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The foreign policy of any country is the function of interplay of various forces in the domestic and the international milieu. The most important domestic factor arises out of the social, political and economic structure of the country. For Indonesia, the security consideration being given in the fourth chapter, the single most important determinant of foreign policy has been the Pembangunan ekonomi (economic development) which in turn has been conditioned, on many occasions, by foreign policy. This functional inter-dependence of economic development and foreign policy is amply demonstrated throughout from parliamentary democracy, guided democracy and to the present New order rule in the country.

In broad terms, the policy of non-alignment adopted by Indonesia immediately after its independence and in the 1950’s can be viewed in the cold war context. Apart from that, the actual course of foreign relations has been determined by the anti-imperialist and anti-colonialist attitude of her national leaders, as well by the domestic ideology of economic nationalism which called for a minimum of foreign aid and funds. However, for practical purposes, the country immediately after its independence was faced
with the gigantic task of economic development and reconstruction (that is developing the economic structure of the country that had suffered a lot of economic ills due to the colonial legacy, the Second World War and during the independence struggle against the Dutch), was in need of massive foreign aid and investments. Her urgent economic necessity, therefore impelled her to accept foreign aid, foreign grants and loans, with much hesitation, from any country, even if these were given without any strings attached.

During the early years after Independence USA provided financial assistance to Indonesia. Thus, for the first few years after Independence, Indonesian foreign policy, within the broad framework of non-alignment was oriented towards the USA for the sake of economic assistance. But on the whole, the quantum of foreign aid and credit received by Indonesia in the first few years after her independence was not very significant due to her hesitant mood in accepting foreign assistance, economic nationalism and non-alignment being the prime considerations.

In the mid-1950's Indonesia became strategic friend of the Soviet Union as well as of China; the non-aligned foreign policy of Indonesia made her acceptable to the
communist powers, who were interested in developing friendly relations with countries of Southeast Asia as a counter against the Southeast Asia Treaty Organisation.

In Indonesia, however, the increasing role of the PKI, which was one of the important partners in the first Ali coalition cabinet and had its link with the USSR and China, in the country's domestic politics acted as a powerful factor in developing friendly relations with the communist bloc. Indonesia utilised its new friendship with the Soviet Union to her economic advantage by receiving direct and indirect aid assistance and by establishing trade relations.

Indonesia's relations with China, in reality, was not as cordial as that of with the USSR. The reason being the existence of overseas Chinese residents in Indonesia, who formed a strong commercial class and almost monopolised the country's retail trade. Later on, in the late 1950s, however China came much closer to Indonesia in the context of Indonesia's claim over West Irian. During the West Irian Struggle, the Soviet Union and China, together with the PKI, which was the main link of the two communist powers with the domestic politics of Indonesia, stood for the cause of Indonesia, while the USA remained neutral. Indonesia's failure to solve the West Irian issue first through official
negotiations and then through the UN had serious repercussions on the country's domestic economy, including the seizure of all Dutch properties and the eviction of all Dutch nationals. During these days the PKI started to exert a powerful influence on the domestic politics of Indonesia and came to the full support of Sukarno by accepting his newly devised principles of New Emerging Forces and Old Established Forces for analysing world conflict. Indonesia, however, quite naturally gained the friendship of the communist bloc for the rest of the period under Guided democracy only at the cost of her strained relations with the US and other Western countries.

During the period of Guided democracy, Sukarno, Army and PKI triangle determined the course of Indonesia's domestic politics as well as her foreign relations. At first when Sukarno intensified his struggle to get back West Irian in the early 1960s the active support of the Soviet Union in the form of economic aid and military assistance could be viewed only in terms of the growing prospect of gaining ground in Indonesian domestic politics through the PKI. On the other hand, Indonesia's relations with the US became hostile, because of (1) PKI's increasing role in Indonesia's domestic politics, and (2) because of the US apprehension that integration of West Irian within Indonesia would make her more vulnerable to communist infiltration.
Sukarno's later Konfrontasi with Malaysia also may be analysed in terms of Indonesia's domestic politics, which was dominated by the army as well as the PKI. Both the army and the PKI, which were in other matters in rivalry with each other, opposed the formation of Malaysia, although for quite different reasons. The PKI viewed the formation of Malaysia as a British neo-colonialist design, supported by the US, to prevent the advancement of communism in South East Asia. On the other hand, in the army's perception, Malaysia was likely to pose a communist threat to Indonesia by the overwhelming majority of the Chinese population in Malaysia. Thus the domestic political pressure, as generated by the army and the PKI, which formed the power base of Sukarno's guided democracy, combined with Sukarno's Principles of New Emerging Forces and Old Established Forces, impelled him to oppose Malaysia.

