



AUSTRALIAN - INDONESIAN RELATIONS,

A Study of Political, Economic, and Defence Cooperation

(1986-1996)

Vinsensio Dugis

**Department of Politics
The University of Adelaide**

Thesis submitted for the degree of Master of Arts

May 1997

Contents

Abstract	iv
Acknowledgments	v
Statement	vi
Tables	vii
Introduction	1
Part One: An Unstable Relationship, Australian-Indonesian Relations, 1945-1986	7
Chapter One: Fear, Threat, and Ignorance 1945-66	12
Cordial but Ambivalent 1945-49	12
The West Irian Dispute 1950-62	19
<i>Konfrontasi</i> 1963-66	27
Chapter Two: The Politics of Aid 1966-86	39
Cementing New Foundations	39
Enhancing the Relationship	44
East Timor and the Media's Role	51
Part Two: Balance of Power and Economic Issues in the 1980s	66
Chapter Three: The Shifting Balance of Power and The Emergence of Economic Issues	67
Chapter Four: Responding to Change: Australia's Foreign Policy in the 1980s	80
Economic Decline	80
Shifting Orientation	83
Aid, Defence, and Liberalisation	87
A New Look Foreign Policy	99

Chapter Five: An Increasing Active Political Role: Indonesia's Foreign Policy in the 1980s	104
Independent and Active	104
Foreign Policy in Action	107
Pragmatic and Realistic	113
An Increasing Political Role	118
Part Three: Moving Towards A Strong Bilateral Relationship 1986 - 1996	130
Chapter Six: Political Relationship, The Creation of A New Discourse	131
Reviving the Relationship	132
A New Framework, New Discourse	141
"Partnership" Diplomacy	148
Case Studies	152
Conclusion	165
Chapter Seven: Increasing Economic Integration	167
Past Experience	167
Increasing Trends	175
The Reasons	197
Concluding Remarks	211
Chapter Eight: Defence Cooperation	217
A Turning Point	224
The 1995 Security Agreement	236
Conclusion	243
Appendix	252
Bibliography	254

ABSTRACT

This study explores and analyses the relationship between Australia and Indonesia in the period between 1986 and 1996, and particularly focuses on cooperation in the areas of politics, economics, and defence. In approaching and analysing the theme, the study adopts historical and systemic approaches.

It argues that a bitter legacy stemmed from the Jenkins affair in 1986 and, combined with an unstable relationship that both countries experienced previously, pushed the governments of Australia and Indonesia to find ways in which the relationship could be properly managed and improved. As a result it reached a firmer foundation when the two governments signed a new framework of cooperation in 1989. Under the new framework the governments agreed to broaden the relationship and committed themselves to concentrate on working together in areas of converging interests.

The new framework, the study argues, provided a new discourse in managing the bilateral relationship. It sidelined arguments about 'cultural differences', because, by stressing the need to collaborate in areas of converging interest, it implied that cultural arguments became less significant. It created the notion that it was in both countries' interests to establish and maintain the stability of the relationship. Thus, it buried an old perception that it was primarily in Australia's interests to have a good relationship with Indonesia. However, this does not necessarily mean that the argument about cultural differences was no longer important in making the bilateral relationship better.

Between 1986 and 1996, it is argued that the relationship between Australia and Indonesia was increasingly moved toward a deeper interaction. At the government to government level, mutual understanding grew considerably, as indicated by the changing attitudes in assessing the value of the relationship and how to make it an important and amicable reality. A stronger relationship also emerged in the area of economic cooperation. It is argued in the thesis that increasing economic interpenetration was obviously important for the continuity and stability of the wider bilateral relationship because it became a glue to adhere the relationship and it became a major consideration for both governments, to be considered before any issue could easily damage the relationship. Moreover, a strong relationship emerged too in defence cooperation. An increasing awareness by both Australia and Indonesia of the changing balance of power and its impact on the Asia-Pacific region moved both sides towards a better appreciation of their converging interests. In improving their defence relationship, both were of the view that close personal relations between their leadership cohorts could be a foundation for long term defence cooperation. Australia and Indonesia shared parallel responsibility for maintaining regional security, which was in particular symbolised by the signing of the security agreement by Australia and Indonesia in December 1995.

ACKNOWLEDGMENT

This thesis was completed in the Politics Department at the University of Adelaide with the financial support of an AusAID ASTAS Scholarship. In the process of completing the thesis, I was getting help of many individuals. It is with my great pleasure to acknowledge their help and support.

I should firstly express my gratitude to Dr. Robert Catley who helped me in many ways. Dr. Catley was my teacher and supervisor. As a teacher he has broadened my perspective on International Politics which has been a strong foundation for me to write a thesis on Australia-Indonesia relations. As a supervisor Dr. Catley has done an excellent job. His encouragement and willingness to exchange ideas on various issues concerning my thesis has widen my horizon. His passion to follow my ideas and arguments, which sometimes were difficult to understand because of my "Indonesian English", kept me in a good spirit to finish my thesis.

I also like to thank all staffs and Postgraduate fellows at the Politics Department, Adelaide University. Seminar programs within the department provided an opportunity for discussions, and its after seminar 'drinks' helped me in adjusting and getting to know more about Australian culture. All this made me feel that academic life in Adelaide was more useful and rewarding, and more importantly it helped my life in Adelaide less severe.

I benefited from comments and suggestions made by Chris White and his Andrée Hurburgh, who read part of first draft of my thesis. Andrew Ball gave some suggestions on chapter eight. Similar thank goes to my colleagues in the Department of International Relations, Faculty of Political and Social Sciences, at Airlangga University Surabaya, especially former head, Drs. Basis Susilo MA, for the spirit and support they have given me.

To my family, especially my father and mother, I thank you for moral support and prayers they have given me throughout my study. Finally, I am fortunate to have a wonderful wife, Theresa. She was a breadwinner during my study and had to take many family responsibilities. It is therefore to her I dedicate this thesis.

Adelaide, April 1997.

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

Adelaide, 27 April 1997


Vinsensio Dugis

TABLES

2.1	Australian Aid to Indonesia 1966-1972	41
2.2	Australia's Trade with Indonesia, 1967-1972	42
7.1	Australia's Aid to Indonesia, 1951/2 - 1965/6	170
7.2	Australia's Trade with Indonesia 1967-72	175
7.3	Indonesia's Export to and Import from Australia	176
7.4	Indoncsian-Australian Bilateral Exports and Imports	177
7.5	Indonesia's Export and Import by Country	178
7.6	Main Countries for Australia's Merchandise Exports	179
7.7	Indonesia's Main Exports to Australia 1986 and 1994	181
7.8	Indonesia's Main Imports from Australia 1986 and 1994	182
7.9	Bilateral Investment A\$ million	184
7.10	Australia's Investment in Indonesia	186
7.11	Foreign Investment in Indonesia 1/1/1967 - 31/10/'95	187
7.12	Indonesia's Approval of Foreign Investment, 1992-93	188
7.13	Indonesia's Approval of Foreign Investment, 1994-95	188
7.14	Foreign Investment in Indonesia, Share Cumulative (%)	190
7.15	Short Term Visitors Movement 1985-1995	193
7.16	Selected Australian-Indonesian Financial Service Connections	194
7.17	Australia's Bilateral Aid to Indonesia	196