

**Indonesia and U.S. Policy**

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Indonesia, with a population of 200 million, is the fourth most populous nation in the world after China, India and the United States. The Indonesian people occupy the world's largest archipelago, stretching more than 3,000 miles from mainland Southeast Asia eastward between Australia and the Philippines, and lying astride the sea lanes of communication between the Pacific and Indian oceans.

The Indonesian archipelago has been a center of maritime intercourse from earliest recorded history. Its products found their way to world markets in Roman and Han times. Some of the most important items of the long-distance trade that Fernand Braudel argues was essential to the creation of merchant capitalism -- pepper, cloves and nutmeg -- originated in what are now the Indonesian islands.<sup>1</sup> The later Dutch East Indies were valued as a source of sugar, tea, coffee, teak and other products of tropical plantation agriculture. The Japanese occupied the islands during World War II in large part out of interest in their oil and rubber. Oil and natural gas are now the economy's principal exports.

The Indonesian population is extraordinarily diverse. Although about 87 per cent of the population is Muslim, constituting the largest national Muslim society in the world, there is no ethnic majority. More than a third of the population belongs to the largest ethnic group, the Javanese. More than 300 other ethnic groups occupy the archipelago, and more than 250 distinct languages are spoken. Significant Protestant, Catholic, Buddhist and Hindu minorities exist, as do a wide range of beliefs and practices focused on local and ancestral spirit beings. A Chinese minority of less than three per cent dominates many sectors of the modern economy.

The principal political transitions in the modern history of the Indonesian people have been marked by considerable political violence. National independence was won from the Dutch by force of arms as well as by the skillful use of diplomacy; 50,000 Indonesians lost their lives in fighting in 1949 alone. The transition of power from Sukarno to Soeharto in 1965-66 occurred in the wake of a bloody coup attempt and massive communal violence in which up to 500,000 communists and other leftists lost their lives.

### Current Domestic Conditions

Since acceding to power in March, 1966, General and later President Soeharto has led a political system in which a high value has been placed on stability. Power is centered in the

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<sup>1</sup>Fernand Braudel, *Civilization and Capitalism, Fifteenth Century* (New York: Harper and Row, 1985), Vol. II, p. 408.

presidency. Soeharto has been supported by the army, which has its roots in the national revolution, and by a western-educated technocratic elite. Together these forces have produced policies over the past 30 years that have had much in common with the rest of the East Asian region. Economic development has been rapid, and social change widespread.

Indonesia's gross national product (GNP) per capita in U.S. dollars in 1994 was \$880, which was enough to place it just above the range of what the World Bank classifies as a low-income economy. Indonesia's GNP is enhanced considerably when it is converted from local currency using purchasing power parities instead of exchange rates as conversion factors. Then Indonesia is seen to have a per capita income equivalent to \$3,600, which approximates some of the poorer Latin American and East European states.<sup>2</sup>

This level of economic development has been achieved as a result of high annual rates of growth over most of the past 30 years. Real per capita gross domestic product has more than trebled in just a little over a generation.<sup>3</sup> Indonesia's GNP grew in real terms between 1985 and 1994 at an average annual rate of 6.0 per cent *per capita*, which compared very favorably with the average *decline* of 1.2 per cent experienced by all lower-middle-income countries as a group.<sup>4</sup>

This record of economic growth has been reflected in significant improvements in social development. The infant mortality rate fell from 127 per 1,000 live births in the early 1960s to 53 in 1994, a reduction of 58 per cent.<sup>5</sup> Life expectancy at birth, which was 44 years in the early 1960s, reached 63 years in 1994, an increase of 44 per cent. Secondary school enrollment went from a total of 12 per cent of the age group in the early 1960s to 48 per cent for males and 39 per cent for females in 1993.<sup>6</sup>

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<sup>2</sup>World Bank, "Selected World Development Indicators" in *From Plan to Market: World Development Report 1996* (New York: Oxford University Press, 1996), Table 1, pp. 188-189.

<sup>3</sup>Hal Hill, *The Indonesian Economy Since 1996: Southeast Asia's Emerging Giant* (Cambridge: Cambridge University Press, 1996), p.4.

<sup>4</sup>World Bank, *op.cit.*, Table 1, pp. 188-189.

<sup>5</sup>World Bank, *op.cit.*, Table 6, pp. 198-199.

<sup>6</sup>World Bank, *op.cit.*, Table 7, pp. 200-201.

Indonesia today has a level of gross national product per capita that is markedly higher than either China or India. But the levels of infant mortality, life expectancy and education are only somewhat better than India's, and they are uniformly and significantly lower than China's. It might be thought that Indonesia has less equitable patterns of income distribution than China and India, but this is not borne out by studies monitored by the World Bank. The bank recently estimated that Indonesia has a relatively low, and therefore relatively equitable, Gini index of 31.7, while India has an index of 33.8 and China an index of 37.6.<sup>7</sup>

It is more likely that Indonesia's level of social development, compared with the demographic giants of Asia, reflects Indonesia's extremely low starting point in the political turbulence of the late Sukarno years. In 1960-1965, Indonesia had a per capita income that was significantly lower than either China or India; the World Bank has estimated Indonesia's income in that period at \$30 per annum, which was far and away the lowest in Asia, while China's and India's were each put at \$90.<sup>8</sup> Indonesia's extremely low level of income was reflected in comparable levels of medical and educational services. For example, China had one physician for every 1,600 persons in 1960-65, and India had one for every 4,880, whereas Indonesia had only one for every 31,700. China had 89 per cent of its primary-school-age population in school, and India had 74 per cent in school, whereas Indonesia had only 72 per cent there.<sup>9</sup>

The Indonesian economy recovered rapidly after Soeharto assumed power, and his government has had much to do with the process. This has not been because Soeharto brought a dramatic change in economic philosophy. There remained, and remains, a deep-seated mistrust of market forces, economic liberalism, and private (especially Chinese) ownership.<sup>10</sup> However, Soeharto did bring a new and sustained priority to economic development. And his conservative management of the economy has shared several basic features with the "miracle" economies of East Asia and the booming economies of neighboring Singapore, Malaysia, and Thailand in Southeast Asia. Management of fiscal and monetary policy has been cautious and predictable. Policies have, when pressed, favored openness to the international economy. And strong

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<sup>7</sup>World Bank, op.cit., Table 5, pp. 196-197.

<sup>8</sup>World Bank, *Social Indicators of Development: 1990* (Baltimore: The Johns Hopkins University Press, 1991), pp. 63, 143 and 145.

<sup>9</sup>Ibid, pp. 62-63, 142-143, and 144-145.

<sup>10</sup>Hal Hill, *The Indonesian Economy Since 1996: Southeast Asia's Emerging Giant* (Cambridge: Cambridge University Press, 1996), p. 93.

emphasis has been placed on reducing poverty and social inequity.<sup>11</sup> The results have "validated for many Indonesians (Soeharto's) vision of a strong, insulated, paternalistic, developmental state."<sup>12</sup>

In spite of the success and staying power of the regime, presidential succession looms large as this is written. Soeharto is 76 years of age, and his wife has died in the past year. His current five-year term in office is scheduled to end in April 1998; it is widely expected that he will stand for re-election, and that he will be re-elected, although some in Jakarta think he will withdraw from day-to-day leadership in the manner of Lee Kuan Yew of Singapore. It is not only Soeharto's age and health that have served to focus attention on the issue of presidential succession. Soeharto has permitted nepotism and corruption to reach very large proportions in recent years; he is widely seen as out of touch with public opinion; and recent outbreaks of communal violence suggest that his regime is losing its power to command the support of ordinary, especially younger, citizens. These latter events in particular lend a sense of urgency to the process of succession. The longer the process drags on, it is feared, the greater the likelihood of more widespread disorder. Inevitably that has raised the question of whether the political regime itself will change when the political leadership does.

Any change in the regime is likely to involve the army, devout Muslims, and the new middle class, three separate but overlapping elements in the national society.

