

TOUR LEADER'S REPORT OF THE AIIAV STUDY TOUR TO INDONESIA
24 MAY – 6 JUNE 2009

Postscript

As I was completing this report I heard news of the terrorist attacks on the Marriott and Ritz Carlton Hotels in Jakarta which resulted in the deaths of 9 people including 3 Australians. Many more people were injured. We were all shocked at the news, firstly that it included an Australian Embassy official, but also that the bulk of the injured were Indonesians (and mostly Muslim). Rather than modifying the remarks about terrorism and DFAT travel warnings I think it is interesting to leave them as is and contemplate the way that such attacks can modify the equation overnight. During our time in Indonesia we heard positive commentaries about the successes of the Indonesian government and police in the fight against terrorism. There had not been a major terrorist attack for almost 4 years. In retrospect one of the issues which was not particularly discussed was that of Jemaah Islamiyah and its links to previous terrorist attacks. In an article in the International Herald Tribune on 23 July 2009 Sidney Jones, an expert on Islamic terrorism at the International Crisis Group's branch in Jakarta (and who we had hoped to meet in Jakarta but could not due to her absence), talks about the sources of terrorism in Indonesia. One of the breeding grounds of terrorism are the Islamic schools (pesantrens) of which an estimated 50 schools have ties to Jemaah Islamiyah and where fugitives are sheltered, new recruits are found and money is raised. She said "these places are nodes of communication that are critical to keeping the network alive. Everyone knows where these schools are but there's been a sensitivity in dealing with them because people don't want to see Islamic education stigmatized". The article went on to say "Islamic schools, or pesantrens, have long played a central role in many Indonesian communities. Only a few are said to espouse the kind of violence directed at the two hotels. But the schools which are politically powerful, have long resisted government scrutiny".

Although many militants have been arrested and Jemaah Islamiyah has been severely weakened throughout Southeast Asia authorities now need to concentrate more on eradicating the culture that breeds extremism. Part of the problem in Indonesia may be a fear to be using tactics that recall the era of military rule.

Both the President and members of all the legislatures who assume office in October, now face greater challenges than they did at the time of their respective elections in April and July. It is perhaps too early to assess the result of the bombings on Indonesian politics and society. However it is vital that the Indonesian authorities are successful in hunting down the ringleaders and perpetrators of these attacks so that they can inculcate in the population a sense that such attacks are not only anti Islamic but counterproductive and inimical to the national interest. It is also hoped that the work being undertaken by AusAID, in conjunction with the Indonesian government, (which is outlined in the Education section of this report) will help provide a balanced education in Islamic schools and eradicate the breeding grounds of terrorism.

Introduction

I had the privilege to lead the AIIAV 2009 Study Tour to Indonesia in the absence of Les Rowe, who was unfortunately unable to travel at the last minute after having done most of the preparatory work for the tour. The group consisted of 16 people, all from AIIAV

except for one member of the A.C.T. branch.

The tour lasted 12 days – 5 days in Jakarta, a 2 day visit to Bandung which included a stop in Bogor, 3 days in Yogyakarta which included visits to Borobodur and Prambanan, and finally 3 days in Bali which was extended to 5 for some of the group. This enabled us to gain an insight into various aspects of Indonesia – political, economic, historic, geographic, social and cultural.

Members of the group had differing levels of knowledge of Indonesia. Several had been to Jakarta and others to Bali. One had worked with a predecessor of AusAID in the Embassy in Jakarta in the 1970's and had not been back since.

Of course a tour of 12 days only scratches the surface of such a complex country as Indonesia but we were able to meet with an interesting selection of interlocutors who answered our many questions and enabled us to form views and achieve the goals of the tour which are listed below.

The program commenced with a comprehensive briefing at the Australian Embassy in Jakarta and continued over several days in Jakarta and Bali with representatives of NGO's and think tanks as well as journalists and other influential commentators. Records of the principal meetings with Mr Paul Robilliard (Deputy Head of Mission) and other Australian Embassy personnel, Mr Debnath Guharoy (Roy Morgan International), Mr Wimar Witoelar (leading Indonesian commentator and Adjunct Professor of Journalism and Public Relations at Deakin University), Prof. Dr. Jimly Asshiddiqie (recently retired Chief Justice of the Constitutional Court), Justice Alan Boulton AO (Regional Director, International Labour Organisation), Mr Kevin Evans (commentator and former Australian diplomat), Mr David Ramsay (Project Manager, Indonesian Transport Safety Assistance Project) and Mr Alan Stray (Director International Australian Transport Safety Bureau), Ms Clara Juwono (Vice Chair) and Mr Sunny Tanuwidja (political researcher) (Centre for Strategic and International Studies), Mr Bambung Harimurti (Editor, Tempo Magazine), Mr Lex Bartlem OAM (Consul-General Bali) and Ms Melinda Rio (Consul Bali), and Mr John Fawcett (CEO) and Ms Penny Lane (International Director) John Fawcett Foundation are included with the notes of meetings which follow this report. The CSIS is our counterpart organisation in Jakarta. We also visited the Parliament in Jakarta and attended a reception at the residence of the Australian Ambassador to Indonesia, H.E. Bill Farmer AO and his wife, Elaine.

