because police and law enforcement authorities have adopted a permissive attitude toward its activities. Arrests of FPI members are few and infrequent despite the government's revisions of public assembly laws to make it easier to disband violence-prone groups. The section of the sec

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

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

<sup>&</sup>lt;sup>68</sup> Yuli Tri Suwarni, "Another Christian Church Attacked in Bandung, *Jakarta Post* (internet version), June 4, 2007.

<sup>&</sup>lt;sup>69</sup> Tom McCawley, "Once Free, Indonesian Cleric Could 'Revitalize' Radicals," *Christian Science Monitor*, June 14, 2006. Bret Stephens, "The Arab Invasion," *The Wall Street Journal Asia*, April 18, 2007.

<sup>&</sup>lt;sup>70</sup> Blake Respini, and Herdi Sahrasad, "The Rise of Sharia Seems not a Threat to Civil Society," *Jakarta Post* (internet version), May 19, 2007. Jane Perlez, "Spread of Islamic Law in Indonesia Takes Toll on Women," *New York Times*, June 27, 2006.

<sup>&</sup>lt;sup>71</sup> Tom McCawley, "Once Free, Indonesian Cleric Could 'Revitalize' Radicals," *Christian Science Monitor*, June 14, 2006.

country's indecency laws after mounting protest against the magazine by fundamentalist Muslim groups.<sup>72</sup>

The fourth component is in education, particularly in the thousands of "pesantren" Islamic boarding schools in Indonesia. Observers warn that the instruction in these schools increasingly is of a fundamentalist nature that emphasizes intolerance of other religions and non-Muslim, secular practices. Former Indonesian President Abdurrahman Wahid warned in April 2007 that the teaching of fundamentalist Islam in the pesantren schools is an acute problem and that the problem is spreading into Indonesian universities.<sup>73</sup>

#### The Economy

The Indonesian economy was severely damaged by the Asian financial crisis of 1997-98. Per capita GDP fell from \$1,088 in 1997 to \$475 in 1998. Indonesia has recovered since and is considered to have a well-balanced economy with all major sectors contributing. Domestic consumption accounts for roughly a majority of Indonesia's GDP, but expanded foreign investment and exports are considered crucial for GDP growth. Real investment grew by 9.2% in 2007 and foreign investment grew by 13% over the same period. Foreign businesses have in the past been reluctant to invest in Indonesia in part because of concerns about the legal and judicial framework. Corruption is a key concern and a deterrent to investment. Indonesia ranked 143 out of 179 countries in the 2007 Corruption Perceptions Index conducted by Transparency International.

Indonesian economic growth is expected to slow to 5.9% in 2008 from 6.3% in 2007. Declining exports to the U.S. and elsewhere, as well as rapidly rising fuel and food prices, are thought responsible for the slowdown. There is concern that political dynamics in the lead up to elections will lead to a reluctance to further reduce fuel subsidies and that this may have a negative effect on public finances. <sup>77</sup> Food prices increased 18.2% year-on-year in April 2008. <sup>78</sup> At 9% year-on-year inflation reached

<sup>&</sup>lt;sup>72</sup> Sadanand Dhume, "Playboy in Indonesia," *The Wall Street Journal Asia*, March 30, 2007. "Playboy Exposes Indonesian Tensions," *The Wall Street Journal Asia*, April 11, 2007.

<sup>&</sup>lt;sup>73</sup> Bret Stephens, "The Journal Interview with Abdurrahman Wahid: the Last King of Java," *The Wall Street Journal Asia*, April 10, 2007. Alpha Amirrachman, "Pesantren Communities unable to Accept Pluralism, Tolerance," *Jakarta Post* (internet version), January 27, 2006.

<sup>&</sup>lt;sup>74</sup> John McBeth, "The Betrayal of Indonesia," Far Eastern Economic Review, June 26, 2003.

<sup>&</sup>lt;sup>75</sup> Yudhoyono's Difficult Year Ahead," *Economist Intelligence Unit*, May 30, 2008.

<sup>&</sup>lt;sup>76</sup> John McBeth, "Indonesia: Warning Signs," *Far Eastern Economic Review*, December 4, 2003.

<sup>&</sup>lt;sup>77</sup> "Indonesia Risk," *The Economist*, June 11, 2008.

<sup>&</sup>lt;sup>78</sup> "Inflation Hits 20 Month High," *The Economist*, June 2, 2008.

a 19-month high in May 2008. Indonesia's main export destinations are Japan (22%), Singapore (13%), the United States (13%), South Korea (9%), and others (43%).