The army has long claimed the right to participate directly as an organized force in Indonesia's domestic political affairs. It will be in a position to dominate the succession process after Soeharto's death. The next president may well be another army officer, but whether he is or not, he will certainly be a much weaker president than Soeharto is today. The power accumulated by Soeharto over what has already been 30 years is not wholly transferable to another individual. And an army not controlled by the president as fully as Soeharto controls it at present would be a potential source of instability. This would be particularly so if the army were to find itself torn between loyalty to the president and loyalty to its own base of legitimacy

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<sup>11</sup>Hal Hill, *Towards a Political Economy Explanation of Rapid Growth in Southeast Asia*. Working Paper No. 96/2. Working Papers in Trade and Development. (Canberra: Department of Economics, Research School of Pacific and Asian Studies, The Australian National University, 1996.)

<sup>12</sup>R. William Liddle, "Indonesia's New Order: A Stable Authoritarian Regime," unpublished conference paper, 1996, p. 2.

in the positive opinion of the society at large. That issue already has been raised in the Jakarta press as a result of the Megawati affair -- the heavy-handed removal from the leadership of a political party of a potential rival to Soeharto, the popular daughter of Sukarno, the country's first president. At the same time, army unity is not a given. The current officer corps is divided along religious and academy-class lines. And although the strength of these divisions is not well understood, they could constitute an element working for political change that could be peaceful or violent, depending on the circumstances, in a crisis.

Islam, which has not been united since early in the twentieth century, has been experiencing a revival in Indonesia as elsewhere in the past decade. Soeharto has effectively removed Islamic organizations from the political stage and at the same time acknowledged the strength of Muslim opinion in social and cultural terms: for example, by altering the dress code for female students in state schools, ending a national lottery opposed by devout Muslims, sanctioning the establishment of a new Indonesian Association of Muslim Intellectuals headed by a prominent cabinet officer, and appointing to top army posts officers of devout Muslim background. On the other hand, any incident that aroused Muslim opinion to the point of violence in the capital city might have the potential to split the army between these officers (known as "green," a color associated with Islam) and others who identify themselves with national unity (known as "red and white," the color of the Indonesian flag).<sup>13</sup>

The middle class of Indonesia is still, by any measure, small by the standards of the socially more advanced nations of Southeast Asia. Most of the middle class is urban, and the urban population of Indonesia is still relatively small by regional standards. Newspaper circulation in Indonesia is only a third to a half the rate of the Philippines or Thailand. University students are fewer in number relative to the size of the population. Joewono Sudarsono has estimated that it would take another decade of very rapid economic growth to create an Indonesian middle class that contained 25 per cent of the population<sup>14</sup> -- roughly that of the Philippines in 1986 or Thailand in 1992, when middle-class demonstrators brought down authoritarian governments.

The middle class of Indonesia is also predominantly a dependent middle class. Many

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<sup>13</sup>R. William Liddle, "The Islamic Turn in Indonesia: A Political Explanation," *The Journal of Asian Studies*, Vol. 55, No. 3, August 1996, pp. 613-634.

<sup>14</sup>Juwono Sudarsono, "Demokrasi Lapisan Menengah," *Gatra*, January 4, 1997, p. C.

members of the middle class belong to the civil or military service. These include employees of powerful state enterprises that dominate such industries as rice, oil, and banking. Private businessmen in these and other sectors depend heavily on bureaucratic patronage in order to function. Moreover, a disproportionate share of the private business community is composed of ethnic Chinese, an extremely small minority, numbering less than three per cent of the population, and one that has frequently been harassed in times of social stress. Rather than constituting a growing center of power to balance the civil and military bureaucracies, the Chinese are an object of envy and suspicion. Much of the talk of inequitable income distribution that one encounters in Indonesia refers to the extraordinary concentration of great wealth in a relatively small number of Chinese families. It is widely believed that ethnic Chinese own something on the order of 75 per cent of Indonesia's corporate wealth, of the country's top 200 business houses, and of the companies listed on the Jakarta stock exchange.

A further source of concern is the large number of young people coming into the labor market each year. The rapid growth in the economy has been reflected in rising levels of education, rising rates of aggregate employment, and rising wages. But unemployment among educated urban youth has remained stubbornly high. Unemployment has been very high (on the order of 20 to 30 per cent) among senior high school graduates in their early twenties and university graduates in their late twenties. Labor economists observe that many educated young people are prepared to wait a long time in the hope of gaining entry into foreign firms and protected state enterprises that pay wages up to double the level elsewhere. But this also means that expectations are high, and that too many young men are on the streets with not enough to do.

In this environment, Indonesia experienced a series of outbreaks of communal violence in late 1996 and the first half of 1997 that shook the confidence of the regime and moved analysts to raise fundamental questions about the social costs of economic progress and political repression. Four incidents stood out, although many others, smaller in scale, occurred as well. In a town in East Java in October, rioting broke out over a perceived slight to Muslims in a court case. In a town in West Java in December, rioting by Muslims broke out in reaction to police violence. In these instances, the rioters attacked government buildings, destroyed Chinese shops, and burned Christian churches. Several lives were lost and many were injured in each instance.<sup>15</sup> In West Kalimantan (Borneo) in December, what began as a fight among teenagers after a concert led to large-scale violence between Dayaks native to the region and migrants from the

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<sup>15</sup>"Indonesia: Signs of Danger," *The Economist*, January 4, 1997, p. 40; John McBeth and Margot Cohen, "Indonesia: Tinderbox," *Far Eastern Economic Review*, January 9, 1997, pp. 14-15.

island of Madura; by the end of February the army was reporting that 300 had died in the fighting, while independent sources put the total at well over 1,000. In South Kalimantan, on the last day of campaigning before parliamentary elections in May, members of rival political parties clashed, rioting broke out, then looting of a shopping complex, and finally a fire in the complex that left 130 dead. In spite of a record victory for the government party at the polls, it was evident that large elements of the society were alienated from the regime.

And yet the process of regime change is equally likely to be fraught with difficulty. The army is likely to resist any diminution of its political role, suggesting a possible future of coups and threats of coups, such as have been experienced in Thailand and the Philippines. Devout Muslims are likely to insist on an increase of their own political role, calling into question the capacity of the Indonesian political system to sustain its present pluralism. The uncommitted middle class, shaken by the recent rioting, is likely to be a force for continuation of the *status quo*. For these reasons, the evolution of a political regime that is more representative of the variety of interests of Indonesian society, and one that is at the same time capable of maintaining public order, cannot be assumed. A certain amount of good fortune will be needed. It will help very much if the economy continues to grow fast enough to make possible continued improvements in benefits for all. It will help a great deal if future leadership falls in the hands of an individual or group of individuals capable of causing the Indonesian nation to rise to the level of its potential.

The future political prospect for Indonesia will be significant not only for itself. It will be significant for the rest of Southeast Asia. And, as we shall argue, for the rest of the wider Asia-Pacific region as well.

### Indonesia as a Pivotal State

Indonesia is *primus inter pares* among the 10 states of Southeast Asia. And it is a significant actor in the wider region of East Asia and the Pacific.

Indonesia bulks large in Southeast Asia in part because it accounts for 40 per cent of the population of the entire region. This is enough to put it in a class without parallel in Latin America or Africa; neither Brazil nor Nigeria comes anywhere near to occupying the demographic position in its own region that Indonesia holds in Southeast Asia -- a region roughly equal to Latin America or sub-Saharan Africa in total population.



Indonesia also bulks large because of the size and diversity of its economy. The gross domestic product of Indonesia is the largest in the region. Moreover, the Indonesian economy is a more broadly based economy than any other in Southeast Asia, in part because of the richness of its mineral resources, which include, in addition to oil and natural gas, deposits of tin, iron, bauxite, nickel, copper, silver and gold, all of which are exported in significant quantities through working arrangements with major multinational corporations from East Asia, North America and Western Europe.