Indonesia's relations with the USSR and China were also largely influenced by the growing importance of the PKI in Indonesia's internal politics. After the Sino-Soviet rift, which soon coincided with the US-USSR detente, China's unequivocal support to Indonesia on the Malaysian dispute was mainly motivated by her desire to gain leadership in Southeast Asian affairs via the PKI, which now became more aligned to China than to the Soviet Union. The Soviet Union
was put in the dilemma of antagonising the US (this was especially important in view of the growing prospect of detente after the signing of the partial Test Ban Treaty in 1963) on the one hand, and of containing the Chinese influence in Indonesia via the PKI on the other. The USSR, therefore, provided hesitant and "grudging support" to Indonesia.

The PKI’s powerful role in Indonesia’s domestic politics under Guided Democracy, especially in course of the West Irian dispute and the Konfrontasi with Malaysia, however had far reaching consequences leading to the communist coup attempt (Gestapu) of 1965. Besides, Indonesia’s confrontation with Malaysia set the internal economy of Indonesia several steps backward on the road to development.

After 1965, the New order government’s urgent need of saving the economy from near collapse, led to a perceptible change in Indonesia’s foreign relations under Suharto. In practical terms, Indonesia’s foreign relations in the second half of the 1960s were largely determined by her diplomacy of receiving foreign aid and assistance when she moved closer to the US and her allies than ever before, while her relations with China became strained. The New order also abandoned the confrontation policy with Malaysia and in
order to advance a climate of peace in the region, played an active role in the formation of ASEAN. The New order wanted its foreign policy to be conceptualised, conducted and articulated as member of ASEAN.

The IGGI aid consortium formed by the US, Japan, Australia and some West European countries provided massive aid for the economic rehabilitation and stabilisation of Indonesia, of the two communist powers; Indonesia was more apprehensive of China, due to the fact that most of the communists in Indonesia were of Chinese origin.

In the early 1970s Indonesia also came closer to Japan and Australia than ever before. Japan's main interest was in Indonesian oil and natural resources, while Australia became interested in developing friendly relations with Indonesia mainly because of their common political and strategic considerations.

By 1970-71, however, in the context of the Nixon Doctrine, the Sino-US rapprochement and the predominating Sino-Soviet rivalry in Southeast Asia, Indonesia sought to diversify her relations with the major world powers. The fear of being politically and economically isolated in the international arena prompted Indonesia to normalise her relations with the USSR and to develop a working relations
with China. Indonesia viewed Soviet Union as a suitable counter-weight against China.

In spite of these diversifications, Indonesia's close economic relations and economic dependence on the US, Japan and other capitalist countries continued. However, this heavy reliance on foreign aid and investments created a lot of problem in the social and political solidarity of the nation. The Indonesian press, students and other opposition elements often criticised the Government for having sold out to the west.

In the mid and late 1970s the communist victory in Vietnam and thereafter the Soviet influence in Hanoi became a new source of tension for all the Southeast Asian countries, including Indonesia. Actually the multipolarity in world politics and especially the close Hanoi-Moscow relationship made the security consideration during that period as important as that of the economic consideration for Indonesia. Super power rivalry in the Indian Ocean became the cause of an additional worry for Indonesia. Thus, living in peace with China and US on the one hand, and with the Soviet Union on the other, assumed supreme importance at this time. Indonesia intended to meet the communist threat especially from a stronger base of regional resilience through the ASEAN. In the context of the
Kampuchean problem and the Thai-Vietnam animosity, Indonesia has been trying to restore a condition of peace in the region by initiating a number of diplomatic initiatives to solve the Kampuchean problem.

The Indonesian diplomatic initiatives some times created a lot of mistrust in other ASEAN countries over Indonesia’s sincerity and priority in ASEAN, especially with Singapore and Thailand. Though Indonesia refused to accept the Hawkish views of some ASEAN members like Singapore that ASEAN must join with China, Japan and the United States in opposing the Vietnamese presence in Cambodia as part of a broader, de facto alliance of containment against the Soviet Union and its client states in Asia, Indonesia went along with its partners in working with China on the Cambodian issue and consistently supported Thailand as a frontline state against Vietnamese expansion.

In the 1980s the New order felt confident enough to pursue a more active foreign policy. The stable economic growth and the prolonged political stability under New order in Indonesia, gave Jakarta the confidence to pursue a more active foreign policy and initiative to solve sources of regional conflict like the Kampuchean problem and the Spratly and Paracel islands dispute in South China Sea.
In the 1980s the New order also showed clear signs that it was moving towards a more prominent role in regional and world affairs. And on many issues ranging from international economic issues to the role of China and Japan in Southeast Asian Security affairs, the New order distanced itself from US positions and has slowly began to reassert a more nationalist and independent foreign policy keeping in line with its legacy as a founding member of the non-aligned movement.

The New order also started to play a more active role in the non-aligned movement ever since it commemorated in April 1985 the 30th anniversary of the Asia-Africa Conference in Bandung, which provided the New order a convenient venue to show other Asian and African Nations that Indonesia was willing to make a come back to the international stage after lying low for almost two decades in world affairs.

The Indonesian foreign policy after almost two decades of low profile attitude has changed once more into the active mode. Thus President Suharto in his national address stated comprehensively that Indonesia's development had reached a stage whereby Indonesia could once again conduct an active foreign policy.