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‘Forty Years of Australian-Indonesian Relations: What have we learned?’

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I have been asked to speak about the long sweep of Australia-Indonesia relations and in some way that is harder to talk about than specific episodes, because I have been obliged to sit back a little and to work out what I think on this subject.

I have not found it that easy. There are many ideas that swirl around. One can look at the relationship from many points of view, but here are some of my thoughts.

At the very broadest level my conclusions are as follows: We have a situation in the region where there are two very different countries. Much more different, really, than many of us in Australia understand or certainly the public policy dialogue in Australia understands.

Indonesia faces certain challenges and Australia faces others. It is almost chalk and cheese. The question then is how should we manage it? The conclusion I have drawn is that from some points of view the management of the relationship is okay because – and this may sound a very pessimistic point to make, but it is a crucial one – we have avoided war, and the country next door has held together which is enormously in our interest.

So there are some absolutely central things in this relationship. Often our day-to-day dialogue in the media and universities and so on, tends to focus on more ephemeral and short-term things, things that we are often very concerned about.

Most countries think about foreign policy - and promote their role overseas - in their image. We have our own view of the world and we tend to try and export it, and there is a clash here: We are attempting to export our views to a very different country which isn't very receptive to our exports anyway.

I have three main propositions: First the bilateral relationship with Indonesia tends to fluctuate too much. As a nation we send conflicting signals to Indonesia and within Australia, in a collective sense, we don't seem to be able to decide what our attitude towards Indonesia should be. It would be better if we could be steadier in our approach. I am not sure if it is possible, but as a policy goal it would be better if it was steadier.

Second, in order to be steadier we need - in our own interests - to understand Indonesia better. We particularly need to have a better understanding of the central challenge of development that Indonesia faces. We also need to have a better self-awareness of Australia's place in Asia: How we are seen by others and, more importantly, how much influence we can realistically hope to have over matters of interest to us.

My third proposition is that we should not look for reciprocity in these sorts of things. I sometimes hear people saying that Australia does things and Indonesia should do them too. I would argue that we should adopt these approaches towards the region irrespective of what approaches Indonesia and other neighbours adopt themselves.

These three propositions are arguably both unoriginal and largely self-evident. However, there are some implications.

My first proposition is that the bilateral relationship with Indonesia fluctuates too much. I have at least convinced myself that this proposition is quite defensible! If you take a quick sweep through history in the 1960s we had difficulties with Sukharno which at times came close to military exchanges. We had planes in Malaysia sitting there potentially to deal with issues on the border.

In the late 1960s there was considerable uncertainty. Although we held our noses over the transition from Sukarno to Suharto, at the time it was an enormous relief to Australia and the Western alliance. We averted our eyes, but Indonesia did what we privately thought needed to be done, even though it was not quite the way we wanted it done.

In the mid '70s there was the invasion of East Timor and the death of the Balibo Five, so our views about the early prospects of the Suharto Government were replaced with disapproval. In the '80s there was ambivalence about Suharto punctuated by incidents like the Jenkins Affair. In a way it is an ephemeral matter when David Jenkins writes one article on the front page of the SMH but it really caused difficulties at the time.

In the '90s there were fluctuations: Keating's attempt at a mutual security agreement arguably swung too far in favour of Indonesia, and then there was the Howard Government's coolness.

There was the Timor referendum in 1999 after which relations fell into quite a hole. Following that, for a whole range of reasons, in 2002-03 Australia and the West in general began to see it as in their interests to try to improve relations with Indonesia, seen by then to hold a central place in the war on terror.

The Indonesian tsunami occurred at the end of 2004 and Australia believed it was 'generous' in responding to the tsunami - I do not like the word 'generous', but Australia promoted an expanded aid program. Relations improved significantly for a period until some refugees came across the border from West Irian and the Indonesian Ambassador was withdrawn for three months. So the relationship with Indonesia really goes through ups and downs.

In a way it is easy to see why the relationship ebbs and flows. There are particular events and particular individuals affected. On the other hand it would seem to be better if we could keep things on a more even keel.