Indonesia holds a leading position among the states of Southeast Asia for the additional reason of its geographic location. The relative remoteness of the Indonesian archipelago from its neighbors has served to protect it from external threats. The only serious threat in its 50 years of independence has been that of domestic subversion by the one-time Communist Party of Indonesia, with the external support of China and Russia. At the same time, its geography has given Indonesia potential rights over sea lanes that are essential to the survival of Singapore and Malaysia and vital to the foreign trade of Australia and to the supply of Middle Eastern oil to Japan, Korea and Taiwan. This strategic dimension of its location is responsible for the keen interest in Indonesia's affairs on the part of these regional and extra-regional powers.

Indonesia bulks large in Southeast Asia because of its diplomatic history as well. The volatility of the country's domestic politics in the early 1960s was reflected in its foreign policy. Affronted by the formation of the federation of Malaysia without consultation with him, Sukarno initiated a campaign of "confrontation" against the new neighboring state. When Malaysia was seated as a member of the U.N. Security Council in 1963, Sukarno withdrew from the United Nations and attempted to mobilize support for a parallel Conference of New Emerging Forces, comprising Asian and African nations and members of the Socialist bloc. By 1965 Sukarno was declaring a Beijing-Hanoi-Jakarta axis. "Confrontation" against Malaysia was moving toward invasion when Sukarno fell from power in 1966.

Soeharto's leadership of Indonesia has, by contrast, been reflected in an emphasis on good neighborly relations in the region. In 1967 Indonesia joined Malaysia, the Philippines, Singapore and Thailand in founding the Association of Southeast Asian Nations (ASEAN), in order, as Michael Liefer has put it, "to expunge the legacy of confrontation and also to promote a willing acceptance of Indonesia's political primacy" in the region.<sup>16</sup> Acting largely on the basis

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<sup>16</sup>Michael Liefer, *Indonesia's Foreign Policy* (London: George Allen & Unwin, 1983), p. 142.

of consensus, ASEAN has kept territorial disputes among the member states under reasonable control, enabled the members to give priority attention to their own internal security and economic development, and provided a means for the members to act as a group should external powers intervene in the region's affairs. When Vietnam invaded Cambodia at the end of 1978, the former supported by the Soviet Union and the latter by China, ASEAN began a campaign of diplomatic opposition that eventually obliged the Vietnamese to withdraw.<sup>17</sup> In 1995, with the Cold War ended and a new strategic situation obtaining, Vietnam was admitted to ASEAN membership, and Cambodia, Laos and Myanmar were approved for entry in mid-1997. The enlargement of ASEAN, its sponsors reckon, will give it a larger voice in forums beyond Southeast Asia.

Indonesia already has led the member states of ASEAN in demonstrating that they have a major stake in the design and construction of the international architecture for peace and prosperity in the wider Asia-Pacific region. The ASEAN states were crucial to the creation in 1989 of Asia Pacific Economic Cooperation (APEC), the first intergovernmental association in history linking North America, Northeast Asia, Southeast Asia, and Oceania. This was in spite of the strong preference on the part of Malaysia for an economic grouping that would exclude North America and Oceania. The ASEAN states also were crucial to the agreement to hold regular summit meetings of the heads of government of APEC, which has served to raise significantly the political investment in the organization's forward progress. This was again in spite of the resistance of Malaysia, which boycotted the first such meeting in Seattle. Indonesia is widely credited with having moved its fellow ASEAN members to override the Malaysian opposition to these developments. The principal APEC commitment to date has been the agreement to create a tariff-free environment for trade in the Pacific by the year 2020, a decision that was reached as a result of strong Indonesian lobbying in preparation for the APEC meeting of 1994, held in Bogor, Indonesia.

Indonesia also led the ASEAN states in taking a further significant step in July, 1993, when their foreign ministers voted to launch the ASEAN Regional Forum (ARF), which aims in its membership and agenda to address the security of the whole of the Asia-Pacific region, the first intergovernmental effort ever to do so. The original member states included, in addition to the ASEAN states, the United States and Canada, Japan and South Korea, Australia and New

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<sup>17</sup>Evelyn Colbert, "Southeast Asian Regional Politics: Toward a Regional Order," in W. Howard Wriggins, ed, *Dynamics of Regional Politics: Four Systems on the Indian Ocean Rim* (New York: Columbia University Press, 1992), pp. 211-274.

Zealand, and Russia and (most importantly) China. India and Myanmar were subsequently added. It has become clear that the absence of North Korea and Taiwan from the membership severely limits the ability of ARF to play a useful role with respect to the Korean peninsula and the Taiwan strait. Interest in ARF has tended to focus as a result on its utility with regard to overlapping claims to areas in the South China Sea, claims that involve China, Taiwan, Vietnam, the Philippines, Malaysia, Brunei, and potentially Indonesia. But ARF does also provide a point of contact among the major Pacific powers, and over the long term could serve to ameliorate disputes not now foreseen.

Given this diplomatic creativity, Indonesia's neighbors must hope that the process of leadership and regime change can be accomplished without significant modification of its present policy orientation. No one anticipates a return to the volatility of the Sukarno period, but a weaker leader than Soeharto could find that a more nationalistic agenda had some domestic appeal. And in the new interdependence of East Asia and the Pacific, such an Indonesian agenda could be unsettling to the region's peace and prosperity. It is not a stronger Indonesia that is to be feared, but a weaker one. The Indonesian armed forces are far behind those of Singapore and Malaysia in their modernization, particularly with respect to their naval and air arms; no threat to Indonesia's neighbors is seen from this direction. The threat, if there is one, lies in an Indonesia in disarray, unable to maintain its internal security, failing to meet its international obligations, and putting in jeopardy the orderly development of its own large economy and society and of the region of which it is a part. While one does not anticipate such an Indonesia, it is instructive to reflect on what such an Indonesia would mean for others, quite apart from the costs to the welfare and prospects of its own large society.

An Indonesia in disarray would be damaging to the political, military and economic interests of many other countries. The costs would be most serious for Indonesia's most immediate neighbors, Singapore and Malaysia, with which it has extensive political, economic and military ties, including intimate relations among their political and bureaucratic leaders, the most highly valued trade and finance relations in the region, and air and naval ties that are reflected in the most extensive joint exercises in the region. The damage would be considerable to the whole of ASEAN, however, including Thailand, the Philippines and Vietnam, which are united with Indonesia in growing bonds of common political and economic purpose, including a growing free trade area, in which Indonesia represents far and away the largest future market. But Japan, South Korea, Taiwan and Australia all have extensive economic and security interests in Indonesia as well, not the least of which is the passage through Indonesian waters of much of their most vital international trade. And finally, all these and the United States too would be

affected by an inability of Indonesia to continue providing leadership in regional affairs and helping offset the rise of China.

\_\_\_\_\_An Indonesia able to continue the foreign policy orientation of recent decades, on the other hand, would serve not only these regional interests but a large number of global ones as well. Indonesia's demographic size, economic weight, and non-aligned history combine to give it a significant role in world affairs, and potential permanent membership in an expanded U.N. Security Council. Indonesia already stands as a leading example of successful public policy in reducing population growth, increasing agricultural productivity, and reducing poverty in the Third World. It also stands as a model of religious pluralism in the Islamic world, and as a major exponent of market-oriented economic reform among the Group of 77. Preserving its significant natural environment (it is one of the world's eight "environmental heavyweights" in the reckoning of the World Resources Institute<sup>18</sup>) and improving its protection of human rights (it is a persisting offender in the view of Human Rights Watch<sup>19</sup>) depend crucially on the quality of Indonesia's government and civil society. And that in turn depends on the society's having the time and tranquility to build its own institutions of responsible governance.