We had been fortunate to receive a briefing from Professor Tim Lindsay from Melbourne University before our departure which meant that we were already aware of some of the important issues. He had explained some of the intricacies of the Indonesian political system, particularly concerning the parliamentary elections, which took place in April. He described Indonesia as “an emerging, messy democracy which bears much in common with India. However this represents a major transformation”. He also recommended to us an Australian Strategic Policy Institute publication entitled “Seeing Indonesia as a normal country” which helped provide a framework for our enquiries during our time in Indonesia.

The overall objectives of the tour can be summarised as follows:

- to gain an understanding of contemporary Indonesia – its adherence to democratic politics, its economy, society, coherence, religious tolerance, legal system, the role of the military, human rights and its approach to Australia

- to test the hypothesis, raised in the ASPI publication, that Indonesia is “a normal country, grappling with the same challenges as other large stable, middle-income developing democracies – such as India, Mexico or Brazil”
- to gain an appreciation of the diverse culture of Indonesia and learn something of the history, geography and culture of the archipelago
- to emphasise the AIIA’s interest in Indonesia and its support for the development of a soundly based bilateral relationship and the expansion of people to people contacts

Flying up from Sydney to Jakarta in daylight one is aware of the enormous geographical differences between the predominantly ochre-coloured and sparsely populated Australian continent and the green and often waterlogged tropical archipelago of 17,000 islands which makes up Indonesia, although certain areas do suffer from periodic drought. With a population of 245 million people, Indonesia is the 4th most populous nation on earth and the island of Java is one of the most densely populated in the world. Indonesia has a vast array of ethnic groups and languages and its population is somewhere between 85% and 88% Muslim. It has the largest Muslim population in the world. However there are in fact more Christians in Indonesia than in Australia (mainly in Eastern Indonesia).

We were in Indonesia at a particularly interesting time – with the conclusion of the counting of votes for the national, regional and local legislatures and the start of the presidential election campaign. It was while we were there that the 3 candidates picked their running mates and the official campaign commenced.

We found the *Jakarta Post* and *Tempo* (weekly) magazine both useful sources of information and were impressed by the content. There appears to be a free press although Bambang Harimurti, editor of *Tempo*, did tell us that he still spends quite some time at his local police station!

Observations:

Governance

Following independence in 1945 the new Indonesian state founded by President Soekarno was based on 5 principles which are known as Pancasila. They are:

- Belief in One Supreme God
- Just Humanitarianism
- Unity of Indonesia
- Democracy guided by Consultation
- Social Justice

We were privileged to meet over lunch in Jakarta with Professor Jimly Asshiddiqie, the former Chief Justice of the Constitutional Court, who outlined the vast changes which have taken place over the years since independence from the Dutch in 1945. Between 1999 and 2002 there were 4 amendments to the Constitution, which is still called the 1945 Constitution although it is vastly different. Originally there were 71 articles and now there are 199 (of which 25 of the original 71 were kept and 174 are new articles).

The Constitution has gone from being one of the shortest in the world to being one of the longest and was hammered out in the parliament where there was haggling over every clause. It follows a liberal-democratic model and incorporates the full text of the Universal Declaration of Human Rights. The Professor believes that just as the last 10 years have seen a period of enormous change in Indonesia the next 5 years will be an era of consolidation. Before 1998 Indonesia was effectively a dictatorship but it now has a multi party system which reflects the diversity of Indonesian society. At present there are 44 political parties of which 38 are represented at the national level and 6 are confined to Aceh. Presidential power has now been limited and the President can only proclaim legislation which adheres to the Constitution. At the same time a more decentralised system of governance has come into force. The 33 provinces and 520 districts are now free to make their own laws, regulations and policies. Since 2006 Aceh has also had a higher degree of autonomy than all the other provinces as a consequence of the peace settlement in the province. Although the devolution of power to the provinces and regions has consolidated, democracy in Indonesia has not yet led to better governance. It is hoped that this will follow.