Despite having been a key oil exporter, Indonesia has in recent years become a oil importer. Indonesia's oil production peaked at 1.6 million barrels per day (bpd) in 1995. Currently, Indonesia produces approximately 977,835 bpd while consuming 1.2 million bpd. The government is reportedly seeking to raise output by 200,000 bpd by 2010 to make up most of the shortfall. Observers note that Indonesia will need foreign investment to help it boost production in its aging oil fields. 80 Indonesia is thought to have an estimated 8.6 billion barrels of oil and 182 trillion cubic feet of natural gas in reserves.<sup>81</sup> Given that it is no longer an oil exporting country, Indonesia announced in May 2008 that it would pull out of the Organization of Petroleum Exporting Countries when its membership expired later in 2008.82

There are some positive economic developments in Indonesia as well. Indonesia signed its first bilateral free trade deal with Japan in July 2008. The Economic Partnership Agreement with

Indonesian GDP,% Real change				
1996	7.8%			
1997	4.7%			
1998	-13.1%			
1999	0.8%			
2000	4.9%			
2001	3.5%			
2002	3.7%			
2003	4.1%			
2004	5.1%			
2005	5.3%			
2006	5.5%			
2007	6.3%			
2008	5.7% est.			
2009	5.9% est.			
Economist Intelligence Unit Database				

Japan will exempt Indonesian goods from 90% of Japan's import duties. <sup>83</sup> Tourism in Indonesia was up 13% in 2007 from 2006 levels while Indonesian tax revenue increased 47.6% over a five month period as compared to the same period a year previously in May 2008. <sup>84</sup>

Though Indonesia has one of the world's worst poverty rates it has declined. Indonesia's poverty rate fell from 16.58% in March 2007 to 15.42% in March 2008. The Indonesian poverty rate includes those living on less than \$19.81 a month.

<sup>&</sup>lt;sup>79</sup> "Indonesia: Country Report," *The Economist Intelligence Unit*, May 2008.

<sup>&</sup>lt;sup>80</sup> Andi Abdussalam, "Indonesian Oil Output Showing Upward Trend," *Antara News*, May 14, 2008.

<sup>81 &</sup>quot;Pertamina, Talisman to Cooperate on Indonesia Oil," *Reuters*, June 23, 2008.

<sup>82 &</sup>quot;Indonesia to Withdraw From Opec," BBC News, May 28, 2008.

<sup>&</sup>lt;sup>83</sup> "Indonesia, Japan Economic Partnership Agreement Takes Effect," *BBC News*, July 1, 2008.

<sup>&</sup>lt;sup>84</sup> Indonesia's Tax Revenue Up 47 Percent," Xinhua News, June 6, 2008.

Unemployment also fell from 9.1% in August 2007 to 8.5% in February 2008. There is some concern that the May 2008 increase in fuel prices could undermine these gains. <sup>85</sup> Indonesia is also set to become a rice exporter after only a few years ago being one of the world's largest rice importers. Indonesia plans to export an estimated 6 million tons of rice in 2009. There are further plans to develop 1.6 million hectares of rice fields near Marauke, Papua, in the near future. <sup>86</sup>

#### The Environment

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

In the 15 years leading up to 2006, Indonesia lost one quarter of its forests. Such a rate of logging is unsustainable. One 2006 estimate projected that at current rates of logging Indonesia's forests would be logged out in 10 years. The destruction of Indonesia's forests would likely lead to widespread species extinction. It is estimated that illegal logging deprives Indonesia of some \$3 billion annually. Burning of logged land to clear it for palm plantations and other uses in Southeast Asia led to widespread haze over the region which accounted for an estimated 8% of greenhouse gasses worldwide in 1997.

The United States and Indonesia moved to begin to address the problem of illegal logging in April 2006. Bilateral talks were initiated to reach an agreement to deal with the problem of illegal logging in Indonesia which is estimated to account for 80% of all logging in Indonesia.<sup>89</sup> The United States and Indonesia signed a bilateral agreement to combat illegal logging and associated trade in November 2006. The United States initially committed one million dollars to fund remote sensing of illegal logging and to develop partnerships with non-governmental organizations and

<sup>85 &</sup>quot;Indonesia's Poverty Rate Falls," Reuters, July 1, 2008.

<sup>&</sup>lt;sup>86</sup> "Indonesia Set to Become Major Rice Exporter Next Year," *Dow Jones*, July 1, 2008.

<sup>&</sup>lt;sup>87</sup> Tanja Vestergaard, "Indonesia Launches Talks with U.S. on Fight Against Illegal Logging," *Global Insight Daily Analysis*, April 5, 2006.

<sup>88 &</sup>quot;Special Report: The Logging Trade," The Economist, March 25, 2006.

<sup>&</sup>lt;sup>89</sup> Tanja Vestergaard, "Indonesia Launches Talks with U.S. on Fight Against Illegal Logging," *Global Insight Daily Analysis*, April 5, 2006.

the private sector. The agreement established a working group under the U.S.-Indonesia Trade and Investment Framework Agreement. 90

Indonesia has the most threatened species of mammals in the world. Poaching, deforestation, and illegal logging continue to threaten the existence of orangutans, the Sumatran Tiger, and the Javan Rhino. Ninety percent of the orangutan's habitat has been destroyed as land is cleared with fire by illegal logging, plantation companies, and farmers. It is thought that orangutans will disappear if present deforestation trends continue. <sup>91</sup> The Javanese Tiger and the Balinese Tiger became extinct in the 1970s. Only about 400 Sumatran Tigers are thought to remain alive. This is a dramatic decrease from an estimated 1,000 Sumatran Tigers in the 1970s. Their decrease is similarly attributed to a combination of deforestation, illegal logging, and poaching. Effective control of the illegal trade in wild animal parts is thought to be essential for the species survival. <sup>92</sup> The Javanese Rhino is similarly threatened with only 60 thought to remain in the wild. <sup>93</sup>