There is one caveat to this positive assessment of Indonesia's international role. Indonesia has not avoided criticism, intense at times, of its management of East Timor, the former Portuguese colony that gained increased international attention as a result of the 1996 Nobel peace prize. The eastern half of the island of Timor was a colony of Portugal for four centuries, until political turmoil in Lisbon led to the abrupt withdrawal of the Portuguese administration in August 1975. A Marxist party made a unilateral declaration of independence, and Indonesian troops stormed ashore in December with much loss of life. U.S. President Gerald Ford and Secretary of State Henry Kissinger had met with Soeharto just before Indonesia acted. It has been widely reported that they were given advance notice of Indonesia's intention to intervene; the fall of Saigon to Communist troops only months before, along with the remoteness of the island of Timor, undoubtedly contributed to Mr. Kissinger's saying that he understood the Indonesians had to do what they had to do.<sup>20</sup>

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<sup>18</sup>World Resources Institute, *State of the World 1997*.

<sup>19</sup>Human Rights Watch, *Human Rights Watch World Report 1997* (New York: Human Rights Watch, 1996).

<sup>20</sup>James Dunn, "The Timor Affair in International Perspective," in Peter Carey and G. Carter Bentley, eds., *East Timor at the Crossroads: The Forging of a Nation* (Honolulu: University of Hawaii Press, 1995), pp. 59-72; and Paul F. Gardner, *Shared Hopes, Separate Fears: Fifty Years*

But it is evident that a large number of people in East Timor continue to resist Indonesian authority and resent Indonesian economic and cultural encroachment. Armed attacks on Indonesian troops took place as recently as May and June, 1997, as this was written. And any number of visitors to East Timor have reported the widespread Timorese desire that the Indonesians should go away and leave them alone. The United Nations continues to view Portugal as the administering authority. The European Union is holding off a major economic agreement with ASEAN until Portugal's interests in the matter are satisfied.<sup>21</sup> The Nobel Prize for Peace, awarded to Bishop Carlos Ximenes Belo and Jose Ramos Horta for their championing of the rights of the people of East Timor, helped put the issue on the U.S. Congressional agenda in Washington.<sup>22</sup> Until an acceptable international settlement of Timor's status is reached, it appears likely that Indonesia will fail to attract the full measure of international respect that it desires.

### American Amnesia

The official view of American interests in the future of Indonesia is not easily discovered. The White House, when it issued *A National Security Strategy of Engagement and Enlargement* in February, 1996, described American interests around the world at some length -- the document is 45 pages in length -- but it did not once mention Indonesia by name.<sup>23</sup> Indeed, there has been a pattern of such official amnesia. Winston Lord, the Assistant Secretary of State for East Asian and Pacific Affairs, in his confirmation hearings in March, 1993, delivered a prepared text of 15 pages on the goals of U.S. policy in the Pacific without mentioning Indonesia by name.<sup>24</sup> The same was true when the Department of Defense issued its report of February 1995 on *United States Security Strategy for the East Asia-Pacific Region*; Indonesia was not mentioned except in

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*of U.S.-Indonesian Relations* (Boulder: Westview Press, 1997), pp. 285-289.

<sup>21</sup>Stephen Sherlock, "Political Economy of the East Timor Conflict," *Asian Survey*, Vol. XXXVI, No. 9, September 1996, pp. 835-851.

<sup>22</sup>Philip Shenon, "Timorese Bishop and Exile Given Nobel Peace Prize: Award Panel Criticizes Indonesia on Rights," *The New York Times*, October 12, 1996, p. 6.

<sup>23</sup>Office of the President of the United States, *A National Security Strategy of Engagement and Enlargement* (Washington, D.C.: U.S. Government Printing Office, February 1996), 45 pp.

<sup>24</sup>Winston Lord, "A New Pacific Community: Ten Goals for American Policy," opening statement at confirmation hearings, March 31, 1993.

a list of the members of ASEAN and a table that listed even the smallest Pacific island grouping.<sup>25</sup>

The invisibility of Indonesia among Americans is of long standing. The fact that Indonesia was colonized by the Dutch, with the result that much of its colonial history was written in a language that few Americans understood, meant that the East Indies were always doubly remote. Toward the end of World War II, when General MacArthur's proposal to liberate the Netherlands Indies was rejected -- in favor of the strategy of racing up the island chain of the western Pacific to bring the war to the home islands of Japan -- Americans left to others the opportunity to be the liberators of this large and consequential nation. After the war, the study of Indonesia as an academic enterprise had barely begun in this country when the United States became involved in the fighting in Vietnam, an involvement that polarized the nation's campuses and led to a sharp decline in academic interest in Southeast Asia as a whole -- a decline that has begun to be reversed only in recent years. Meanwhile, in the U.S. government, the bureaucratic efficiencies gained by combining Southeast Asia in a single unit with China and Japan in the Department of State and elsewhere have been offset by the continued absence of senior officials with Indonesian experience in the Executive branch. One result is that, in the words of Paul Wolfowitz, a former senior official of the State and Defense departments, as well as a former ambassador to Jakarta, "even relatively well-informed Americans are unaware of the facts that make Indonesia one of the most important countries of the Pacific region."<sup>26</sup>

Against this background of ignorance, a series of events in the last half of 1996 put Indonesia in the pages of American newspapers, and brought discussion of U.S. policy in regard to Indonesia to the corridors of power in the nation's capital, for the first time in a generation. On July 27, rioting broke out in the streets of Jakarta, the worst in more than 20 years, as crowds of young people protested the forcible eviction, from the headquarters of the "opposition" Indonesian Democratic Party, of followers of Megawati, who had been deposed not long before from her position as party chairman by a government-instigated party gathering.<sup>27</sup> On October

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<sup>25</sup>Department of Defense, *United States Security Strategy for the East Asia-Pacific Region*, February, 1995, 32 pp.

<sup>26</sup>Paul Wolfowitz, Dean, The Paul H. Nitze School of Advanced International Studies of The Johns Hopkins University, "Testimony Before the U.S. Senate Committee on Foreign Relations, Subcommittee on East Asian and Pacific Affairs, Hearings on Indonesia," September 18, 1996.

<sup>27</sup>Seth Mydans, "Protesters Angered by Raid Battle Police in Indonesia," *The New York Times*, July 28, 1996, p. 8.

11, the award of the Nobel Prize for Peace to the two Timorese was announced in Oslo. And on October 14, it was charged that the Clinton presidential campaign had received illegal contributions from sources close to James Riady, a member of a prominent Chinese-Indonesian family.<sup>28</sup>

These events led to a cascade of negative commentary in the American press and pressure for punitive action in the Congress and elsewhere around the country. Matters came to something of a head in mid-1997. The State Department criticized the May 29 elections in Indonesia for severely limiting competition. Moving to preempt action by the U.S. Congress, Indonesia announced on June 6 that it was cancelling plans to buy nine F-16 fighter planes from the United States, as well as participation in a U.S.-funded program of military training. The U.S. House of Representatives approved unanimously on June 10 an amendment to the Foreign Relations Authorization Act criticizing Indonesia's abuses of human rights in East Timor. A Republican Congressman reported on June 12 that the U.S. had evidence that John Huang, a former employee of the Riady family's Lippo Group, while working at the Commerce Department, passed classified economic information to his former employer. The Clinton Administration announced on June 13 that it would ask the World Trade Organization to rule against Indonesia's national car project, "a program run by Mr. Suharto's son that puts foreign companies at a disadvantage in the country's potentially huge automobile market."<sup>29</sup> In New York City, it was reported on June 15 that the Speaker of the City Council had introduced a measure that would bar the city from doing business with companies that operate in Indonesia, among other countries, apparently for abusing the rights of Christians in East Timor. Measures to take similar action against Indonesia were reportedly under consideration in other American cities and some states.

It seemed unlikely that the recent actions would satisfy American critics of Indonesia. Especially if an accommodation with China is achieved, Indonesia offers a convenient alternative target for human rights, labor, and anti-trade activists. Indonesia is much less well known, and taken much less seriously by American political leaders. The White House has meanwhile been virtually immobilized by the fund-raising scandal. Even the constitutional issues raised by local

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<sup>28</sup>Eric Schmitt, "Gingrich Vigorously Assails Democrats' Fund Raising," *The New York Times*, October 14, 1996.