The 1945 Constitution of the Republic of Indonesia stipulates that there are State Bodies, namely: the House of Representatives (DPR) (currently 550 members but increasing to 560 in the newly elected parliament), the Regional Representatives Council (DPD) (128 members – 4 from each province), the People's Consultative Assembly (MPR) (made up of members of the DPR and DPD), the President, the State Audit Board (BPK) and the Supreme Court (MA). The MPR may, upon the request of the DPR, dismiss the President or the Vice President. The DPR has the power to make law. Any bill is jointly debated by the DPR and the President to result in common agreement. There is less party discipline in the DPR than in the Westminster system and members cross the floor regularly.

The President and the Vice President are now directly elected for a five-year term. They govern with the assistance of an appointed Cabinet.

There are now 50 independent Commissions in Indonesia in areas such as human rights, corruption and elections.

The Political Situation

Indonesia has experienced a remarkable transition since the fall of the Soeharto government in 1998. It is now the third largest functioning democracy in the world after India and the United States. In fact Freedom House has designated Indonesia as the only fully free and democratic state in South East Asia. It is also now one of the most electorally competitive countries in the world. Participation rates in elections are also amongst the highest in the world for countries where voting is not compulsory.

Elections for all levels of government including the national parliament took place on 9 April 2009. Counting was very slow the result was not announced by the Electoral Commission until 9 May. This showed that the Democratic Party (PD) of President Susilo Bambang Yudhoyono (SBY) had gained 150 seats, Golkar 107 seats and PDI-P 95 seats. These are the parties of the 3 presidential candidates. Although there were some irregularities in the electoral process, with some voter fraud and over 700 challenges to be heard in the Constitutional Court, there was little violence. These challenges (at all levels of government) may result in the final figures for the national parliament differing

slightly from those quoted above.

The first round of the presidential elections was to be held on 7 July 2009, which was after our visit. We arrived in Jakarta as the 3 presidential candidates were picking their running mates. Nominations for president can only come from parties which have obtained 25% of the vote at the DPR elections or 20% of the seats. It was therefore necessary for 2 of the candidates: Jusuf Kalla (Golkar) and Megawati Sukarnoputri (PDI-P) to choose Vice Presidential candidates from parties which had received enough votes to allow them to stand. Both chose former Generals as their running mates – Wiranto (Kalla) and Prabowo (Megawati). Both of these men have dubious human rights records but the fact that military candidates are now seen as a political asset rather than a liability is due to the marked improvement in the military's reputation. Incumbent President Yudhoyono (SBY) is also a former general but his reputation has not been tainted by allegations of corruption and human rights abuses. He has chosen as his running mate Boediono who has had no recent political affiliation but is the former head of Bank Indonesia (the central bank). It was interesting to read in the Jakarta Post that most of the 6 candidates are quite wealthy.

We learnt that there is little difference in the policies of the major parties except in their reaction to specific issues. Ideology is not important and there is no capitalist/socialist divide. The parties of the 3 presidential candidates are based firmly in the centre in this regard. Indonesia's left/right divide, which had been a factor of Indonesian during the Soekarno regime has given way to a divide between the secular nationalists and the Islamists. Other cleavages are elitist versus populist, Java versus non-Java, urban versus rural and integralists versus pluralists. SBY's campaign is based on "more of the same" and the claim that voting for his opponents would be a step backwards, with Megawati having been an ineffective president and Golkar being the party of the discredited former president Soeharto. Despite the large Muslim majority the Islamic parties performed poorly in the parliamentary elections and in spite of the comment below in the Social Issues sector religion has not played a large part in the presidential campaign. Indonesians prefer to vote for secular parties as a whole. We also learnt that the Muslim parties do not often support each other.

It was also interesting to read on our return from Indonesia that the presidential debates have been such tame affairs as it is not in the Indonesian character to be anything other than polite to one's opponents.

The Economy

Indonesia is now classified as a middle income country but the proportion of people living in poverty is high compared with similar countries. 49% of Indonesians live on less than US\$2 per day. We learnt that poverty has not reduced over recent years in spite of the fact that the economy has turned around since the Asian financial crisis of 1997-98. Indonesia has now repaid the \$US43 billion that it borrowed from the IMF during the crisis and in 2007 had foreign exchange reserves of US\$60 billion. The country has fared quite well during the current Global Financial Crisis and its economy is still growing at a reduced rate of 4.4% with predictions of an annual rate of 2.4% in 2009 and 3.1% for 2010. (This compares with 6.1% in 2008). However the economy needs to grow by at least 7% to provide jobs for young people, in spite of the fact that Indonesia's population growth is under control. Unemployment is officially 8.2% but is not properly measured and is probably much higher. Exports are down by 32.9% compared with last year.