I am an economist and economist worry about fluctuations. I have three questions: do the fluctuations matter? What causes the fluctuations? What might be done to stabilise the trend? Do they matter?

They matter to me, because there is a tendency when crises begin arriving to focus on short-term issues, and they crowd out our attention and our focus on longer-term abiding matters. For me, the longer-term and abiding matter is stability and prosperity in the South-East Asian region and the need for Indonesia to build itself up as a modern state and the huge challenge it is facing as it tries to do so. It is in our interests to focus on that rather than such things as what David Jenkins has written last week.

The tendency is to get caught up in crisis management and to neglect longer-term problems in government. The former United Kingdom Prime Minister, Harold Macmillan, when asked by a journalist what had determined his policies in government famously replied “events my boy, events”. To some extent that is true.

It does seem that although an intense interest in short-term affairs is, to some extent, understandable, this does lead to something of a tug-of-war over policy in Australia. We can't seem to get things right when it comes to Indonesia. To be realistic, we have to accept that this is the way things are and hope that good and wise Ministers will deal with the inevitable squalls and try to keep an eye on the long term.

Perhaps that is not unreasonable because, as Gareth Evans once said when talking about his experience in government ‘if you can't ride two horses at once, you shouldn't be in the circus’. It would be good nevertheless, to focus on the long haul.

If we think fluctuations are a problem, it is useful to think about what causes them. Many of the ups and downs seem to reflect reactions on the Australian side rather than within Indonesia. It is a chicken-and-egg issue; people within Australia would often say they are responding to events in Indonesia and therefore it is Indonesia's fault.

In this sense, Australia seems to put more effort into the relationship than Indonesia does. In this sense the mercurial nature of the relationship is often at the Australian end. For 25 or 30 years a very steady anchor in the Australia-Indonesia relationship was President Suharto himself. Although it is fashionable to decry him now, we in Australia need to remember a very interesting thing.

When I think about 30 years of relations when Suharto was there and all the criticisms that were launched against Indonesia and Suharto himself, including quite a few speeches in the House of Representatives, I would have to say that I cannot recall one word that Suharto said that was critical or hostile to Australia. He may have said things in private, and certainly some of his advisers said a few things in public, but the grand old man himself held the course in a very steady way.

It would have been extremely easy for him to encourage riots outside the Australian Embassy. All he needed to do was to give the nod to one of his advisers, but Suharto held the relationship much steadier than we did.

Talking about responses, I stumbled across a very interesting comment by Professor Wang Gungwu who was at the ANU for a number years and who has held various senior positions in Asia. He was talking at the University of NSW about Australia's relations with Asia. He made a comment that was very interesting; let me read it to you:

“I am going to assume, looking ahead, that Australia is unlikely to be able to influence any part of Asia except marginally. On the contrary I would expect those parts of Asia closer to Australia to have increasingly strong influences over it. Following from this assumption, the Australia that Asians will see would be largely one that reacts to or responds to changing Asia. The future would then centre on how successfully Australia defends itself against what it does not like about Asia and how successfully it adapts itself and absorbs what it does like.”

So Professor Wang places a lot of emphasis on responsiveness.

There are two things I want to say about the Australian response. Many Australians would say that a lot of the problems are Indonesia's fault. They would say that all we want is a quiet life and it is Indonesia in its actions such as the invasion of East Timor or the 2002 Bali bombings and so on, that causes the trouble. Australia would say it is simply responding to events in a proper way, but note the emphasis on response.

The second factor that determines our relationship is that there does seem to be considerable ambivalence in Australia about how we deal with Indonesia. To put it crudely there are the doves and the hawks. The doves used to be called the Indonesia Lobby. The group, often at senior level in DFAT, Prime Minister and Cabinet, Defence Department and some academics, who argue in favour of looking to the longer term and avoiding getting too caught up with the Jenkins-type articles.