<sup>29</sup>David E. Sanger, "In the Shadow of Scandal, U.S. Challenges a Suharto Project," *The New York Times*, June 14, 1997.

government sanctions were going unchallenged. Criticism of Indonesia was thus cost-free. There was reason, therefore, to expect that more damage to the bilateral relationship would be done before the current destructive phase has run its course.

Eventually, however, the American political system will have to address the question of what purposes the current destruction of official relations with Indonesia is serving. Americans face major challenges under the best of circumstances in efforts to influence Indonesia. The result of political broadsides is that, while they may be psychologically satisfying to some American interest groups, and politically useful to some American politicians, they are likely to be without effect on Indonesian policy, unless it is to arouse Indonesian nationalist sentiment and make Indonesian policy even harder for Americans to influence. If this dead end is to be avoided, people in Washington are going to have to start to talk about American policy on Indonesia in a more open-ended fashion.

A starting point, we would suggest, is the hearing on Indonesia held by the United States Senate Committee on Foreign Relations on September 18, 1996, in the wake of the Megawati affair, before the topic was overwhelmed by the Nobel peace prize and the fund-raising scandal. On that occasion, statements were made by senior officials of the State and Defense departments, for the first time in memory, as to what U.S. official thinking on Indonesia was. I am going to argue that, on such evidence as this, the United States has been pursuing policies with regard to Indonesia that are mutually inconsistent. I will also argue that the United States has been pursuing some policies that are unachievable, given the resources currently devoted to them; and still others that are unachievable no matter what resources are devoted to them.

The principal resource in short supply is "a sophisticated diplomacy that is better calibrated to the changing Asian environment," as a leaked State Department memorandum argued two years ago.<sup>30</sup> This is not likely to be achieved in the present political environment of Washington. That environment includes an indecisive Democratic president in the White House, a Republican majority in both houses of Congress that is pressing forward with investigations of Indonesian funding of the Democratic National Committee, and a Democratic minority in the Congress that is increasingly ready to challenge the President. To this might be added a new Secretary of State who has had a life-long orientation toward Europe, and a vacancy in the office of Assistant Secretary of State for East Asia and the Pacific that has at this writing already lasted

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<sup>30</sup>Eduardo Lachica, "Leaked Memo is Warning to Clinton on Asia Policy," *Asia Wall Street Journal Weekly*, May 16, 1994, p. 4.



six months into the second Clinton administration. The prospect in this environment is for reduced political contact between the leadership of the two countries. And that means continuing American frustration over Washington's inability to influence Indonesia.

### America's Interests

President Clinton stated early in 1996 that the new era in world affairs calls for the United States to pursue a national strategy which, focussing on new threats and new opportunities, has three central goals:

To enhance our security with military forces that are ready to fight and with effective representation abroad.

To bolster America's economic revitalization.

To promote democracy abroad.<sup>31</sup>

How do these broad goals apply to a country such as Indonesia? Clearly they do not apply equally. Indonesia was hardly mentioned in the most recent Defense Department study of U.S. security in the East Asia-Pacific region; one must assume that it is not a high priority from the point of view of the U.S. military. And it should be clear from the foregoing discussion of domestic conditions in Indonesia that democracy is not in prospect in that country for the foreseeable future. One of the problems with American policy, then, is the large gap that exists between the ringing statements of policy expressed in global terms and the reality of practical cases to which the policies must be applied.

Reduced to more credible terms, the American security interest in Indonesia appears to be of two kinds. The White House and the Department of Defense are still focussed on what one might call "hard" security: the use of the armed forces of the United States in major regional contingencies. The White House devoted half its 1996 national strategy paper to explicitly military aspects of security, while the Defense Department in its 1995 report ranged beyond them only in a brief digression, acknowledging the significance of Asia's new economic success

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<sup>31</sup>Office of the President, op.cit., p. i.

and concluding that, for this very reason, "maintaining a credible security presence in Asia is vital to the post-Cold War international system now taking shape."<sup>32</sup> Neither the White House nor the Department of Defense seems yet inclined to set much store by what one might call "soft" security: the promotion of conditions that contribute to U.S. security without the need to bring U.S. armed forces into play.

This is a distinction that is useful to have in mind as one considers U.S. security interests in Indonesia. From the point of view of "hard" security, Indonesia is not a locus of the credible American security presence that is required in the East Asia-Pacific region. Indonesia is important to the United States military primarily, as Deputy Assistant Secretary of Defense Kurt Campbell has testified, "in terms of international transit rights through sea lanes."<sup>33</sup> Indonesia's vast span of thousands of islands forms a gateway between the Pacific and Indian Oceans through which U.S. naval forces periodically need to pass, particularly enroute to and from the Persian Gulf. And it is of primary importance to the United States that its "rights of passage through this strategic archipelago not be infringed."<sup>34</sup>

From the point of view of "soft" security, Indonesia is important to the United States as "a positive force for promoting regional and global goals that are in the U.S. interest," to use the words of Assistant Secretary Lord.<sup>35</sup> The principal interest the United States has in East Asia and the Pacific, as our behavior over the past 60 years attests, is that no other power or concert of powers should dominate the region. At present, the state that has the greatest potential to fill the role of regional hegemon is undoubtedly China, which is currently enjoying a very rapid rise in its economic output, in its foreign export earnings, and in its capacity to finance the modernization of its armed forces. China's rising position in the region will be moderated to mutual benefit to the extent that it is balanced by the rise of other states, of which Indonesia is a prominent example. This is the principal "soft security" interest the United States has in Indonesia, and it has implications for U.S. policy. To put the matter in a nutshell, it has made no sense for the United States to be concerned about Chinese aggressive behavior in the South

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<sup>32</sup>Department of Defense, *op.cit.*, p. 7.

<sup>33</sup>Kurt M. Campbell, Deputy Assistant Secretary of Defense for Asian and Pacific Affairs, "Statement for the Senate Foreign Relations Committee Hearing on Indonesia," September 18, 1996.

<sup>34</sup>*Ibid.*

<sup>35</sup>Winston Lord, 1996, *op.cit.*

China Sea and, at the same time, to deny Indonesia the ability to purchase U.S. F-16 fighter aircraft. Nor will the U.S. keep Indonesia from acquiring aircraft from other sources to fill its needs; Russia has already offered to sell advanced fighter aircraft to Indonesia with no political strings attached.

The U.S. "soft security" interest in Indonesia, in its entirety, is considerable. We have already seen the role that Indonesia has played in the founding of ASEAN, in moving APEC to reach agreement on long-term trade liberalization, and in founding the ASEAN Regional Forum. Indonesia also has recently brokered a peace agreement between the government and a Muslim separatist group in the Southern Philippines, completed a decade of providing safe haven to thousands of refugees from Vietnam, and sponsored a series of workshops to help resolve the longstanding territorial disputes in the South China Sea. Indonesia has become a significant global actor as well in recent years, chairing the Non-Aligned Movement and the Organization of the Islamic Conference, and sitting on the Security Council of the United Nations. Indonesia also has supported recent U.S. efforts in extending the Treaty on the Non-Proliferation of Nuclear Weapons, in attempting to negotiate a Comprehensive Test Ban Treaty, and in developing an acceptable nuclear energy regime in North Korea. On this record, it would seem that Assistant Secretary Lord was not overstating the case when he concluded that "Indonesia is a critically important nation in a region of vital significance to the U.S."<sup>36</sup>

It might seem doubtful to some that Indonesia also could meet President Clinton's standard of an economic partner that can help "bolster America's economic revitalization," but it certainly is approaching that level. Bilateral trade between the United States and Indonesia grew rapidly over the last five years to more than \$12 billion in 1996.<sup>37</sup> The World Bank now estimates that current growth rates would put Indonesia among the world's 20 biggest economies by 2005.<sup>38</sup> This growth, and the fact that its economy is already the largest in the region, caused the U.S. Department of Commerce in 1994 to select Indonesia as one of its "10 Emerging Markets" for priority attention. Another reason for Commerce Department attention is the high level of U.S. investment in Indonesia. Direct investment by American business totaled more

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<sup>36</sup>Ibid.