#### **Religious Freedom**

The Ahmadiyyah of Indonesia, like other Ahmadiyya around the world, believe that their founder Mirza Ghulam Ahmad, who founded the religion in 1889 in the Punjab in British India, was a prophet. The Ahmadiyya belief was first brought to Indonesia from India in 1925. Their views place them at odds with more mainstream Muslims who believe that The Prophet Mohammad was the last prophet. Ahmadiyya do accept Mohammad as a prophet and one of God's messengers. As a result of their differences, many in Muslim society, including in Indonesia, do not view Amadiyya as true Muslims. Ahmadiyya also seek converts. It is reported that they have no open supporters among Indonesia's elite. 94 Some Indonesians have been calling for the Ahmadiyya to be banned and driven out of Indonesia. It is estimated that there are some 200,000 to 500,000 Ahmadiyya in Indonesia. 95 Attacks against Ahmadiyya and their Mosques have grown in recent years.

Though Indonesia is overwhelmingly Muslim, its constitution protects religious minority groups. Non-Muslims enjoy a general level of freedom in their beliefs within Indonesian society which is largely tolerant. That said, inter-communal strife can boil over into violence in places such as Poso and Ambon. A government panel

<sup>&</sup>lt;sup>90</sup> Office of the U.S. Trade Representative, "Agreement on Illegal Logging as Part of Effort to Deepen Trade and Investment Relations," November 16, 2008.

<sup>&</sup>lt;sup>91</sup> Niniek Karmini, "Orangutans Flee Indonesian Forest Fires," *The Associated Press*, November 6, 2006.

<sup>&</sup>lt;sup>92</sup> Oyos Saroso, "Poachers Moving into Northern Sumatra, *The Jakarta Post*, May 31, 2008.

<sup>93 &</sup>quot;World's Rarest Rhinos Captured on Video," Reuters, May 29, 2008.

<sup>&</sup>lt;sup>94</sup> Bramantyo Prijosusilo, "Comparing the Ahmadiyah and the Hizbut Tahrir," *The Jakarta Post*, April 16, 2008.

<sup>&</sup>lt;sup>95</sup> Salim Osman, "Ban Minority Sect, Islamic Holy Body Urges Jakarta Govt," *The Straits Times*, January 2, 2008.

recommended in April 2008 that the Ahmadiyya group be banned. This decision followed a January 2008 fatwa by Indonesia's highest religious authority, the Indonesian Ulama Council, to ban the sect for its deviance. The Ulama Council shortly thereafter submitted its fatwa to the Indonesian Attorney General's Office and asked the government to ban the group.

According to one report, the government of Indonesia through the Attorney General's Office has banned the group from practicing in Indonesia due to its view that the Ahmadiyya are a deviant sect and because they are causing restlessness in the Muslim community in Indonesia. <sup>96</sup> On April 18, 2008, the day following reports that the group had been banned, Indonesian Vice President Jusuf Kalla stated that there would be no detention of Ahmadis. <sup>97</sup>

The Ulama Council subsequently felt that the government did not go far enough in its actions. On April 20<sup>th</sup> thousands of Muslim hardliners protested to demand the active disbanding of the Ahmadiyya. It is thought that Muslim extremists would go beyond banning of the practicing of the Ahmadiyya belief and would favor adopting further measures that would actively seek to disband and/or drive the group out of Indonesia. Some outside commentators view the decision to crackdown on the Ahmadiyya as pandering to Islamic extremism. This placed the government of Susilo Bambang Yudhoyono in a difficult position in the lead up to elections scheduled for April 2009.

#### **Human Rights**

Much attention in the United States has been focused on human rights in Indonesia. The State Department's annual human rights report of 2007 stated that the Indonesian government "generally respected the human rights of its citizens; however, weak legal institutions, limited resources, and insufficient political will prevented accountability for serious abuses that occurred in the past." The report also stated that problems remain including arbitrary detention, corruption in the judicial system, killings by security forces, and intimidation of human rights groups by security forces, among other concerns. The report did note that the "government's reformasi consolidated democratic gains with positive human rights developments" in some areas. <sup>100</sup> Human Rights Watch has observed that "Indonesia's human rights record has shown some progress in 2007.... However, the human rights situation in

<sup>&</sup>lt;sup>96</sup> Salim Osman, "Jakarta Cracks Down on Deviant Islamic Sect," *The Straits Times*, April 17, 2008.

<sup>&</sup>lt;sup>97</sup> "Indonesian Vice President Says No Arrest on Followers of Banned-Sect," *Xinhua News Agency*, April 18, 2008.