On the other hand there seem to be many more Australians who, for all sorts of reasons, harbour suspicion towards Indonesia. I find this worrying, but we have to accept and understand this. For 20 years or more I was in a state of denial about this. I have now come to believe that there is a quite significant group within Australia who are essentially very uneasy with Indonesia, and that the set of attitudes amongst this group is not going to go away.

Prominent among this hawkish group are some academics, journalists, NGOs and human rights activists, church groups, certainly some important Members of Parliament, public servants and various others. That is quite a group, and collectively quite influential. Australian policy is often caught in a tug-of-war between the doves and the hawks and I doubt that it is going to cease.

Is there anything we can do to stabilise the relationship? The conclusion I have come up with – and it is a tame solution – is that we should basically aim to avoid extremes, either being too enthusiastic or too antagonistic. Looking back over the past 20 or 30 years, I think we have swung between the extremes. Sometimes there has been excessive enthusiasm. Rawdon Dalrymple notes in his recent book about Australian foreign policy that Prime Minister Keating's surprising initiative to establish a mutual security treaty at the time appears to have run ahead of public opinion.

I am sure this was unwittingly on the part of Keating - although you can never be sure – but it seems to have actually encouraged a counter reaction. John Howard, when he came into government, to some extent responded against that. For a range of reasons, he adopted an activist approach towards events in East Timor. Arguably he conceded too much to short-term populist enthusiasm within Australia.

So my suggestion is that Australian policy towards Indonesia should resolutely aim for the middle ground between enthusiasm and antagonism. In putting forward this argument I am assuming that some of the factors affecting the relationship are deep-seated and structural on both sides. So I would like to say a few words on what I see as the broad problem of development and where Indonesia is going.

Therefore my second proposition is that we need in our own interests to understand Indonesia better. We particularly need to have a better understanding of the central challenge of development in Indonesia, and we need to have a better understanding of our place in the region.

On understanding, we need to note that the suspicions harboured are harboured on both sides. This is unfortunate at both ends. We spend some of our time poking fun at the groups overseas in Indonesia that are suspicious of us, but in their terms their fears are real enough, and I suppose our suspicions are real enough as well. In this context, I have a quote from Erich Fromm who is a famous humanist philosopher, who used to write quite a bit 30 or 40 years ago.

In a book with the strange title, 'The Art of Loving', Fromm made a comment about the way nations and individuals deal with each other, which comes rather close at times to our relations with Indonesia.

Fromm notes that the lack of objectivity as far as foreign nations are concerned is notorious. "From one day to another, another nation is made out to be utterly depraved and fiendish whilst one's own nation stands for everything that is good and noble. Every action of the enemy is judged by one standard every action of oneself, by another. Even good deeds by the enemy are considered a sign of particular devilishness meant to deceive us and the world, while our own bad deeds are necessary and are justified by our noble goals which they serve.

"Indeed, if one examines the relationship between nations as well as individuals one comes to the conclusion that objectivity is the exception and a greater or lesser degree of narcissism is the rule."

It is within that context that I think about Indonesia, and what seems to me to be many distorted views held about Indonesia in Australia. We all have our different views – human rights activists have views, military people will have views as will political people, and so on. I am a development economist and for me the main game in Asia is development – peace and prosperity and lifting living standards.

For me the single most important task is to tackle the awful problem of poverty in the region. Suharto did that pretty well and we hope Indonesia will continue to do that well. It is in Australia's interests that the region does that well.

We need to recall in looking at the two countries that there is an essential difference between Australia and Indonesia in basic conditions. Australia is a First World country, rich and predominantly Christian, largely orientated in values towards other OECD countries.

On the other hand, Indonesia is a Third World country, predominately poor, Muslim, largely orientated in values towards other nations in the developing world. Moreover, Indonesia faces a huge task of nation-building.

There are some key statistics that I want to mention. The first relates to population: Indonesia faces daunting population pressures, Java in particular where 60 per cent of the population lives – about 140 million people. That would not mean much to most Australians. What might mean more is that if that population density was translated to Tasmania, it would have a population of 70 million. And most of them would not have sewerage. It would be quite an environmental problem.