<sup>37</sup>U.S. Department of Commerce. International Trade Administration. Facsimile transmission, June 27, 1997.

<sup>38</sup>K.T. Arasu, "Indonesia future bright if policy right - World Bank," Reuter, Jakarta, June 18, 1997.

than \$7 billion in 1995, excluding the petroleum and natural gas sector. This reflected an increase of 118 per cent since 1990 and made Indonesia the second largest locus of such U.S. investment among the ASEAN economies.<sup>39</sup> U.S. investment in Indonesia's oil and gas industries is not quantifiable in the same terms, but Assistant Secretary Lord has described it as "massive."<sup>40</sup> Caltex produces annually almost half of all Indonesia's crude oil and condensate, and ARCO and Mobil are its third and fourth top producers. Moreover, Exxon has been selected to lead the project to exploit the Natuna natural gas reserve in the South China Sea, a project estimated to cost up to \$40 billion.<sup>41</sup> There seems no question that, when oil and gas are included, Indonesia leads the ASEAN economies in total U.S. investment. It is not too much to say that key sectors of the American economy now depend, to a degree that was never before in history the case, on the continuing rise of the Indonesian economy.

If these were the only interests of the United States in Indonesia, it would be possible to say, as President Clinton says in his national strategy statement of 1996, that "our goals...are mutually supportive."<sup>42</sup> Enhancing security and bolstering economic prosperity do tend to go hand in hand. It is the addition of "promoting democracy" that has introduced a conflict of interest. Part of the problem lies in a confusion of terms. The White House strategy statement describes "promoting democracy" in various ways. One formulation is "working with new democratic states to help preserve them as democracies committed to free markets and respect for human rights."<sup>43</sup> Another is that "we seek to increase respect for fundamental human rights in all states and encourage an evolution to democracy where that is possible."<sup>44</sup> A third formulation speaks of "enlargement of the community of market democracies respecting human rights and the environment."<sup>45</sup> The most extensive formulation in the White House statement says:

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<sup>39</sup>Winston Lord, 1996, op.cit.

<sup>40</sup>Ibid.

<sup>41</sup>Embassy of the United States of America, Jakarta, Indonesia, *Petroleum Report: Indonesia: 1993*.

<sup>42</sup>Office of the President, op.cit., p. ii.

<sup>43</sup>Office of the President, op.cit., p.32.

<sup>44</sup>Ibid.

<sup>45</sup>Ibid.

The core of our strategy is to help democracy and free markets expand and survive in other places where we have the strongest security concerns and where we can make the greatest difference. This is not a democratic crusade; it is a pragmatic commitment to make freedom take hold where that will help us most. Thus, we must target our effort to assist states that affect our strategic interests, such as those with large economies, critical locations, nuclear weapons or the potential to generate refugee flows into our own nation or into key friends and allies. We must focus our efforts where we have the most leverage. And our efforts must be demand-driven -- they must focus on nations whose people are pushing for reform or have already secured it.<sup>46</sup>

How does this apply to Indonesia? Secretary of State Warren Christopher, speaking before the Senate Foreign Relations Committee on August 1, 1996, said:

I think there's a strong interest in seeing an orderly transition of power there that will recognize the pluralism that should exist in a country of that magnitude and importance. So we will be encouraging a transition there that expresses the popular will.<sup>47</sup>

Assistant Secretary Lord, speaking before the same committee on September 18, 1996, said:

Administration officials, including President Clinton, repeatedly made clear that our

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<sup>46</sup>Ibid.

<sup>47</sup>Cited in Winston Lord, 1996, op.cit.

relationship, as strong as it currently is, cannot reach its full potential until Indonesia improves its human rights performance."<sup>48</sup>

What do these statements mean? Mr. Christopher seems to have stated a maximal position: that the United States has a "strong interest" in a more pluralist or populist government in Jakarta. Is this true? Would a more pluralist or populist government be in the U.S. interest? One feels obliged to suggest that this need not necessarily be the case. On the contrary, it is even likely that almost any successor regime will be more problematic for U.S. interests. We have seen that the present regime, with all its limitations, has acted in ways that are consistent with U.S. interests across a wide range of regional and global issues. There is no basis for believing that a more pluralist or populist government in Indonesia would be certain or even likely to improve on this performance. We also have seen that the domestic conditions in Indonesia give us every reason to expect that the political transition in Indonesia will be fraught with difficulty. Many members of the Indonesian elite would settle for an orderly transition. Nor is it clear that a more pluralist or populist regime would be their first priority for change; a less corrupt regime would almost certainly be the preference of many. In any event, to say that the United States has a view on what direction this process should take also ignores the White House dictum that the United States put its efforts where it can make the greatest difference. To suggest that this is in the democratization of Indonesia is surely wishful thinking.

Assistant Secretary Lord indicated that his statement also was intended to cover a broad range of political activity. He discussed conditions of detention, accusations of torture, the people's inability to change their government, and limitations on freedoms of expression, association, assembly and the press. He expressed special concern for the rights situations in East Timor and Irian Jaya, noted progress in response to abuses by troops, and reviewed reports of mistreatment of political detainees in the aftermath of July 27.<sup>49</sup>

It is unfortunate that the Clinton administration has developed neither a sense of proportion as it confronts its ambitious agenda, nor some sense of priority among its concerns. We have already indicated that contested elections do not appear likely in Indonesia for some years to come; the roots are lacking in Indonesian history and society. On the contrary, the suggestion that the United States can make a difference on this scale appears injudicious to many

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<sup>48</sup>Winston Lord, 1996, op.cit.

<sup>49</sup>Winston Lord, 1996, op.cit.

Indonesians. It also is worth noting that the Indonesian elite exercises considerable freedom of expression at the present time; the issues of presidential succession and regime change are frequently addressed by opinion leaders at public meetings and in the daily and weekly Indonesian press. The failure of U.S. officials to take note of such elements of openness in the situation tends to suggest it has less than a good grasp of the situation.

Having in mind the President's dictum that the United States must be pragmatic, demand-driven, and focussed where it has the greatest interest and the most leverage, which seems to us eminently sensible, one would expect that the United States would be limiting its political interventions to rights situations that meet this test. From this perspective, the United States has the greatest interest in the peaceful evolution of the Indonesian political regime. That means acting to encourage orderly change that meets international norms. Yet the greatest danger in Indonesia at present is that change will be neither peaceful nor orderly. The single most important thing the U.S. government can do in the near term is to avoid any action that could make a bad situation worse. Second, the United States needs to maintain or open up lines of communication with the entire array of political interest groups in Indonesia that are likely to play a role in the future of the country, including factions within the military, elements that are politically and economically influential within the civilian bureaucracy, leaders of the increasingly powerful Muslim organizations with which the army and bureaucracy must come to terms, and, at the same time, leaders of the nationalist, Chinese and Christian minority communities that have played critical balancing roles in the past and may do so yet again. In short, the political task is to put the U.S. official apparatus in better touch with the entire array of the Indonesian body politic.

How the United States goes about pursuing these interests is just as important as identifying them. There should be no mistake about it. Strong public criticism in the rights arena has already cost the United States some access in Jakarta, and has undercut any hope that the United States might have the sort of political influence there that Mr. Christopher seemed to imagine. Indeed, U.S. policy on democracy and human rights has led to a closing of ranks among the ASEAN governments, and the United States has lost influence in the region as a whole as a result. Particular attention needs to be given to how these interests are pursued by the United States in the light of this experience.

### Needed Policy Changes

Several policy prescriptions can be drawn from the foregoing discussion.

One of these is that the U.S. government needs to make a continuing effort to define the limits of U.S. interests in Southeast Asia, and to make them more credible with regard to countries such as Indonesia. This is not a point of view that is popular in Washington. When Peter Tarnoff, Undersecretary of State for Political Affairs, broached the concept of a more limited U.S. role in the world on May 25, 1993, his remarks were promptly disowned by the White House.<sup>50</sup> With greater or lesser specificity, however, the limits of U.S. power and influence do need to be recognized.