<sup>&</sup>lt;sup>98</sup> Salim Osman, "Ban Minority Sect, Islamic Holy Body Urges Jakarta Govt," *The Straits Times*, January 2, 2008.

<sup>99 &</sup>quot;Indonesians Demand Ban on Sect," BBC News, April 20, 2008.

<sup>&</sup>lt;sup>100</sup> Indonesia, Country Reports on Human Rights Practices, 2007, Released by the Department of State Bureau of Democracy, Human Rights, and Labor, March 11, 2008.

Papua and West Papua has shown there a clear gap between Indonesia's international commitments and its rhetoric and the reality on the ground." <sup>101</sup>

One investigation and trial that may be viewed as a test case is that against Pollycarpus Budihardi Priyanto who was convicted of killing human rights activist and critic of Indonesia's military Munir Thalib with arsenic poisoning while on a Garuda flight bound for Amsterdam on September 7, 2004. Pollycarpus' sentence to 14 years in prison for the crime was overturned by the Supreme Court in October 2006 though he did receive two years in prison for falsifying documents. He was released from prison on December 25, 2006. Priyanto was found guilty of the crime a second time in 2008 and was sentenced to 20 years in prison. He has since sought another judicial review to overturn his case.

During the investigation it became known that Pollycarpus had numerous telephone conversations with State Intelligence Agency (BIN) official Major General Muhdi Purwo Prandjono.<sup>104</sup> Indonesian police announced in April 2007 that its investigation showed that Munir was poisoned during a stopover at Singapore's Changi airport.<sup>105</sup>

Many have hoped a successful investigation and trial of those responsible for Munir's death would signal an end to a culture of impunity in Indonesia for such crimes. <sup>106</sup> In June 2008 a new phase of the investigation was underway in which there was speculation that a new suspect would be brought forward. <sup>107</sup>

#### **External Relations**

Indonesian foreign policy has been shaped largely by two men, Presidents Sukarno and Suharto. Once a leading force in the Non-Aligned Movement (NAM) of the early Cold War era, Indonesia has traditionally sought to remain largely independent from great power conflict and entangling alliances. Sukarno's world view divided the world into new emerging forces and old established forces. Sukarno sought to fight the forces of neo-colonialism, colonialism, and imperialism, which brought his government closer to China in 1964-65. Suharto's New Order lessened

<sup>&</sup>lt;sup>101</sup> "Universal Periodic Review of Indonesia," *Human Rights Watch*, April 7, 2008.

<sup>&</sup>lt;sup>102</sup> "President Summons Top Security Officials Over Munir Case," *LKBN Antara*, December 26, 2006.

<sup>&</sup>lt;sup>103</sup> "Killer of Indonesian Activist Files for Review," Agence France Presse, June 4, 2008.

<sup>&</sup>lt;sup>104</sup> "Indonesia Sentences Killer of Rights Activist to 14 years in Prison," *Thai News Service*, January 12, 2006.

<sup>&</sup>lt;sup>105</sup> "Indonesian police interview fresh witnesses suspected on links to Munir murder," *Agence France Presse*, April 26, 2007.

<sup>&</sup>lt;sup>106</sup> M. Taufiqurrahman, "Two Years on, Munir Murder Case is Cast in Shadows," *The Jakarta Post*, January 4, 2007.

 $<sup>^{107}</sup>$  "New Phase in Disclosure of Munir Case," *Media Indonesia*, June 5, 2008 as reprinted in the U.S. Embassy Jakarta News Roundup, June 5, 2008.

Sukarno's anti-western rhetoric and focused on better relations with other Southeast Asian nations. Under Suharto, Indonesia was one of the founding members of the Association of Southeast Asian States (ASEAN) in 1967 and played a key leadership role in the organization. Indonesia's internal problems since 1998 have kept it largely internally focused. As a result, it has not played as active a role in the organization as in past years. Indonesia exerts a moderate voice in the Organization of Islamic Conference (OIC) and is a member of Asia-Pacific Economic Cooperation (APEC). In recent years, Indonesia has done more to project itself as a moderating force in the Muslim world, which positions Indonesia as a potential bridge between Islam and the West. <sup>108</sup>

Indonesia's strategic interests are largely regional. Indonesia signed the Timor Gap Treaty with Australia in 1991. The treaty provided for a mutual sharing of resources located in the seabed between Australia and the then-Indonesian province of East Timor. This lapsed with the independence of East Timor. Australia and Indonesia also signed a security agreement in 1995 which fell short of an alliance but called for mutual consultations on security matters. Indonesian displeasure with Australia's support of East Timor independence in 1999 led Indonesia to renounce the agreement. Indonesian ties with the West have at times been strained over alleged human rights abuses by the TNI.

In 1990 Indonesia and China normalized ties, which had been strained since the alleged abortive coup by the Indonesian Communist Party (PKI) in1965. China and Indonesia have an unresolved dispute related to the South China Sea, particularly near the Natuna Islands at the southern end of the South China Sea. In recent years ties have warmed between Indonesia and China. President Yudhoyono traveled to Beijing in 2005 and signed a strategic agreement with Chinese President Hu Jintao. In June 2008, Zhou Yongkang, a Member of the Standing Committee of the Oplitical Bureau of the Communist Party of China Central Committee stated that China wanted to push forward the strategic partnership with Indonesia and further promote the growth of bilateral relations between Indonesia and China while he was visiting Jakarta.