Indonesia has more rigid labour laws than its competitors and this has not encouraged foreign investment. There is also a danger that factories will move offshore. At present the economy is being driven by domestic demand. Spending on infrastructure has not been adequate over many years and we learnt that less than 1% of Indonesians have access to piped sewerage services. Foreign direct investment in Indonesia in 2008 was US\$2 billion which is much lower than the US\$7 billion invested in Thailand.

Social Issues & Human Rights

The wearing of headscarves by women was an issue which featured in the newspapers during our visit. The wives of both Joseph Kalla and Wiranto have been wearing headscarves during the campaign and there was a controversy raging as to whether this was exploiting people's religious prejudices. However a respected Muslim cleric Ahmad Mustofa "Gus Mus" Bisri, a senior figure with Nahdlatul Ulama (NU), Indonesia's largest Muslim organisation, voiced his strong objection in the *Jakarta Post* to the use of "religious symbols" in Indonesian political activities. The issue in fact seemed to be not that they wore scarves, but that others were trying to portray these women and their husbands as being more pious than those who didn't.

Another issue which our group followed with great interest was the case of a young mother of two who had written a private email to friends complaining of the quality of treatment she had received at a hospital in Tangerang. In response the hospital filed a civil lawsuit on the grounds of defamation and won the case. The woman was ordered to pay 50 million rupiah (\$A6,250) and make a public apology. Furthermore she was subsequently charged for a crime of libel by the state. The case received a lot of publicity and we were told by the editor of *Tempo* magazine that it was an issue that he and his colleagues would pursue in future. A subsequent article in the *Jakarta Post* on 6th June stated that "the court's ruling that Prita must pay severely for her complaint, sets a terrifying precedent for Indonesia". It warned that no-one would be able to complain about anything in future. A support group on the social networking site Facebook has attracted 150,000 members which shows the level of concern about the case within the community.

There was a headline in the *Jakarta Post* of 30/5/09 "Amnesty paints gloomy picture of RI human rights". It went on to say "Despite it being 11 years since Indonesia entered the reform era, attacks on freedom of expression and excessive force are still rampant across the archipelago, according to the latest report from Amnesty International". The report included the news that there were 117 prisoners of conscience in Indonesia (mainly in Papua). Notwithstanding AI's criticisms, the fact that the Indonesian Constitution includes the full text of the Universal Declaration of Human Rights enshrines formally a commitment to human rights which did not exist under both Soekarno and Soeharto's rule.

Relations between the Chinese community (comprising only 4% of the population) have improved since the anti Chinese riots which were a prelude to Soeharto's downfall in 1998. The Chinese are very economically very powerful and they control at least 75% of the economy.

There appears to be a high level of equality of the sexes in Indonesia, at least as far as the law is concerned. The fact that Indonesia has had a female president (Megawati Sukarnoputri) indicates that there is general acceptance of women as leaders. A headline

in the Jakarta Post of 28/5/09 stated “House sees record number of women”. It went on to say that the House of Representatives is welcoming a record high of 102 female legislators, or around 18% of the total of 560 seats (an increase from 11% at the previous election). These figures indicate that there is still some way to go but this is also the case in many developed countries. We learnt that women are seen as being less corrupt than men so that they may receive more electoral support in the future.

Role of the Military and Police

The role of the military has now changed from being an institution which ran the country (and which had reserved seats in parliament) to a more western role, with a separation from the political process. Serving TNI and police personnel are now not allowed to vote in elections and are instructed to be neutral. The current president has mandated that the TNI should not be involved in business but they argue that they do not receive enough funding from the government and they rely on the money they receive from their business ventures to carry out their military mandate. Although there is now a civilian defence minister the ministry is staffed entirely by military officers. Reform is continuing in the police force but corruption still exists.