The United States also needs to face up to the fact that its current policy goals are not mutually supportive but, on the contrary, are mutually inconsistent. The United States has real interests in influencing political developments in Indonesia, and this is bound to affect official Indonesian cooperation in other areas. So the United States needs to consider how to proceed when it confronts a conflict of interest. That task falls to the White House, and for all practical purposes to the National Security Council. Yet the White House has only rarely become involved in Indonesian matters in recent decades, and the fund-raising scandal has poisoned the atmosphere for any action there that could be taken as beneficial to the Indonesians. Meanwhile, however, it is not possible to identify a single person in the senior ranks of the Executive branch with significant Indonesian experience. At a minimum the National Security Council staff should include one individual designated to hold the Indonesia brief. But something really needs to be done to bring senior U.S. officials, including leading members of the Congress, into more regular contact with members of the Indonesian elite, and with members of the U.S. business, academic and NGO communities who monitor Indonesian developments without the filter of Washington beltway preoccupations.

The United States needs, in addition, to address the imbalance that still exists in its approach to security. Indonesia does not have a high priority in the thinking of the U.S. Department of Defense; it is much more important to us for political and economic reasons than for military ones. Bilateral military ties are no longer extensive, as a result of U.S. sanctions. It is true, as Mr. Campbell of the Pentagon told the Senate Committee, that "in any scenario one can imagine for Indonesian political transition, the armed forces will remain one of the most important institutions in the country for some time."<sup>51</sup> But this is to argue that the United States

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<sup>50</sup>Daniel Williams and John Goshko, Washington Post Service, "A Lesser U.S. Role in the World?", *International Herald Tribune*, Paris, May 27, 1993, p. 1.

<sup>51</sup>Kurt Campbell, op.cit.



should address the Indonesian armed forces as a political force, not as a military one. Moreover, it probably also is true, as Mr. Campbell told the Committee, that "it is unrealistic to assume that any U.S. policies or actions taken toward the Indonesian military will produce fundamental changes in the military's behavior."<sup>52</sup> In these circumstances, the United States should begin to allow some distance to open up between its own military establishment and the Indonesian armed forces. At the same time, the United States can and should give more attention to Indonesia's potential contribution to the "soft" security dimensions of U.S. interests.

The United States needs to continue to improve its management of bilateral economic relations with Indonesia. The United States has a perennial trade deficit with Indonesia, as it does with the other market economies of Southeast Asia; the United States needs to bring a better balance into this trading relationship. The principal potential source of increased exports is U.S. participation in physical infrastructure projects in Indonesia: toll roads, telecommunications, power generation, mining, environmental protection, and tourism are all currently "hot" sectors in the opinion of the local American Chamber of Commerce.<sup>53</sup> American participation in these aspects of the Indonesian economy is impeded in Washington as well as in Jakarta. Former Secretary of State Lawrence Eagleburger and former Ambassador to Indonesia Robert Barry have argued that U.S. firms are hampered in Washington by disorganization and poor communication among the U.S. agencies that set trade policy and implement it.<sup>54</sup> Meanwhile, in Jakarta, a U.S. business delegation of 100 recently complained of losing too many projects to Asian investors because of Indonesian bureaucracy. They did not mention corruption but that was implied; the group urged continued deregulation.<sup>55</sup> The U.S. government needs to restore some leadership to the task of increasing U.S. exports to countries such as Indonesia, a quality that has been missing since the tragic death in 1996 of Commerce Secretary Ron Brown. The press has reported that the Administration has decided against reorganizing its trade-related agencies, but the U.S. interest would be better served by acting favorably on the Eagleburger-Barry recommendation.

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<sup>52</sup>Ibid.

<sup>53</sup>The American Chamber of Commerce in Indonesia, "Hot Sectors," *Presence 1996-1997* (Jakarta: Pintak Corporate Publications, 1997), pp. 27-31.

<sup>54</sup>John Bresnan, *From Dominoes to Dynamos: The Transformation of Southeast Asia* (New York: Council on Foreign Relations, 1994), pp. 29-52; Lawrence S. Eagleburger and Robert L. Barry, *op.cit.*, pp. 5-6.

<sup>55</sup>"Pengusaha Amerika Serikat Tolak Lobi Tingkat Tinggi Dalam Mendapatkan Proyek (U.S. Businessmen Reject High Level Lobbying for Projects)", *Kompas*, March 14, 1997, p. 1.

President Clinton's own standards with respect to human rights suggest that a reduction in U.S. official commentary on domestic Indonesian political affairs would be in order. It is not a question of American objectives. A more democratic political system in Indonesia is a reasonable American hope for the long term future, but it needs to be recognized that the history and culture of Indonesia are such that that system is probably distant. For the foreseeable future, the best that can be hoped for is the gradual evolution of the political system, and an Indonesian regime in transition that respects the fundamental rights of its non-violent domestic critics. When these rights are violated, the United States will have to respond in some way, or it will fail to provide moral support to the very elements in Indonesian society that are working for evolutionary change. But when and how the United States responds are issues for sensitive judgment, and public criticism needs to be measured out with particular care in the present environment in Indonesia. Especially given the limited experience in Washington, this is a case in which the judgment of a senior diplomat on the scene should weigh heavily in the balance.

Substantively, one U.S. priority should be continued support to institutions of civil society in Indonesia in the interest of maintaining the current balance of power in state-society relations. We are speaking here of student groups, academic bodies, labor unions, business associations, and other non-governmental organizations (NGOs), which constitute the major means by which many Indonesian citizens participate in the civic life of their country. Indonesia is estimated to have as many as 10,000 NGOs. They are significant as models of social and economic development that put their "emphasis (on) people's own definition of their needs and enhance their capacity for self-management," and also serving as "catalysts for promoting democratic values and processes within Indonesia's wider society and polity."<sup>56</sup> Some NGOs have been targets of attack or harassment by government security forces recently, and yet the bulk of the country's NGOs are working cooperatively with government agencies and are widely acknowledged as making positive contributions to Indonesia's development. It is important that the Indonesian government not misunderstand the U.S. interest. The United States and other Western governments and foundations have long supported these organizations, and should develop a common strategy regarding their current status and future prospects, possibly, as Sidney Jones has proposed, through the Consultative Group on Indonesia, a committee of donor governments chaired by the World Bank.<sup>57</sup> What is needed, in any event, is a sustained effort to

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<sup>56</sup>Philip J. Eldridge, *Non-Government Organizations and Democratic Participation in Indonesia* (Kuala Lumpur: Oxford University Press, 1995), p. 1.

<sup>57</sup>Sidney Jones, op.cit.

be sure that Indonesian security officials understand that foreign government funds have gone into the country's NGOs precisely because they contribute to the strengthening of civil society, and that they are worth protecting because they can serve as channels for dialogue in times of crisis.

The United States obviously needs to give particular attention to efforts toward an early settlement of the East Timor dispute. The official U.S. position has been that "the United States accepts the incorporation of East Timor without maintaining that a valid act of self-determination has taken place" and believes that "an internationally accepted comprehensive settlement is the best way to achieve lasting improvements in the situation."<sup>58</sup> The United Nations offers the best hope of bringing about that "internationally accepted comprehensive settlement." The international community gave an important signal to Indonesia when the U.N. Human Rights Commission passed a resolution on East Timor at its last meeting, and the U.S. was among its sponsors. U.N. Secretary General Kofi Annan has initiated fresh Indonesian-Portuguese-Timorese talks, and this effort deserves time to work. The United States should give strong support to this U.N. initiative; it has the best chance of any attempt yet to produce an agreement. Should the U.N. talks fail, it will be time enough to consider whether the United States might play a more direct role in a negotiated settlement.

Meanwhile, the United States also should take a more active interest in the economic and social welfare of the people of East Timor. Control of the territory by the Indonesian armed forces has been prejudicial to East Timor's development, and the United States needs to be pressing by all available means for the opening of alternate channels of commerce and communication, and making resources available for the process. At present, U.S. embassy staff in Jakarta visit East Timor "as resources permit."<sup>59</sup> That problem is one that Washington can do something about.