Poverty: We need to understand that despite the economic success of recent years, Indonesian policymakers are grappling with the huge problem of trying to reduce mass poverty. To deal with this problem Indonesia will need strong and sustained economic growth of hopefully seven per cent a year for 30 or 40 years to come. That has huge implications for investment needs, infrastructure. It also means that Indonesia cannot afford to devote resources to some of the things that we think important.

One of them is the global environmental problems. Tackling these things are luxuries that Indonesia can barely afford.

I mentioned the infrastructure challenge. There are huge differences here as well. One example makes the point. The average consumption of electricity in Australia is 10,000 kilowatt hours per person per year. The average figure in Indonesia is 400kwh, or four per cent of what we consume. Obviously to reach decent standards of living Indonesia needs to invest huge amounts in its electricity sector and on present technologies that will probably be coal. And if it isn't coal it is probably going to be nuclear. These are the sorts of hard environmental challenges that Indonesia looks at.

The need for infrastructure is huge. There are many other examples – the floods that occur in Jakarta almost every year with high human costs. However, the latest estimates are that there are still very large gaps between spending on infrastructure in Australia and that in Indonesia. On current forecasts Australia will be spending about \$US36 billion a year over the next couple of years. That works at about \$US1800 per person in Australia. By comparison Indonesia is likely to spend about \$US60 a person. The ratio is 30 to one.

So while Indonesia has huge infrastructure needs, it is us who are spending like mad. Indonesia, in the meantime, is going to continue to face extreme shortages. I mention these to highlight the development challenge.

Another point that raises extremely difficult issues relates to the capacity of the state. In dealing with Indonesia and many other developing countries such as Papua New Guinea, the Solomon Islands and certainly East Timor, we tend to assume a reasonably effective nation state. The trouble is that the Indonesian nation state and many of the others we deal with are really extremely weak. This stems from poverty.

It is often not convenient for leaders at either end to discuss this issue but it is a central problem. Again some statistics are useful:

Every year in Western OECD countries we have annual budgets. The current budget in Australia is round about \$300 billion. That works out to about \$US12,000 per person. That reflects the fact that Australia is a strong state. The state in Australia can do all sorts of things. It can enforce law and order, it can fund courts, it can support armed forces, fund pensions and universities, and so on.

By comparison the figure in Indonesia is only \$400; again the comparison with Australia is a ratio of 30. So we have a strong, wealthy state at this end, but we are dealing with a nation state at the other end of the relationship that has awful problems and is extremely short of resources.

There are also issues relating to security and important differences in basic interests between the two countries. Australia's main interests in the region would appear to be first the preservation of peace and stability in the overall region. Second the promotion of the set of democratic values currently widely shared across OECD nations, things like democracy, certain types of human rights – political but not necessarily economic rights – rule of law, combating terrorism and environmental issues such as the blue and green agenda.

Third, we want to maintain our standing in the Western group of nations. Fourth, we want to build Australia's standing in the region.

Indonesia's interests overlap with Australia's to some extent - but they are significantly different. Indonesia, like Australia, is naturally concerned with stability in the region, but has much more concern with stability at home. This issue of internal stability is really not an issue that is very important for Australia. The emphasis is quite different and leads to many misunderstandings between the two countries.

On the question of values, despite rhetoric to the contrary in Indonesia, Indonesian leaders do not give the same priority to the same sets of values that we give emphasis to in Australia. They don't give as high a priority to Western OECD values as we do. For example, there is a very vigorous debate going on in Indonesia at the moment about the role of Islam. How can Islam relate to a modern state?

I attended a meeting in ANU yesterday on the subject. It was packed with Indonesian students. Young Indonesians are very concerned about this question of values. They wonder where their nation is going. And they don't look to Western OECD values. They are exploring elsewhere as they think about the values for their nation.

And of course Australia relates to the Western group of nations while Indonesia relates to the G77 and other developing countries. Finally in the region – while Australia is interested in building its relations with the region - Indonesia already has established relations with Asean and is tending to work within existing structures.