Religion

At least 85% of the population of 245 million profess the Islamic faith but Indonesia is not an Islamic state and, except for Aceh, there has been no attempt to introduce Shariah law. Nearly 85% of Indonesians reject the idea that Indonesia should be an Islamic state. Indonesia's two largest muslim community organisations, Nahdlatul Ulama (NU) and Muhammadiyah together represent 70 million people. Despite the terrorist attacks which have taken place in the name of Islam most Indonesian Muslims are not strident in their faith and Indonesia can be seen as a tolerant, and fundamentally pluralist society. As well as Islam, Indonesia also recognises Catholicism, Protestantism, Hinduism, Buddhism and Confucianism as official religions. We were told that in general Indonesia has become a more religious country over recent years. This applies to both Islam and to other religions including the proliferation of charismatic denominations amongst Christians. There is in fact more conflict between followers of similar faiths than between those of different faiths.

Environment

Although we did not have a meeting specifically focused on the environment Catherine Sullivan took a specific interest in this subject and has prepared a separate report.

Transport Safety

Early in 2008 a Memorandum of Understanding was agreed between Australia and Indonesia in the area of transport safety. The focus of the program is on maritime and aviation safety although attention is also paid to road and rail transport. It was clear that the project reflects more than an endeavour to avoid further domestic aviation accidents such as the Garuda accident in Yogyakarta in March 2001 which resulted in the loss of Australian lives as well as those of other nationals. A separate report has been prepared on this topic by James Kimpton.

International Relations

Indonesia is now in a position to engage with the world from a position of relative strength. It plays a constructive role in our region and in the world at large. President Yudhoyono has led the process since his inauguration in 2004 and it is during his presidency that Indonesia has hosted the UN Framework Convention on Climate Change and the UN Anti Corruption Conference. Exploratory discussions have also commenced with a number of countries including Australia concerning preferential trade agreements. We were told that Indonesia is interested in the new regional initiative proposed by Kevin Rudd and for which former Australian Ambassador to Indonesia Richard Woolcott has been visiting countries of the region for preliminary discussions.

Indonesia was one of the 5 original founders of **ASEAN** and over recent years much of its foreign policy has been conducted via this organisation. However Indonesia now needs to move beyond ASEAN which is being reduced to the lowest common denominator by the actions of other members, particularly Myanmar (Burma). This is not to say that ASEAN will cease to exist as it is hard to imagine S.E. Asia without ASEAN but it does not speak with one voice. Indonesia would like ASEAN to be more proactive in dealing with Myanmar but it has not been successful as all ASEAN decisions are taken by consensus.

Relations with **China** have improved over recent years after a long period of difficulties resulting from the 1965 abortive coup in Indonesia and the allegations that China had been involved. This soured relations and Indonesia suspended diplomatic relations until 1991. Relations remain cautious and formal at the same time as economic ties have been strengthening steadily. China has become Indonesia's largest customer for natural resources such as coal.

Relations with the **USA** were recently highlighted by the visit of Secretary of State Hillary Clinton who has introduced the concept of a US/Indonesia Comprehensive Strategic Partnership, which is to be developed further. President Obama, who spent part of his childhood in Indonesia, is viewed far more favourably in Indonesia than his predecessor on a personal level. However Indonesians have, over recent years, been more positive about American culture than about its foreign policies, particularly concerning the Middle East.

Indonesia-Australia Relations

The Australian Embassy in Jakarta is now our largest mission in the world, employing 140 Australians and 350 local staff. The size of the embassy reflects the importance of our relationship and the geographic closeness.

There is no doubt that Australia and Indonesia have had difficulties in the past, both during the Soeharto era and more recently over the issue of East Timor, which came to a head in 1999. Many in Indonesia blamed Australia for the loss. But relations between the two countries have been steadily improving over recent years. We learnt during our briefing at the Embassy that the Australian public's perception of Indonesia are years out of date and are based on issues such as terrorism, people smuggling, West Papua and Pauline Hanson. This is not to say that some of these issues do not still exist but they have been superseded by some more positive issues. However it is impossible to forget

the issue of terrorism when one arrives in a bus at the Embassy in Jakarta and proceeds through the tight security which is a result of the bombing in 2004.

Attitudes in Indonesia towards Australia have changed since the 2004 tsunami when Australia's \$A1 billion donation was widely recognised. This led me to ask the question about how the relationship would be today if the tsunami hadn't occurred and I was told that it would still be improving, but at a slower pace. The relationship was further bolstered when Indonesia sent 5 forensic disaster experts to help identify bodies in the wake of the Victorian bushfires earlier this year and also donated \$A1 million for a school to be rebuilt.