#### The Struggle Against Terrorism

In recent years, Indonesia has been successfully hunting down radical Islamist extremists who have broken Indonesian law.<sup>111</sup> The United States lifted its travel warning on Indonesia in the Spring of 2008 as a result of the improved security

<sup>&</sup>lt;sup>108</sup> Rizal Sukma, "Indonesia's Foreign Policy Since Reformasi: Change and Continuity," *CSIS Southeast Asia Bulletin*, June 2008.

<sup>&</sup>lt;sup>109</sup> "Indonesia: International Relations and Defense," *The Economist Intelligence Unit*, May 27, 2008.

<sup>&</sup>lt;sup>110</sup> "Senior CPC Leader Vows to Enhance Cooperation with Indonesia," *Xinhua News Agency*, June 18, 2008.

<sup>&</sup>lt;sup>111</sup> For further information, see CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn, Emma Chanlett-Avery, Thomas Lum, Mark Manyin, and Larry Niksch.

situation in Indonesia. <sup>112</sup> It appears that the terrorist organization Jemaah Islamiya (JI) is dividing and changing. Many JI members reportedly were displeased with the 2002 Bali bombing which killed and injured more Indonesians than foreigners. President Yudhoyono has made it a priority to capture or neutralize key JI members. Since the 2002 Bali bombing, Indonesian police and counterterrorism organizations have arrested nearly 500 JI cadre. <sup>113</sup> Key JI bombmaker Azahari bin Husin was killed in a shootout in east Java in November 2005. Since that time, counterterrorism authorities have focused on capturing his associate, Noordin Top, and have arrested a number of militants linked to Top. <sup>114</sup> In June 2007, authorities made a major breakthrough, arresting the head of the overall JI organization, Zarkasih, and JI's military commander, Abu Dujana. It was reported in March 2006 that Al Qaeda helped fund suicide attacks in Indonesia in the previous four years with money brought to Indonesia through Thailand and Malaysia. <sup>115</sup>

Divisions within JI have apparently revolved around the extent to which JI should focus on western targets as opposed to focusing on instituting Islamist rule in Indonesia. Some are also focused on imposing an Islamic Chaliphate not only in Indonesia but also in Malaysia and Brunei and Muslim areas of the Philippines and Thailand and in northern Australia. A majority are thought to favor a focus on Indonesia. <sup>116</sup> The JI also is reportedly split over whether to continue major terrorist attacks or shift tactics toward political action and attacks against smaller targets. Violent efforts to rekindle inter-communal violence between Christians and Muslims in Sulawesi and the Muluccas have largely been contained. JI has not conducted a major terrorist attack since 2005, and experts believe that the arrests of Zarkasih and Abu Dujana have weakened the organization substantially. <sup>117</sup>

Many Indonesians view the war against terror in a fundamentally different way than the United States. This was particularly so prior to the Bali bombing of October 2002 in which approximately 200 people were killed, including many Western tourists. The Bali bombing, and Marriott bombing of August 2003, changed the government's perception of the threat and evoked a rigorous response from the police. Prior to these bombings, Indonesia viewed JI as foreign and focused on antiwestern activities. Since the Bali bombing, U.S. and Indonesian leaders have worked together to address the threat. Although U.S.-Indonesian government-to-government counterterror cooperation is improving, past polls indicate that the United States has

<sup>&</sup>lt;sup>112</sup> Lilian Budianto, "Washington Lifts Travel Warning," *The Jakarta Post*, May 26, 2008.

<sup>&</sup>lt;sup>113</sup> McCawley, Tom. "Indonesia's terrorist hunt bears fruit." *Christian Science Monitor*, June 15, 2007. p. 6.

<sup>&</sup>lt;sup>114</sup> Tewily Nathalia, "Indonesia Looks for New Group's Links to al Qaeda," *Reuters*, January 31, 2006.

<sup>&</sup>lt;sup>115</sup> Zakki Hakim, "Al Qaeda Aid in Indonesia Attacks Cited," *Philadelphia Inquirer*, March 1, 2006.

<sup>&</sup>lt;sup>116</sup> See Sydney Jones' definitive work for the *International Crisis Group*, [http://www.crisisgroup.org].

<sup>&</sup>lt;sup>117</sup> Seth Mydans, "Indonesian terror group limits attacks," New York Times, June 18, 2007.

become very unpopular in Indonesia. Only 15% of Indonesians had a favorable opinion of the United States in 2003, as opposed to 75% three years earlier. 118

#### **United States-Indonesian Relations**

Bilateral government to government relations between Indonesia and the United States have improved significantly in recent years. Bilateral cooperation on counterterrorism has increased at the same time that U.S. appreciation of Indonesia's strategic importance and increasingly democratic government has improved. Public opinion polls demonstrate that the Indonesian public is less supportive of the United States than the Indonesian government. According to one poll, 73% of Indonesians believe it is the goal of the United States to "weaken and divide the Islamic world." That said, there has been improvement in Indonesians' perceptions of the United States. In another poll, the percentage of Indonesians with favorable views of the U.S. increased from 29% in 2007 to 37% in 2008.