I have also thought a little about self-awareness. In the context of working out what our policies towards Indonesia would seem to be, it seems to me that the main point of relevance in the current context is that it is sensible to aim to be quite realistic and not to overrate the amount of influence that Australia has in the region. I refer to Wang Gungwu's earlier quote about how we are likely to find ourselves often responding to events.

I would also like to report to you about my own experiences in the Asian Development Bank where I was Australia's executive director for four years in the early 1990s. The ADB at that stage had about 60 member countries. Interestingly enough, those countries fell broadly into six main groupings, three from the northern rich world and three from the southern poor world.

The three rich groupings in the ADB were America, which of course is so large it stands alone, Japan, which puts so much money into the ADB that it also stands alone, and Europe. The three groupings from the poor world are centred on China, South Asia and South-East Asia. What is interesting is that Australia does not seem to fit into any of these groups.

I used to feel quite alone in the ADB – that is okay, you can do trade-offs in appropriate situations. But it was notable that the only real group we could join with was the US and that had its own problems. One problem was the risk of reinforcing the image of Australia as a lap-dog of the US. Another problem was that when we joined on specific issues they did not listen to us very much anyway.

So my own conclusion on our standing in the region is that part of the art of living with Indonesia is to learn to punch within our weight rather than above it.

My final proposition is the issue of reciprocity. I mention this because quite often people in Australia say, in almost a plaintive way, that we are doing certain things in Australia to build bilateral bridges and Indonesia should respond. As a general rule we surely need to be careful about attaching conditionality to our relationship with Indonesia, or any other country in the region – sometimes it's reasonable, but often it is not.

There are two reasons for this; first conditionality is a tricky thing. It seems to work best when the relationship between the parties is fairly equal. In the case of Indonesia, the relationship is not equal. On one hand we often want more from the relationship than Indonesia is particularly inclined to give. On the other hand, we are rich and we are inclined to throw money at the problem.

Second, good policy is often good policy regardless of whether there is reciprocity or not. An example is that an economist such as myself would note that we learnt a long time ago that unilateral tariff reductions are often a very sensible thing from the economic point of view and it is not sensible to bargain too much about such things. By analogy, steps to increase our own knowledge of Indonesia, learning languages where appropriate and so on, are things which it is sensible to do regardless of whether or not Indonesia responds.

A quick summary: At the broadest level my argument has been that the bilateral relationship between Australia and Indonesia runs hot and cold. Australia is a First World country and Indonesia is a Third World country. There are big differences between the two countries. The tendency for the relationship to run hot and cold doesn't seem to be in our interests. We therefore need to consider what we can do about it.

Whether we can build more stability into the relationship between two countries that are very different is the challenge. From my point of view, it would at least help if there was more understanding in Australia of the huge challenges Indonesia faces and the extreme shortage of resources it has to tackle these daunting problems. It is in our interest to help Indonesia to be successful.

We should work with Indonesia to tackle these problems that we want solved because it is in our own interests to do so. And we should not look for much reciprocity in doing it because we are pursuing our own interests.

QUESTIONS

I have three observations that I would like you to comment on: We are always imposing ourselves on Indonesia by making constant demands on it and it never asks for anything; we need to operate on the premise that good fences make good neighbours, to work around that arc above Australia and to try and establish understandings that would limit the possibility of confrontations or other incidents; we need to manage our relationship with Indonesia because it is the key to the relationship with other countries in the region.

I agree with all of that. On your first point, that we often tend to impose ourselves on Indonesia – I have also often had that impression over the years. I think we often did it full of good intentions. We are almost a little like the Dutch colonialists in the way we do these things. We really think we are doing well.

It often reflects our own interests when we go to the Indonesians and say ‘we have got a good idea, we would like to fund you to work with it’. Then we often find the Indonesian response is disappointing for a range of reasons, but for two in particular. One is that they have been too polite and they haven’t said ‘we are not really interested’. Instead they nod and say ‘we are certainly willing to cooperate’.