Australia and Indonesia are now working closely together over people smuggling and other issues such as drug smuggling. The Australian Federal Police has 22 people stationed in Jakarta. There is a Memorandum of Understanding between the AFP and the Indonesian police. The Immigration Department has 7 Australians stationed in Jakarta as well as 20 local staff. Additional staff are located in Bali. Australian officials have been involved in projects to enhance border management. Indonesian officials have been sent to Australia on AusAID scholarships to learn English. Australia is also helping to fund UNHCR operations in Indonesia and we do resettle people who are found to be genuine refugees.

The recently released Defence White Paper indicates a positive relationship between Australia and Indonesia and a briefing was provided to Indonesian officials before the paper was released. Staff college exchanges also continue. In November 2006 the Lombok Treaty was signed (which came into effect in February 2008) and this provides the formal basis for the broad diplomatic relationship. A key principle is that both countries will refrain from the threat or use of force against the territorial integrity or political independence of the other. In January 2009 a Joint Statement on Australian Defence Force and TNI Cooperation was signed. This covers :

- Counter terrorism
- Maritime security
- Peacekeeping
- Intelligence
- Governance
- Humanitarian aid and disaster relief

Australia is the largest grant based donor to Indonesia. During his June 2008 visit to Indonesia Prime Minister Rudd announced Australia's strengthened \$A2.5 billion 5 year development partnership with Indonesia to help tackle poverty and promote regional peace, stability and prosperity. The aid program now stands at \$A450 million per annum. AusAID works in partnership with Indonesian organisations and tries not to tell them what to do. At present there are 3 main sectors:

- Education – particularly in the building of 2000 schools across Indonesia and for the support of basic education services in Islamic schools
- Infrastructure – including roads, bridges and culverts. As the Indonesian economy grows roads and infrastructure will be increasingly important
- Health – particularly in the field of maternal and infant mortality

In the area of education there is a strong relationship. Australian support for the delivery of basic education services in Indonesia has grown considerably – from A\$16 million in

2005-2006, to approximately A\$150 million in 2007-2008. As our education program with Indonesia grows, so will our investment in Islamic schools. The 2007-2012 Indonesia education strategy allocates up to 30% of education funding to supporting the delivery of basic education in Islamic schools. At each point in this process, our program has been developed at the request of the Indonesian government, in response to issues identified by the Indonesian government and in alignment with government policies and strategies. Our ongoing programs of support to Islamic schools take a two pronged approach, engaging at the central level and through government systems, while at the same time working directly at the school and community level.

At present there are 16,000 Indonesian students studying in Australia which injects about \$A500 million into the Australian economy. Many of the current leaders of Indonesia have either studied in Australia or have family members who have studied there. This includes the son of President Yudhoyono His vice presidential running mate, Boediono, also studied in Australia. The university alumni provide a backbone to the relationship with Australia.

Australia and Indonesia are also co-operating in the area of climate change. PM Rudd and President SBY released a Joint Statement in June 2008 on Climate Change, reaffirming both countries' resolve to respond to the serious challenge climate change presents and calling on all leaders to agree to a long term goal for emissions reductions as stipulated in the Bali Action Plan.

During our time in Bali we were fortunate to visit the John Fawcett Foundation which was founded in the 1980's by John Fawcett, who is an Australian from Perth. The foundation's main work is in the field of cataract surgery in Bali and other parts of Indonesia, but it also does work in other fields of medicine. The Foundation has undertaken over 300,000 operations. Local doctors have been trained by Australian doctors who visit Indonesia. Much of the funding for the work is provided by Australians. Further information on the Foundation is available from AIIAV for those interested. We were enormously impressed by the work being carried out by the foundation and it has undoubtedly helped contribute to the improvement in relations between our two countries.

Indonesia has not been an easy country in which to do business over recent years but an estimated 400 Australian companies have operations in Indonesia, mainly in mining, construction, finance, food & beverage and transport. 2 way trade in 2007 was valued at \$A10.7 billion, making Indonesia our 13th largest trade partner.

On the negative side we were told at the CSIS that Australia and Indonesia suffer from the "close neighbour" syndrome i.e. we are too close for comfort. However this problem is not unique and really means that both countries have to work harder at the relationship. In this regard the important bilateral conference "Partners in a New Era" which was held in Sydney in February 2009, was a step in the right direction. It drew together influential participants from both countries including one of the most high-powered delegations from Indonesia ever to visit Australia. A wide range of issues was discussed in an open and uninhibited way. It was a reaffirmation of Indonesia as a democratic society and as it develops further it will understand more how the opinions that are expressed by Australians towards Indonesia are not necessarily that of the government but those that emanate from a healthy democracy where people have a wide range of views.