While bilateral government-to-government relations have improved, there have been a number of areas of friction, including with American companies operating in Indonesia. Louisiana-based Freeport McMoRan's subsidiary PT Freeport came under scrutiny by environmental interests and was subject to demonstrations. <sup>121</sup> The blockade of the mine near Timika was carried out by disgruntled small scale local miners who had been prevented from mining the waste from the mine. <sup>122</sup> In April 2007, thousands of Freeport workers protested over wages and benefits and demanded that Freeport hire more native Papuans. <sup>123</sup>

In another case, Denver-based Newmont Mining Corporation paid a \$30 million out of court settlement in order for the Indonesian government to drop efforts to pursue a civil lawsuit against the company for alleged dumping of mercury and arsenic into a bay as part of its Buyat Bay gold mining operations. 124 Newmont has

<sup>&</sup>lt;sup>118</sup> Ellen Nakashima, "U.S. Policy Censured in Indonesia," *The Washington Post*, October 21, 2003.

<sup>&</sup>lt;sup>119</sup> World Public Opinion, "Muslims Believe US Seeks to Undermine Islam," April 24, 2007.

<sup>&</sup>lt;sup>120</sup> "Global Economic Gloom," Pew Global Attitudes Project, June 12, 2008.

<sup>&</sup>lt;sup>121</sup> Mark Forbes, "Investment Fears Over Mine protest," *Sydney Morning Herald*, March 4, 2006.

<sup>&</sup>lt;sup>122</sup> "Papuans Protesting Daily over Freeport Mine in Indonesia," *Agence France Presse*, March 7, 2006.

<sup>&</sup>lt;sup>123</sup> "Protest, talks continue over pay with US gold, cooper firm in Indonesia." *Agence France Presse*, April 20, 2007.

<sup>&</sup>lt;sup>124</sup> P. Kyne and I. Sentana, ""Newmont, Indonesia Settle Civil Suit," *The Wall Street Journal*, February 17, 2006.

denied it has dumped such toxic waste into the bay through its submarine tailing disposal system. Environmentalists have been critical of the deal. 125

The 2006 arrest and trial of individuals involved with the 2002 murder of two Americans near Timika in Papua did much to take a key area of friction between the two nations off the table. In June 2008 it was reported that the United States had offered assistance to Indonesia to establish a National Defense University.<sup>126</sup>

#### **Geopolitical and Strategic Interests**

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

Some strategic analysts are concerned about growing Chinese influence in the region. China was perceived as being more assertive in the 1990s, for example, by fortifying a disputed shoal in the South China Sea known as Mischief Reef. China is now seen as being more subtle. It agreed to a regional code of conduct in the South China Sea in 2002. China signed a Joint Declaration on Strategic Partnership with ASEAN in October 2003 and is developing a China-ASEAN Free Trade Agreement to augment its existing bilateral trade agreements with many ASEAN members. This has been viewed as a possible "foundation for a strategic partnership." China and Indonesia also announced a series of agreements amounting to what some have described as a "strategic partnership" in April 2005. At the same time, China is expanding its naval capability.

#### U.S. Security Assistance to Indonesia

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

<sup>&</sup>lt;sup>125</sup> "Indonesia, USA's Newmont Reach 30m-dollar Settlement," *BBC News*, February 17, 2006.

<sup>&</sup>lt;sup>126</sup> "US Offers to Assist Indonesia with Setting Up Defense University," *BBC News*, June 3, 2008.

<sup>&</sup>lt;sup>127</sup> Ed Masters, *Report of the National Commission on U.S. Indonesian Relations* (Seattle: National Bureau of Asian Research, 2003).

<sup>&</sup>lt;sup>128</sup> John Noer with David Gregory, *Chokepoint: Maritime Economic Concerns in Southeast Asia* (Washington: National Defense University Press, 1996).

<sup>&</sup>lt;sup>129</sup> Edward Masters, House Committee on International Relations, Subcommittee on Asia and the Pacific, Testimony for a Hearing on, "The United States and Asia: Continuity, Instability, and Transition," March 17, 2004.

Command. This has involved Indonesia in counterterrorism seminars promoting cooperation on security as well as subject matter expert exchanges. Indonesian Marines and U.S. Navy Seals have held joint counterterror exercises. In February 2006 Pacific Command Commander Admiral William Fallon announced that the United States will help train Indonesian non-commissioned officers to help them develop their technical skills.

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

The Administration's policy on assistance to Indonesia is informed by the role that Indonesia plays in the war against terror in Southeast Asia. The United States and Indonesia cooperate on counterterrorism in a number of areas with assistance going to the police and security officials, prosecutors, legislators, immigration officials, banking regulators and others.