The United States thus faces a substantial policy agenda with respect to Indonesia, including much that requires quiet diplomacy at a high level. Yet it is uncertain that the necessary time and attention will be forthcoming. U.S.-Indonesia relations at the highest level have fallen precipitously in the course of the last half of 1996. At this writing it is doubtful they can be repaired during the tenures of the current incumbents.

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<sup>58</sup>Winston Lord, 1996, op.cit.

<sup>59</sup>Ibid.

## The Problem of Leadership

The decline in leadership weighs heavily on the current official relationship between the United States and Indonesia.

Part of the cause lies in the decline in the moral authority of President Soeharto of Indonesia. Mr. Soeharto has made a number of decisions lately that have shaken the confidence in him of the Indonesian elite. Some would identify the first of these as his decision to buy the surface fleet of the former East Germany; the decision was made on the recommendation of a favorite cabinet minister, without the concurrence of the ministries of defense or finance; press accounts of the ensuing cabinet dispute led to the banning of several publications, including the country's leading news weekly, *Tempo*. More recently, the decision to provide preferential tariff treatment to the automobile project led by one of Mr. Soeharto's sons shocked the domestic and international business community; the case was particularly troubling to the government of Japan, which had backed the commitment to manufacturing in Indonesia by the Toyota Corporation, and which was Indonesia's principal source of foreign aid and investment by a wide margin. The subsequent decision to "deflate" the political prospects of Megawati, and the ensuing violence that led to loss of life, were particularly shocking to many members of the Indonesian elite because it was widely believed that Mr. Soeharto had personally ordered the action. The tawdry handling of the Busang gold mine case at the end of 1996 only seemed to confirm that the Indonesian president was isolated from public opinion.

Meanwhile, President Clinton's moral authority to deal with Indonesia experienced an extraordinary decline in the last half of 1996. It needs to be recalled that Mr. Clinton had established a good personal relationship with Mr. Soeharto at meetings in Tokyo, Seattle and Bogor in 1993 and 1994. When Mr. Soeharto visited Washington in October, 1995, his meeting with President Clinton took place in a White House room crowded with U.S. officials who wanted to be present at an event that was considered a high point in the Clinton administration's Asian relations up to that time. But when Messrs. Soeharto and Clinton were jointly housed in the Manila Hotel at the APEC summit of November, 1996, White House aides took pains to see that the two did not meet even accidentally in the process of going to and from the APEC proceedings.

Undoubtedly the Megawati affair had already prejudiced the prospects for a Clinton-Soeharto meeting in Manila in November. The Clinton trip was scheduled long in advance to include stops in Bangkok and Sydney, as well as Manila, and even a vacation stop in Bali had

been ruled out as early as September. But the avoidance of contact with the Indonesian president was principally a response to the charges that surfaced in October, just before the U.S. elections, that the Democratic National Committee had received substantial funds for the 1994 campaigns from James T. Riady, an Indonesian financier, and had assigned John Huang, a former employee of Mr. Riady, and until 1995 a midlevel Commerce Department official, to raise funds for the campaign, resulting in some large donations that were later returned because of suspicions they had come from foreign sources.<sup>60</sup> Mr. Clinton acknowledged, just before leaving Washington for the trip that included Manila, that he had discussed Indonesia and China with Mr. Riady on two occasions in 1993 and in 1996. Mr. Clinton also said that Mr. Riady had not influenced any U.S. decisions. The two men had first met more than a decade earlier when Mr. Riady worked in a Little Rock bank owned by the Riady family.<sup>61</sup>

The cost of the apparent collapse of personal relations between the two presidents is potentially very high. In the short term it probably rules out any U.S. role as a friendly source of advice in Indonesia's presidential succession. Over the longer term, the prospect that the United States will have the political capacity to give increased attention to Indonesia, other than in connection with East Timor, is not great. It is more likely that the official amnesia of the early 1990s will continue, and that the two countries will continue to travel their separate paths to a less congenial future. If this prospect holds, the United States will, when the occasion arises, make pronouncements with regard to Indonesia that will arouse nationalist sensibilities, and meanwhile devote such limited resources that its goals will not have much chance of being achieved.

This prospect, bad as it is, is not all bad. Indonesia is a nation of sufficient consequence that other nations will not fall into a state of inaction just because the government of the United States is unable to act. We have seen in the course of this review that Japan and Australia have economic and security interests in Indonesia that are likely to sustain continued support for selected Indonesian reforms with or without U.S. leadership. In addition, the new multilateral institutions arising in East Asia and the Pacific, including APEC, as well as others at a global

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<sup>60</sup>"Money in Politics: The Year of Living Dangerously," *The New York Times*, Editorials/Letters, October 16, 1996, p. A16; William Safire, "Sleaze at the Top," *The New York Times*, OpEd, October 17, 1996.

<sup>61</sup>David E. Sanger, "President Admits He and Indonesian Had Policy Talks: Denies Undue Influence: But Clinton Says It Was Wrong for Friend's Ex-Employee to Raise Money in Taiwan," *The New York Times*, November 16, 1996.

level, including the WTO, will provide channels for nations seeking to be influential in Indonesian affairs with or without American initiatives. If the United States is less visible in Indonesian affairs for a time, that is not to say that it will be uninvolved. It does mean that, as Indonesia passes through a political transition that gives every sign of being traumatic, the United States is less likely to be drawn into the process. Given the quality of recent U.S. official thinking about Indonesia, that may be just as well.

A second reason not to be altogether pessimistic about the erosion of official U.S.-Indonesian relations is that many elements in the relationship are no longer wholly or even primarily dependant on governments.<sup>62</sup> The U.S. government provides less than \$100 million in direct foreign aid to Indonesia a year, but the U.S. private sector is responsible for an economic relationship that runs into many billions annually. U.S. private business sent its largest delegation in history to Jakarta in March, 1997, as official relations were reaching a nadir, and made up for the absence of current Clinton administration officials by bringing along such former U.S. officials as Alexander Haig, Lloyd Bentsen, and Laura Tyson; a U.S. bank arranged a visit to Jakarta by Colin Powell in the same month. Clearly U.S. corporate leaders no longer feel they need the U.S. government to open the way for them to talk with leaders of government and business in Indonesia. U.S. non-governmental organizations in such fields as human rights and environmental protection also are in continuing communication with their analogues in Indonesia, thanks to the Internet, and are particularly persuasive as a result. Private funding from the two countries also is supporting the rebirth of the academic study of Indonesia that is occurring at universities in the United States. This is not to say that the present level of private initiative is adequate. On the contrary, much of this private activity has developed in just the last few years, a period during which conflicts of interest have been kept to a minimum by the personal relationship that developed between the American and Indonesian presidents. In the cooler political environment that is now in prospect, it will be much more important for private funding sources to meet the challenge to U.S.-Indonesia relations that this environment will constitute.

There is nevertheless a real sense in which U.S.-Indonesian relations are becoming less exotic, more like other U.S. bilateral relations in Asia. More than 10,000 Indonesians are studying every year in American colleges and universities, supported very largely by their families. More young Americans are travelling to Indonesia as serious students than ever before.

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<sup>62</sup>Ibid.

More Indonesians are exporting to the United States, and investing in the United States. When the Riady contributions to the Clinton campaign were first reported, members of the Indonesian business community spoke in support of them. The line of reasoning was that the U.S. market was the largest in the world, and the U.S. government was a major actor in that market, using access as a way to reward or punish foreign behavior. It stood to reason, more than one businessman said, that Indonesians would be seeking to understand American politics and how to influence American policy. In the same way, Indonesian NGOs have begun to seek and find ways to influence U.S. policy. It is reasonable, in the present international environment, for corporate and social leaders in Indonesia to have an increasing interest in U.S. policy. Indeed, this interest is part of the privatization of relations between the two countries -- one might say, the normalization of relations -- that can only grow.