There is another reason why it often doesn’t work very well. Often resources are required and the Indonesians are too embarrassed to say ‘we don’t have any money.’ Instead they hope that in one way or another, Australia will provide the funds. They sometimes hope that can get out of this embarrassing situation that our good friends from Australia have put us into. They sometimes take the view that they should try to cooperate if they can. So it gets fuzzy. Then, after a while, we get disappointed and send cables back to Canberra saying the Indonesians have been inefficient or won’t cooperate.

On the good fences issue - I agree except, of course for the new problem in the world of globalisation. Barriers are falling. I suppose, as a development economist, what strikes me – and we need to understand this in the rich world - that ‘they’ are coming. The poor world is coming, the Third World is coming.

‘They’ are going to come in their boats, or on the planes that they can smuggle themselves on. They will come as students and in all sorts of other ways; they will move across the borders as they do in the US and Europe.

After the war in Vietnam we took 100,000 of them. Now, rich countries now are constantly under pressure to open their borders in various ways. Barriers are becoming more porous. 'They' are coming not only as individuals but in other forms – such as the pollution they are exporting all around South-East Asia and through this enormous boom in China. Indeed, the energy needs of the Third World are almost unbelievable.

My very good friend and colleague Ross Garnaut is releasing the first draft of his report in Adelaide right now. But I doubt that the proposals will be enough to deal with the huge demands for energy from the Third World. Already Japan has problems with airborne pollution from China and the whole of South-East Asia has problems of forest pollution.

The idea that we could have good fences was right. Certainly fences help. With the impacts of globalisation we are going into a new world now. 'They' are coming, and we had better learn to live with it!

Your third point on the need to manage Indonesian relations - I could not agree more. A few years ago, Bill Hayden made exactly your point when he said 'the success with which we deal with the relationship with Indonesia will be seen by other nations as the measure of our skill, maturity and intellectual depth as a nation in handling international relations'.

Rawdon Dalrymple in his book refers to dealing with Indonesia as our "single most challenging issue in international relations". I don't know if it is *the* single most challenging one, but it is obviously a difficult one.

What sorts of scenarios or situations could lead to a military conflict with Indonesia?

We could have had the military on both sides, at a low level, shooting at each other in the Timor episode. We managed to avoid that by clever diplomacy on the ground. But it probably would not have taken too much for some firing to start.

Things could become difficult in Irian Jaya. My own judgement is that while Indonesia was prepared to give up East Timor, Irian Jaya is probably non-negotiable. Indonesia is probably prepared to use significant military force to retain the province if necessary. For the time being, the problem seems to have gone away and they are handling it politically in an effective way.

There are at present no other immediate scenarios that seem to present themselves. Looking back there was a period of difficulty with Malaysia during the Konfontasi era. For the time being, it would take significant regime change in Indonesia for there to be a possibility of military activity against Australia.

In any case, Australia has overwhelming military superiority when the chips are down. I was looking at some statistics the other day on Indonesia's navy. They have 43 ships but

only three or four are fully operational. This gets back to the issue of resources I was talking about.

So Indonesia's main military activities, to the concern of many in Australia, tend to be directed at home, maintaining domestic stability. So Indonesia would only be likely to get involved with us if we, in turn, got involved in domestic activities in Indonesia - which indeed we did, according to your definition, during the East Timor situation. There is perhaps also the potential for problems in Irian Jaya.

You may think it is a long bow to discuss these matters. But looking at the whole task of nation-building around the region, as a development economist my conclusion is that the single most important requirement to promote development across Asia is the prevention of war and internal strife.

Internal strife in Mindanao is holding back that whole area of the Philippines Internal strife in Aceh has done a lot of harm. And the internal strife in Sri Lanka is holding that country back.

Fortunately we don't seem to have high risks of military involvement between Australia and Indonesia, at least for the time being.

In a conversation I had with an Indonesian official he said: "Australia is of no concern to us from a military viewpoint. Occasionally you will upset us but it will be resolved." He said we have totally opposite cultures and it would be nice for us to be magnets and allow our cultures to bring us closer together. Can you comment?

