

The Future of U.S.-Indonesian Relations: Building Mutual Understanding

By

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I am delighted to be here, and greatly appreciate the opportunity to address this group on the important subject of U.S. relations with Indonesia. I would like to thank the organizers of this conference--USINDO and its president, my colleague Ambassador Al La Porta, and the Centre for Strategic and International Studies in Jakarta, represented today by Jusuf Wanandi. I'd also like to thank our host, the Paul Nitze School of Advanced International Studies of Johns Hopkins University, represented by Professor Karl Jackson.

You have chosen a timely moment to gather us all here to discuss the future of U.S.-Indonesia relations. Both our countries have recently completed presidential elections, and our two Presidents will have their first official meeting later this week at the APEC meeting in Santiago, Chile. They will have much to discuss, growing out of the increasingly close ties our two countries have enjoyed in recent years.

Indonesia, as you know, has experienced a dizzying series of changes since the fall of President Suharto in 1998, representing rather amazing progress in the country's democratization. With a vast, multi-ethnic nation and little history of democracy, Indonesia has faced a steep learning curve, but the results so far have been impressive. The country has experienced not one but four peaceful transitions, and this year it successfully conducted the first-ever direct election of its President.

The U.S. has been a strong supporter of this democratic transition. We view the stakes here as enormous, for as President Bush has stated, the success of Indonesia as a pluralistic and democratic state is essential to the peace and prosperity of the Southeast Asia region. For that reason, our President met several times with former President Megawati, both in Washington and in Indonesia. During their meeting in Bali in October 2003, President Bush hailed Indonesia as a vital partner and a friend to America. "We share a commitment to democracy and tolerance," he said, and "we stand together against terrorism."

So it's no exaggeration to say we are excited about the future of U.S.-Indonesian relations, and we're determined to do everything we can to see our relationship live up to its full potential. We have a broad agenda, and lots of work ahead. Let me address the most important areas we will be emphasizing.

Our first priority is to encourage continued Indonesian progress on democracy and justice. Elections alone, however successful, do not in themselves constitute democracy. We envision an Indonesia that is democratic in the full sense of that term, a government that is transparent and accountable to its people, respects the rule of law, and protects the human rights of its citizens.

This is not to denigrate this year's elections--far from it. Indonesians went to

the polls three times this year, voting for a new parliament and voting in two rounds for President. And the turnout in the September 20 runoff vote was a whopping 75%, exceeding anything the U.S. has experienced recently, even during our extraordinarily well attended elections earlier this month. These polls were Indonesia's second series, after the equally successful elections of 1999. This is an impressive track record, particularly the enthusiastic participation of the Indonesian voters.

But there have been other important milestones in Indonesia's democratization. The military has lost its privileged position in the legislature, and the new parliament that was seated last month is the first in history to have no serving members of the military. A new police force has been created, its members removed from their previous position as part of the TNI, creating a separation of powers that will encourage efficiency and accountability. Civil society is growing rapidly, even though much remains to be done. The emergence of a relatively free press is especially important and needs to be encouraged. Finally, the country is going through the most ambitious decentralization effort in its history, a process that makes tremendous sense given the far-flung nature of its 33 provinces, 421 districts, and over 17,000 islands.

We've been impressed by the early statements President Yudhoyono has made regarding the importance of democracy and accountability. Just recently, he spoke by video conference to the U.S. Chambers of Commerce and told us he is driven by "the hopes of the Indonesians who entrusted me to improve their lives." He spoke of the power of good governance and said he is establishing a team that will be judged by its performance. He said he

wants to establish a system that is accountable to the people and, looking ahead, he wants to "ensure smooth elections in 2009."

These are all very welcome statements. The United States has worked with the Indonesian Government in all these areas and we intend to continue doing so. Just this year, we provided monetary and technical assistance totaling \$25 million to the electoral process. We are also engaged in a range of programs to build capacity in the judicial sector, strengthen civil society, and help with effective decentralized governance, including education, health, and water services. These programs include training for police, local government and judicial officials, internships for journalists, and special visitor exchange programs focusing on conflict resolution, human rights, and rule of law.

The best way to solidify democratic principles and practices, of course, is through educational opportunity. The U.S. is presently engaged in a 6-year program of more than \$157 million to strengthen the education sector in Indonesia. By providing support to Indonesian teachers and students, we hope to promote tolerance, counter extremism, and help provide critical reasoning and the substantive skills so necessary in the modern world. These programs will strengthen the management of schools, improve the quality of teaching, and increase the relevance of education to work and life skills for Indonesia's youth.

Another very important element of our policy is seeking enhanced cooperation on security issues. Indonesians know better than most the devastating effects of terrorist attacks, and we were horrified by the successive attacks in Bali and Jakarta over the last 3 years. We applaud the

Indonesian Government's serious response to those attacks, led at the time by then-Coordinating Minister for Security Yudhoyono. Indonesia's police and prosecutors have arrested and convicted over 80 terrorists since the Bali bombings. Indonesia has established an effective counterterrorism police force, which is working hard to bring terrorists to justice. Nevertheless the threat of future attacks remains serious. We salute President Yudhoyono's announcements that arresting key terrorists is a priority for him, and that he would like to enhance international cooperation on terrorism. I can assure you we intend to explore such cooperation further.