U.S.-Indonesian counterterror capacity building programs have included funds for the establishment of a national police counterterrorism unit and for counterterrorism training for police and security officials. Such assistance has also included financial intelligence unit training to strengthen anti-money laundering, counterterror intelligence analysts training, an analyst exchange program with the Treasury Department, and training and assistance to establish a border security system as part of the Terrorist Interdiction Program. A major accomplishment of these programs is the increasing capabilities of Detachment 88, an elite counterterrorism unit that has received assistance from the United States and Australia. Detachment 88 has been responsible for tracking down scores of JI cadre, including Azahari bin Husin, Zarkasih, and Abu Dujana.

<sup>&</sup>lt;sup>130</sup> "United States-Indonesia Military Relations," *Congressional Record*, Senate, Page S734, February 1, 2005.

<sup>&</sup>lt;sup>131</sup> "US, Indonesian Navies Hold Joint Anti-Terror Exercises," *Oster Dow Jones*, May 10, 2005.

<sup>&</sup>lt;sup>132</sup> J. Gittler, "U.S. to Train Indonesian NCOs as Part of Renewal of Ties," *Pacific Stars and Stripes*, February 27, 2006.

<sup>&</sup>lt;sup>133</sup> Information drawn from State Department Fact Sheet, "Summary of Counter Terrorism Assistance for Indonesia," October 2003 update.

<sup>&</sup>lt;sup>134</sup> Tom McCawley, "Indonesia's terrorist hunt bears fruit," *Christian Science Monitor*, June 15, 2007.

Table 1. U.S. Foreign Assistance to Indonesia

Acct*	FY2007 Actual	FY2008 Estimate	FY2009 Request
CSH <sup>135</sup>	\$27,507	\$25,737	\$30,883
DA	29,524	70,953	122,021
ESF	69,300	64,474	1
FMF	6,175	15,572	15,700
HIV/AIDS	250	1	1
IMET	1,398	927	1,500
INCLE	4,700	6,150	9,450
NADR	8,881	5,861	6,750
P.L. 480 Title II	10,951	-	-
Total	158,686	189,674	186,304

**Source:** "FY2009 Congressional Budget Justification for Foreign Operations," U.S. Department of State, 2008.

The United States is promoting counterterrorism in Southeast Asia on a regional and multilateral basis as well as on a bilateral basis with Indonesia. Such an approach is viewed as complementing and promoting bilateral assistance and focuses on diplomatic, financial, law enforcement, intelligence and military tools. Two key objectives of the U.S. government are to build the capacity and will of regional states to fight terror. These objectives are pursued through a number of programs. The United States-ASEAN Work Plan for Counter-Terrorism has identified information sharing, enhancing liaison relationships, capacity building through training and education, transportation, maritime security, border and immigration controls, and compliance with United Nations and international conventions, as goals for enhanced regional anti-terrorism cooperation.

The Anti-Terrorism Assistance Program, directed at law enforcement training and associated hardware, has aided Indonesia, among others. In addition, Financial Systems Assessment Teams and the Terrorist Interdiction Program (which focuses on border controls) have also assisted Indonesia. The United States has also

<sup>&</sup>lt;sup>135</sup> Child Survival and Health (CSH), Development Assistance (DA), Economic Support Funds (ESF), Foreign Military Financing (FMF), International Military Education and Training (IMET), International Narcotics Control and Law Enforcement (INCLE), Non-proliferation Anti-terrorism Demining and Related Programs Export Control and Border Security Assistance NADR-EXBS, Non-proliferation Anti-terrorism Demining and Related Programs Antiterrorism Assistance (NADR-ATA).

supported the Southeast Asian Regional Center for Counter-terrorism in Kuala Lumpur. Foreign Emergency Support Teams are designed for rapid deployment in response to a terrorist related event while Technical Support Working Groups work with regional partners to find technical solutions to problems such as bio-terrorism warning sensors. 136

**The Tsunami.** On December 26, 2004, an undersea earthquake off the coast of Sumatra triggered a tsunami wave that killed an estimated 122,000 (with an additional 114,000 missing) and left over 406,000 displaced persons in Indonesia. Most of the devastation was in Aceh in northwest Sumatra, which was the closest landfall to the epicenter of the Indian Ocean earthquake. This disaster led to a massive international relief effort in which the United States played a leading role. In Indonesia, this included helicopter-borne assistance from the aircraft carrier *USS Abraham Lincoln*, which was accompanied by the *USS Bonhomme Richard*, and the *USS Fort McHenry*. Before their departure from the area 2,800 relief missions were flown, some 2,200 patients were treated, and 4,000 tons of relief supplies were delivered. In the wake of the tsunami, the U.S. government pledged a total of \$397.3 million in humanitarian and recovery assistance for Indonesia.

#### **Options and Implications for the United States**

Debate concerning U.S. policy towards Indonesia has in recent years been largely framed by human rights and security interests. Based on past debate in Congress, individual decision-makers' approaches to this question will likely involve a consideration of a mix of U.S. foreign and strategic policy interests with Indonesia. These will likely include a consideration of possible tradeoffs between a foreign policy approach that stresses the promotion of human rights and one that seeks to strengthen bilateral ties in order to assist in the struggle against violent Islamist extremists and to promote United States geopolitical interests. Among possible policy approaches, the U.S. might consider the following options.