I agree with that. It is difficult to envisage scenarios where Australia would attack Indonesia. Indeed, it is almost inconceivable although I suppose Australian planes could have been drawn into some sort of military activity during the confrontation period. We also need to bear in mind that the world can change a lot in 20 years. But for the time being, fortunately, the outlook is benign.

In some ways, that is perhaps why we are not so important to Indonesia. We are not a threat, and the Indonesians know that. Governments tend to respond to urgent threats and we are a benign country. That helps us when dealing with Indonesia because they don't feel threatened by us. They know that if we come along with our various suggestions and proposals, we are usually really being a little like Dutch colonialists and trying to be rather paternal.

It is, however, more things like the border issues that are worrying. If there was any sort of fighting war along the borders there would be a very strong lobby supporting intervention of some kind. If you go back to what some of the journalists were writing in the *Sydney Morning Herald* and the *Australian* during the East Timor crisis, some of it was pretty fiery stuff. I read the material with astonishment.

Whatever happened to Panca Sila? It seemed a far better basis for one God in the days when Christians, Muslims and Buddhists were all buried in the one cemetery?

They are a bit confused about Panca Sila now. It has not been abolished, but it is linked with Sukarno and the old regime, so people in Indonesia are working through that and the relationship with the whole idea of Islamic values.

But the Panca Sila still sits there, and if you look at the various relevant documents closely, it essentially relates to the role of the state. President Susilo Bambang Yudhoyono clearly does not find it convenient to push it too much.

Could you comment on the free trade agreement? On your basis Indonesia does not have much to offer. Is there a symbolic significance or are there any economic advantages from it?

In terms of the broader economic set of policies, a free trade agreement with Indonesia is probably neither here nor there. It is more symbolic than having a great deal of real economic significance.

However the symbolism may well be valuable. The Minister of Trade is a woman called Mari Elka Pangestu. She is a graduate of ANU and one of a small group of Indonesian economic policymakers to whom we should certainly be sending out signals of support. If I were involved in the deals, I would ask her, 'do you really want it? I would say, 'If you want it we will go along with it. But we know there is a much broader agenda of economic issues that needs to be addressed so let's sign this thing and then move on to talk about the broader issues in dealing between the two countries.'

In a different world – and we are not going to be in this world, I suppose – Australia could be much more supportive of Indonesia's overall development effort. There is a range of ways in which we could move. In some areas, some of the measures would not necessarily be popular in Australia because some of the measures would involve integrating the economies more. This could create difficulties.

Just one example is in the area of infrastructure. We don't do much in the infrastructure sector in Indonesia; our infrastructure sector and our utilities in Australia are rather inward looking. Our whole infrastructure sector in Australia should be encouraged to get a bit more like Qantas and do more work offshore.

I have talked to people in Australia about this. They say that their main priorities are within Australia. They say that they are already operating to full capacity and have no resources to work offshore. The answer to that is to grow - to raise more money, employ more people and work in the region. If Qantas had taken a similar inward-looking view, it would never have been flying internationally.

But this is a broad economic vision and I don't think it is going to happen. However, think of the possibilities for a moment. In the broad sweep, our national interest lies in the growth and stability of Indonesia. The worst scenario is that Indonesia fragments. It is a nightmare, but it is conceivable. It is certainly something that worries the Indonesian military.

Gough Whitlam said many years ago that it is not in Australia's interests to see the Balkanisation of the region. There are various things that Gough did that I don't think were very sensible but he was right on this issue.

It is in our national interests in Australia to see a strong Indonesia that is united and doing well. That is in our economic interest, although political, military and other interests are important as well. But I don't see enough awareness in Australia of what a tremendous challenge that is - how hard it is for Indonesia to succeed, and our stake in the success. If Indonesia loses that game, if the nation were to fragment, then we would be in real trouble.

If that happens, the fences won't protect us; we will be sucked in. In a sense I am talking about our forward defence strategy – stability around the rim of our nation.