We want to see an Indonesia that is open for investment and trade, and we want to see our U.S. investors playing a prominent role in the country's economic development. When President Yudhoyono spoke to the U.S. Chamber of Commerce, he spoke movingly of his determination to address unemployment, which he estimated at 10% of the population, and poverty, which he said afflicts 10 million Indonesian citizens. He said his government's goal is to reduce unemployment to 6% and to reduce poverty by half. We support those goals.

In addition to our assistance aimed at strengthening democratic institutions, the U.S. is making a major effort to help Indonesia relieve poverty and embark on sound economic development. In August of this year, our Embassy signed an agreement with the government of Indonesia for a 5-year program that will provide a total of \$468 million for basic education, water, nutrition, and the environment.

If aid is an effective tool for economic development, investments are better because they tend to be self-perpetuating.

At present, about 300 U.S. companies have investments in Indonesia totaling over \$7.5 billion, and there are an estimated 3,500 U.S. business people there. Much of that investment is connected to Indonesia's rich natural resources, though there is some manufacturing as well. But we have to be frank about the potential for more U.S. investment. Many companies are reluctant to go to Indonesia because of the extremely uncertain legal system. They want respect for the sanctity of contracts, a clear and fair tax system, and most of all they want to do business in an atmosphere free of corruption.

President Yudhoyono has said that attacking corruption and establishing legal certainty are key priorities. We welcome those statements, and we hope to assist in improving the investment climate and legal system. We believe that enacting a clear investment law would be an excellent first step in that regard.

On the trade side, the U.S. and Indonesia signed a Trade and Investment Framework Agreement in 1996. That framework provides a sound basis for our discussions of detailed trade issues, and those discussions will continue early next year. Indonesia has recently taken important steps to uphold intellectual property rights, specifically concerning optical disks; the U.S. business community will be watching to see how those rules are enforced.

We are very interested in seeing Indonesia act as a stabilizing and responsible force in the region. Indeed, we have always viewed Indonesia as the cornerstone of regional security in Southeast Asia. In the past, Indonesia has played a significant leadership role in regional institutions like ASEAN and APEC. We look forward to seeing Jakarta reassert this prominent position in international fora and

institutions. Our two countries share the important strategic objective of a stable Southeast Asian region that is free of transnational threats, including terrorism, weapons of mass destruction, smuggling, and trafficking in persons. American interests are best served by a democratic, prosperous Indonesia that is secure within its borders and able to defend itself against transnational threats. For that reason we firmly support the territorial integrity of Indonesia.

Indonesia needs to be strong in order to be our partner in confronting the many challenges of this age. I have already mentioned the challenge of terrorism; another urgent challenge is in the realm of maritime security. The strategic sea lanes that pass through and along Indonesian territory carry roughly 30% of the world's sea-borne trade and are key transit routes for the U.S. naval fleet. Indonesia's vast archipelago is difficult to monitor. We stand ready to assist Indonesia address this important challenge in ways that we will decide on jointly, and we encourage the growing cooperation among Indonesia and its neighbors in this important field.

We also believe that as the country with the largest Muslim population in the world, Indonesia has a key role to play in demonstrating the virtues of tolerance and mutual respect in a diverse, multi-ethnic polity. The ability of so many Muslims to thrive economically and pursue a democratic, just society shows the way forward for Muslim and multi-religious societies throughout the world. We currently help support the exchange of Pesantren leaders to the United States in order to promote understanding between our two countries, and we will continue to do everything we can to promote dialogue between Indonesians and the fast-growing community of Muslims in America.

As elsewhere in the world, the United States must address the range of our interests with Indonesia in an integrated way. Many of our national interests coincide with those of Indonesia, and we will work with Jakarta wherever possible in the spirit of the true friendship we share. Nevertheless, there are areas of disagreement, and we need to address those frankly.

Even as we champion a strong and democratic Indonesia secure within its borders, we must also support negotiated settlements to the conflicts in Aceh and Papua. We believe that in any area suffering from communal conflict there needs to be free access by humanitarian groups, human rights workers, and the media. We also believe that to realize their democratic vision Indonesians will have to find the appropriate ways to further strengthen civilian control over the military and hold individuals accountable for abuses. Again, improving the judicial process, eliminating corruption in the judiciary, and creating professional standards will go a long way toward addressing these issues.

We also seek justice for the Americans and Indonesian murdered in Timika in 2002, an issue which continues to be viewed with urgency on our side. We appreciate the cooperation our FBI has received so far in its investigation, and we hope that the new government in Jakarta will do everything it can to bring those responsible for this atrocity to justice.

These same principles hold true with regard to accountability for the crimes against humanity committed in East Timor in 1999. We hope the Indonesian Government will cooperate fully with the UN Commission of Experts, as this seems to be the last and best hope for resolving this difficult and long-standing issue.

We are hopeful that the day will come when the U.S. and Indonesia will be able to enjoy fully restored relations between our respective militaries. We believe that U.S. assistance in the form of IMET and FMF would be in the interests of both countries. Unrestricted IMET training would be especially valuable in strengthening the professionalism of Indonesian military officers with respect to transparency, human rights, and public accountability. However, before that can happen we will need to resolve several issues to meet important Administration and Congressional concerns about human rights and accountability.

Let me conclude by emphasizing how much we all look forward to working with Indonesia as it enters this exciting new chapter in its history. Although many challenges will have to be resolved, we have a better opportunity now than at any time in the past to help strengthen democracy and respect for human rights, and contribute to the stability and prosperity of an important strategic partner. The United States considers Indonesia a valued friend, and we hope to make that friendship with this the largest democracy in East Asia even stronger in the years ahead.