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

<sup>&</sup>lt;sup>136</sup> Drawn from State Department budget justification material.

<sup>&</sup>lt;sup>137</sup> "Indonesia: Tsunami Reconstruction," USAID, May 11, 2005, [http://www.usaid.gov]

<sup>&</sup>lt;sup>138</sup> "USAID Rebuilds Lives After the Tsunami," *USAID Tsunami Reconstruction*, March 24, 2006. [http://www.usaid.gov]

struggle against radical Islamists while continuing to work with the Indonesian police.

• Continue to focus on human rights concerns over past abuses by the Indonesian military. Many feel that there remains a serious lack of accountability for past human rights abuses by the Indonesian military, particularly the human rights abuses perpetrated by prointegrationist militias in East Timor in 1999, and that more could be done on either a bilateral or multilateral basis, or both, to increase accountability for past abuses. Such an approach could involve a closer working relationship with the United Nations and East Timor. Past efforts by the United Nations — such as the U.N. Tribunal in Dili including the Serious Crimes Investigation Unit and Special Panels for Serious Crimes — have been shut down, while the Indonesian trials ended in acquittals for all Indonesians. A subsequent U.N.-sponsored Commission of Experts found the Indonesian trials to be "manifestly inadequate." 139

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

• Place enhanced emphasis on the promotion of democracy and the rule of law in Indonesia. Such an approach is seen as consistent with the president's national security strategy which emphasizes "building the infrastructure of democracy." Such an approach in Indonesia could include additional funding and other support to continue consolidating democratic reforms, the continued establishment of an impartial electoral framework, political party development, member-constituent relations, and strengthening of national legislative bodies. The promotion of democratic values could also have a positive impact on other issue areas such as the promotion of human rights.

<sup>139</sup> Human Rights Watch, "East Timor," [http://hrw.org].

<sup>&</sup>lt;sup>140</sup> The National Security Strategy of the United States of America, March 2006.

<sup>&</sup>lt;sup>141</sup> For an example of some existing activities see National Democratic Institute, "Asia: Indonesia," [http://www.ndi.org]

- Give the geopolitical importance of Indonesia more weight when considering bilateral ties. Indonesia's position on the Straits of Malacca, as a moderate Muslim country, as the largest member of ASEAN, and as a state that does not seek to exclude the U.S. from regional multilateral fora or from the region gives it geopolitical importance to the United States. As such, and in light of expanding Chinese influence in the region, it is prudent in the view of many that relations with Indonesia be developed so that Indonesia does not seek to move away from the United States in international fora or by developing alternative strategic relationships. Indonesia remains one of the least well understood geopolitically important nations to America. Expanding bilateral educational exchanges, research grants, and language training could seek to educate Indonesia's present and future elites while giving them an enhanced understanding of the United States and its values. Such educational exchanges could also provide Americans the opportunity to better understand Indonesia and the role that it plays in its region and in the Islamic world.
- Place enhanced emphasis on transnational issues, such as environmental degradation, including rainforest destruction, preservation of bio-diversity and global warming, and avian flu. The United States and Indonesia initiated what would be a first-ofits-kind agreement to combat illegal logging in April 2006. Consolidating and extending such initiatives could help protect Indonesia's environment. Many feel that Indonesia's bio-diversity and diminishing environment would likely benefit from enhanced protection. With only 1.3% of the earth's surface Indonesia has an estimated 10% of the world's flowering plants, 12% of the world's mammals, 16% of the world's reptiles and amphibians, 17% of the world's birds, and over 25% of the world's fish. 142 United States assistance to Indonesia to help it protect its rainforests from illegal logging would help protect the environment upon which Indonesia's bio-diversity is dependent. Avian flu has the potential to kill many in the United States. Addressing the problem of potential human-tohuman transmission in Indonesia may be a highly effective way to contain an outbreak but thus far Indonesia is generally considered to be underresourced to handle the threat.
- Do more to advance American trade and investment interests in Indonesia. In April 2006, U.S. Trade Representative Rob Portman pointed to developing "building blocks" that could serve as the basis for negotiating a Free Trade Agreement (FTA) between Indonesia and the United States. <sup>143</sup> Continued emphasis on further developing

<sup>&</sup>lt;sup>142</sup> "Indonesian Bio-diversity," [http://www.geocities.com/rainforest/4466/biodiver.htm].

<sup>&</sup>lt;sup>143</sup> "U.S. Indonesia Strengthen Economic Ties, Says U.S. Trade Representative," *U.S. Fed* (continued...)

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

Elements of all of the options discussed here can be found in current American foreign policy towards Indonesia, though the mix in emphasis has shifted over time.

<sup>&</sup>lt;sup>143</sup> (...continued) *News*, April 5, 2006.



Figure 1. Map of Indonesia

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