Potential further problems could arise if disturbances in Papua lead to asylum seekers attempting to land in Australia. There is some sympathy for their cause amongst the Australian population but not from the government. Execution of the 3 people on death row in Bali also could be negative for the relationship as we move forward.

In order to strengthen people to people links it will also be important for Australia to encourage more Indonesians to visit Australia as at present far more Australians visit Indonesia (although mainly to Bali). However there are very few Australians studying in Indonesia and the teaching of Indonesian and other Asian languages in Australian schools has declined in recent years.

All in all we were impressed by the level of co-operation between Australian and Indonesia in many areas and the work being done by AusAID, something that is perhaps not widely known within our community. Naturally Indonesia does not want to be told what to do by outside “experts” so a co-operative approach has proved most effective.

The Tourist Experience

Although our meetings were the most important aspect of the tour we also had an opportunity to travel around the countryside where we could observe the way of life and appreciate some of the culture of Indonesia. It was interesting to observe that in Jakarta, Bandung and Yogyakarta there were very few western tourists and this was at the beginning of the so called “dry” season. The hotel in Yogyakarta appeared to have few guests but numbers may pick up as the holiday season starts in Europe and the United States. In Bali it was a different story. We were told that Bali has in fact benefited from the Global Financial Crisis as it is relatively cheap. The hotels were all of a high standard and priced more cheaply than those on our similar tour to Russia in 2008.

We travelled by train from Bandung to Yogyakarta. The journey took around 7 hours in a comfortable carriage but we were surprised at the entertainment which consisted of 3 extremely violent western films with the volume turned up far too high.

One of the highlights of the tour was the morning we spent at the world famous Borobudur temple complex, near Yogyakarta, where we were shown in detail by our excellent guide the 120 separate friezes depicting the life of Buddha. We also climbed to the highest level of the temple which has a magnificent view over the surrounding countryside. Borobudur, which was built in the 8th century A.D, is one of the greatest Buddhist monuments in the world. Later that day we also visited Prambanan, a Hindu temple, which was built not long after Borobudur. Most members of the group also returned to Prambanan to attend an evening performance of the Ramayana Ballet. Whilst in Yogyakarta we also visited the Sultan’s Palace (still used by the Sultan) and the Portugese built Water Palace.

In Bandung we visited the Tangkuban Prahu volcano and then bathed in the Ciater hot springs. On the same day we visited an angklung puppet and traditional dance and music show where the group were taught how to play the traditional wooden instruments.

In Bogor we visited the world famous botanical gardens which were founded in 1817 by the German botanist Prof. C.G.K. Reindwart. The garden now contains 14,354 specimens and accurate scientific records are maintained on all species. Located at an altitude of 260 metres, with humidity of between 80 to 90%, and average rainfall of 3,000

– 4,000 mm annually, the gardens are renowned for conserving species from wet lowland habitats. The plant which produces palm oil (now one of Indonesia's largest exports) was originally introduced into the gardens from West Africa: this became the mother plant of palm oil in all plantations throughout Southeast Asia. The gardens also contain a monument erected by Sir Stamford Raffles in memory of his wife.

In Bali we also visited Ubud which is the cultural centre of the island. We particularly enjoyed visiting one of the art galleries which contained paintings by contemporary and earlier artists.

As tourists we were impressed by the wide-spread understanding of English and the availability of newspapers in English.

A copy of the video of the tourist aspects of the tour is included with this report.

Future Challenges

Indonesia has made remarkable progress in the past 10 years but it still faces major challenges as we move further into the 21st century. Although so far it has fared better than many other countries during the current Global Financial Crisis it is the poor who have been hit the hardest. Poverty is still a major issue in Indonesia and efforts to lift living standards will be vital.

Indonesia is still one of the most corrupt countries in the world according to Transparency International. There is still much work to be done even though there are now a number of state agencies involved in the fight. We were told that decentralisation has moved corruption down to lower levels of society. In fact in 2007 out of approximately 470 district heads and mayors 41 were under formal investigation for corruption. Another comment made was that it is now much harder to get things done as you can no longer bribe officials. It is difficult to see Indonesia succeeding in an increasingly competitive environment without major bureaucratic, regulatory and legal reforms.

