

Indonesia-Australia Dialogue

Sunday 3 and Monday 4 March 2013

Themes Paper

Overview

The Dialogue takes place this year at time when most observers in Australia believe the Australia-Indonesia relationship is in good shape. The relationships between our senior political leaders are positive; the architecture of the relationship has been strengthened (with regular leaders' level, combined foreign and affairs and defence ministers and other regular bilateral ministerial meetings); and co-operation in diverse fields (from law and justice to transport and defence) is flourishing.

But how can we build on this? There are significant challenges. Public opinion surveys continue to show a wide and perhaps widening gulf between community perceptions in both countries. Indonesians, many with growing global visions, appear to be thinking less about the relationship with Australia. Australians, though conscious of the size of Indonesia, still seem to think of the country in old fashioned ways – a view reinforced by media coverage highlighting youths in trouble on vacation in Bali. Does the lack of understanding and insight in our civil societies hold us back in building a sustainable long term bilateral partnership? If so how can that be addressed?

Working Groups

The aim of the Working Groups session is to form cross cutting groups across the two delegations with broad interests in similar functional areas including business, science, media and education and culture.

The first goal of the groups, being smaller than the plenary, is to allow an opportunity for participants to get to know each other and their professional perspectives better. Second, based on the premise that there are still perception gaps from the bottom up in the relationship, the groups provide an opportunity to survey the field, and identify and diagnose trends and issues in the area that are both facilitating and impeding bilateral collaboration and understanding. Third, drawing from the discussion, the groups should try to suggest pathways and actions which could be taken either to further accelerate positive trends or to address the barriers to progress. With these aims in mind, chairs should endeavour to draw participants out and guide discussions to a broad set of conclusions which can help shape the discussions in the third plenary session.

Plenary Sessions

Session 1: State of the Nations: Politics and Economics

Both Indonesia and Australia are portrayed internationally as exemplars of economic success in the midst of adverse global conditions. But is this accurate and if so can the relatively good times continue?

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On the foundation of recent political stability Indonesia has been achieving solid growth of around 6 %, fuelled by strong inflows of foreign investment. As a result there is renewed confidence amongst many Indonesians about the nation's prospects. But still, problems abound: clogged infrastructure, a weak skills base and the challenges of improving governance limit Indonesia's capacity to reach its full potential. Increasing restrictions on food imports to enhance self-sufficiency in food are fuelling inflation and aggravating trade relationships. While budgetary challenges caused by fuel subsidies and high private debt levels are also contributing to problems that could undo the present macro-stability, particularly as the political situation becomes more fluid to 2014 and beyond. Many Indonesians are dissatisfied with the way politics is played in the country, with various scandals distracting the political class from the real challenges at hand.

In Australia, after two decades of sustained growth and success in navigating the global financial crisis of 2008-9, some observers argue that the strains are well and truly showing. Fuelled by strong growth in Chinese demand for raw materials Australia has become a two speed economy with a persistently high Australian currency with negative impact on manufacturing and services like education and tourism. Improving national productivity, through stronger skills and less red tape, is a major challenge. With growth in China moderating and stalling elsewhere export and tax revenues are down and the budget bottom line is suffering. The government is facing a very stiff test in the lead up to elections in September with public dissatisfaction mounting.

What are the structural and strategic issues facing both Indonesia and Australia in 2013 and what actions need to be taken in both nations to address the key policy challenges. Is it likely that upcoming elections will produce political outcomes that will contribute to fresh reform drives or just more of the same? While the two nations are at different levels of development are there policy parallels from which each can observe and learn from the other? How can those interested in the bilateral relationship encourage a better more informed understanding of the political and policy debate in both nations?

Session 2: Regional and Strategic Issues

In the recent *Australia in the Asian Century* White Paper the Australian government highlighted the economic and social potential of a rising Asia, as the centre of gravity in the global affairs shifts from the Atlantic to the Indo-Pacific. However many commentators see in that rise a series of threatening shadows: competition over resources, unresolved territorial claims and national grievances. Governments keen to bolster their legitimacy in times of change are fuelling nationalism with social media providing the oxygen to create a geo-political combustible environment. Relations between China and Japan, with a newly elected, hawkish but cautious, LDP government, are tense. Globalisation, economic inter-connectedness and integration are no bar to conflict as historians of the West in the early 20th century well know. How are Indonesia and ASEAN and the wider EAS membership, including Australia, responding to these growing challenges? What are Australia and Indonesia's shared

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interests in the region? What can both countries do, separately and together, to further these interests?

These regional dynamics are, in turn, embedded in the evolving relationship between the US and China. The balance between competition and cooperation in the relationship is very finely poised both in political, strategic and economic affairs. The global macro-economy is unstable and prone to crisis and growth prospects are still weak. With new leadership in Beijing and a new foreign policy team in Washington carrying forward the strategic “rebalance” what is the outlook for the pivotal US-China relationship? With Indonesia hosting APEC and the WTO in 2013 and Australia hosting the G20 in 2014, what are the implications for Australia and Indonesia? How is Indonesia’s growth trajectory factoring into its regional strategy? Its changing economic and hence political and strategic weight makes it an obvious leader regionally in ASEAN and beyond, but is this a role sought by Indonesians?

Globally developments in the Middle East and West Asia continue have far-reaching impacts. The initial promise of democratisation in the “Arab Spring” has come up against the inevitable headwinds that confront revolutionary change as disparate emerging forces contend with vested interests. Democratisation offers the long term promise of legitimate governance by the consent of the majority, but in the short term can give vent to extreme tendencies long contained by authoritarianism. What lessons have been learnt from recent history? Meanwhile, in Afghanistan, the US and its allies are drawing down, but Afghanistan/ Pakistan remains as an incubation zone for radical Islamic splinters with jihadist ideas which still inspire acts of terrorism globally. As trends in global Islamic politics evolve, what will be the impact on Indonesia and Australia? Can the danger of radicalism be contained and minimised and if so how?

Session 3: Overcoming Barriers to Closer Engagement

The objective of this session is to receive reports and insights from the working groups held on Sunday 3 March; to prompt a review and diagnosis, in plenary, of the factors that impede closer and more effective cooperation between the two countries and to propose pathways and ideas to promote better more effective engagement.

In doing so participants in the plenary should be encouraged to also think about how the issues discussed during the day, the political and economic developments in each nation and the regional and global strategic situation, bear on the prospects for closer, more productive collaboration. As two middle powers, with great diversity in population size, culture and political and historical experience but sharing a similar geographic space, can Australia and Indonesia nevertheless work together to promote regional institution building and the rule of law. What are the building blocks that need to be set in place to make that kind of agenda feasible?

Discussion of outcomes, Recommendations and Future Directions

The final session is an opportunity for the Co-convenors and all participants to reflect on the key impressions and messages they will take away from the meeting, to

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summarise key recommendations and to look ahead at the future of the Dialogue. How can it be made truly sustainable and enduring as a valuable asset in the bilateral relationship?

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