Since the fall of Soeharto political reforms have been more important than improved governance and better services. The lower levels of government are also run by people who are less experienced in governing. "Seeing Indonesia as a normal country" states: "the challenge now is to move beyond the foundational achievements of electoral democratisation and other initial reforms to the next phase of pursuing more effective governance that delivers outcomes demanded by society". A common complaint is that democratisation has created "little kings": local rulers pushing their own business or political interests. Local autonomy has also added layers of fees and taxes, contributing to Indonesia's reputation as one of the hardest nations in which to do business.

Problems in some of the regions will also need to be addressed. Although the separatist movement in Aceh has calmed down since the granting of special autonomy in 2006 26.5% of the population of this region lived in poverty in 2006 and it has since increased. Separatist problems in the provinces of Papua and West Papua are also less severe but the provinces face developmental challenges including poverty, unemployment, health care, education and accelerating environmental damage.

There is also much to do in the field of infrastructure development and this requires expertise and capital. Indonesia has not been a particularly friendly environment for

foreign companies to invest in and this must change. The weak legal system and poor local government policies have particularly deterred Australian mining companies from investing in Indonesia. Indonesia needs to take steps to encourage foreign investment in all areas of the economy.

Improving education will also be vital. At present flow-on rates from primary school to secondary school are low. Health also requires much more attention and we learnt that the maternal mortality rate is 3 times that of Vietnam and 6 times that of China.

The spectre of terrorism still lurks but the Indonesian police have recently been quite successful in keeping this problem under control. Although Indonesia's democracy appears to be stable it will need to guard against threats from possible extremists emanating either from the military or religious fanatics.

Indonesia also suffers from the periodic effects of El Nino, the warming of the Pacific Ocean that creates chaos in global weather patterns. It is one of the world's biggest producer's of palm oil – a basic source of income for many of its poor – and a drought would hit this commodity hard.

Conclusion

There is no doubt that a stable Indonesia is vitally important for Australia. It is critical for our security that we do not have an antagonistic neighbour. Indonesia straddles important sea lanes and air routes that allow Australians access to the world.

The introduction to "Seeing Indonesia as a normal country" includes the words "Indonesia's transformation of course poses challenges for Australia. In some ways, vibrant democracies are harder to deal with than dictatorships.....It's the consolidation of Indonesia's democratic governance that we should focus on as we improve our bilateral relationship and pursue our interests in Southeast Asia and the wider Asia-Pacific".

The bulk of this report was written before the July 7 election which saw President Yudhoyono overwhelmingly re-elected for another 5 year term commencing in October 2009. This is a positive outcome for the future of democratic governance in Indonesia and for the fight against corruption. The economic expertise of Vice President Boediono also bodes well for the management of the economy. The reform process, which has so far been uneven, will need to continue. Bureaucratic and civil service reform has only just begun. The President's Democratic Party (PD) will control approximately 150 seats out of the 560 seat house which means that he will continue to need the backing of smaller parties within the parliament. However he is in a better position than during his first term and he can claim a strong direct mandate from the people. SBY has indicated in public that he intends to be more decisive in this his final term and it is hoped that this will lead to stronger and more effective government. But it is also important to remember that the power of the central government has weakened since the 2001 decentralisation of government which handed over administrative and financial authority to regional and local governments.

If one reviews the objectives of the tour and asks whether these were met the answer would be a resounding "yes". The issues have all been addressed in this report or in the accompanying notes of meetings. We met with a wide ranging group of interlocutors

who answered all our questions frankly and honestly. We were never made to feel that there were issues we could not raise. My impression is that most of the group have returned with the view that Indonesia has made remarkable progress and is indeed a “normal country”, albeit a developing one. However it is necessary to recognise that development may well slow over coming years as Indonesia deals with the challenges ahead. We should not be overly optimistic about the future but recognise what has been achieved so far.

As far as “people to people” contacts go a tour such as ours does help further the relationship between our two countries and gives our members the opportunity to learn more about a country in a way that they might not be able to as ordinary tourists. One of the subjects which was discussed was the current DFAT Level 4 travel warning. There is no doubt that the Indonesians see this as an obstacle to improved ties. However the fact is that well over 300,000 Australians visited Indonesia last year (and numbers are up again this year). Most of these went to Bali which has been the scene of 2 bomb attacks and yet they were not deterred by the warnings.

Acknowledgements

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We are also grateful for the support we received from our institutional member, the Indonesian Consulate General in Melbourne, and in particular Consul-General Budiarmen Bahar.

Finally I would like to thank all of the members of the group for their unfailing support during the tour. They kept up with our gruelling schedule and always maintained a happy attitude. They remained interested and engaged until the very end and were a delightful group with which to travel.

**Zara Kimpton
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