



DOI: <https://doi.org/10.52714/dthu.14.7.2025.1620>

AUSTRALIA - INDONESIA RELATIONS: FLUCTUATIONS AND STRATEGIC CONSOLIDATION (PERIOD 2013-2025)

Le Dang Thao Uyen* and Tran Cao Boi Ngoc

*Faculty of Oriental Studies, University of Social Sciences and Humanities,
Vietnam National University Ho Chi Minh City, Vietnam*

**Corresponding author, Email: uyenle.fos@hcmussh.edu.vn*

Article history

Received: 22/7/2025; Received in revised form: 20/8/2025; Accepted: 25/8/2025

Abstract

The Indonesia - Australia relationship is a distinctive neighborly relationship; the 2013-2025 period features cycles of strain and consolidation against the backdrop of 76 years of diplomatic ties. This study aims, from a Realist perspective, to explain why the relationship recovered after the 2015 rupture and continued to deepen through 2025, while filling the explanatory gap for 2015-2021. The study employed qualitative methods, including documentary analysis, the historical method, and process tracing, together with descriptive indicators of trade, FDI, and ODA. The study argues that the 2013-2025 recovery and upgrading of Indonesia-Australia relations were driven primarily by calculations of power and material interests and threat perceptions, institutionalized through milestones such as the 2018 Comprehensive Strategic Partnership and the 2019 IA-CEPA. This study concludes that the convergence of core strategic interests is the anchor of the bilateral relationship; for durability, both sides should proactively institutionalize cooperation, maintain transparent dialogue and coordinate in multilateral fora, and contribute to a stable, rules-based regional order.

Keywords: *Constructivism, Indonesia - Australia relations, indo-pacific geopolitics, realism, strategic partnership.*

Cite: Le, D. T. U., & Tran, C. B. N. (2025). Australia - Indonesia relations: Fluctuations and strategic consolidation (Period 2013-2025). *Dong Thap University Journal of Science*, 14(7), 91-104. <https://doi.org/10.52714/dthu.14.7.2025.1620>

Copyright © 2025 The author(s). This work is licensed under a CC BY-NC 4.0 License.

QUAN HỆ AUSTRALIA - INDONESIA: NHỮNG BIẾN ĐỘNG VÀ CƯỜNG CỐ CHIẾN LƯỢC (GIAI ĐOẠN 2013-2025)

Lê Đặng Thảo Uyên* và Trần Cao Bội Ngọc

*Khoa Đông phương học, Trường Đại học Khoa học Xã hội và Nhân Văn,
Đại học Quốc gia Thành phố Hồ Chí Minh, Việt Nam*

**Tác giả liên hệ, Email: uyenle.fos@hcmussh.edu.vn*

Lịch sử bài báo

Ngày nhận: 22/7/2025; Ngày nhận chỉnh sửa: 20/8/2025; Ngày duyệt đăng: 25/8/2025

Tóm tắt

Quan hệ Indonesia - Australia là mối quan hệ láng giềng đặc thù; giai đoạn 2013-2025 cho thấy những chu kỳ căng thẳng và củng cố trong bối cảnh 76 năm bang giao. Mục tiêu của bài viết là lý giải, dưới góc nhìn Chủ nghĩa Hiện thực, vì sao quan hệ phục hồi sau đứt gãy năm 2015 và tiếp tục nâng cấp tới 2025, đồng thời lấp khoảng trống giải thích giai đoạn 2015-2021. Bài viết sử dụng phương pháp nghiên cứu định tính, kết hợp phân tích tài liệu, phương pháp lịch sử và process tracing, cùng các chỉ báo mô tả về thương mại, FDI và ODA để hỗ trợ lập luận rằng quỹ đạo phục hồi và nâng cấp quan hệ Indonesia - Australia giai đoạn 2013-2025 chủ yếu do tính toán quyền lực - lợi ích vật chất và nhận thức đe dọa, được thể chế hoá qua các mốc như CSP 2018 và IA-CEPA 2019. Nghiên cứu kết luận rằng sự hội tụ lợi ích chiến lược cốt lõi là lực neo của quan hệ song phương; để bền vững, hai bên cần chủ động thể chế hoá hợp tác, duy trì đối thoại minh bạch và phối hợp tại các diễn đàn đa phương, và góp phần cho một trật tự khu vực ổn định, dựa trên luật lệ.

Từ khóa: *Chủ nghĩa Kiến tạo, Chủ nghĩa Hiện thực, đối tác chiến lược, địa chính trị Ấn Độ - Thái Bình Dương, quan hệ Indonesia - Australia.*

1. Introduction

The strategic location of Australia and Indonesia, situated close to each other across the Torres Strait, highlights the importance of cooperation between the two countries for their mutual national interests (see Figure 1). Australia, as a key player in the South Pacific, and Indonesia, as a major Southeast Asian nation, share not only a geographical proximity but also common challenges and opportunities in areas such as trade, security, environmental protection, and regional stability (Hill, 1990). The proximity of their borders, along with shared concerns over maritime security, illegal fishing, and climate change, necessitates a collaborative approach to ensure economic growth, national security, and regional peace. By strengthening bilateral ties, both countries can enhance their ability to address these issues and foster a stable, prosperous relationship that benefits both nations and the broader region.



Figure 1. The Strategic Location of Australia and Indonesia (Neilson, 2025, p. 19)

As once aptly stated by a former Australian Minister for Foreign Affairs, “*No two neighbours anywhere in the world are as comprehensively unlike as Australia and Indonesia*” (Springer, 2018). Indeed, Indonesia and Australia, while sharing a geographical region, diverge significantly across economic, cultural, religious, and political dimensions. Despite these profound differences, Indonesia remains a crucial strategic ally to Australia (Sarma, 2017), with official diplomatic relations established in 1949. However, the bilateral relationship has historically been marked by significant fluctuations. Notable past events include the West Papua separatist movement in the 1960s, Indonesia's condemnation of Australia's involvement in the Vietnam War, the 2002 Bali bombings, East Timor's independence in 2002, and Australia's 2011 ban on livestock exports to Indonesia (Desai, 2024). These instances clearly demonstrate the persistent presence of conflicts in Indonesia-Australia relations.

This study provides an overview of Indonesia - Australia bilateral relations during the period 2013-2025, specifically highlighting prominent tensions and concurrently analyzing the efforts of both sides to maintain and strengthen this strategic relationship. While existing researches often examines individual flashpoints or periods of cooperation, this research uniquely contributes by not only outlining the “*peaks*” and “*troughs*” in this relationship from 2013 to present but, more critically, by analyzing the intricate interplay and underlying resilience that has enabled the strategic consolidation of ties despite profound disagreements. This study elucidates how shared national interests and a common vision for regional stability have consistently compelled both nations to overcome significant political turbulences, demonstrating the inherent flexibility and enduring nature of their indispensable relationship.

To frame the analysis of Australia-Indonesia relations from 2013 to 2025, the following research questions are posed (with brief embedded answers to show their treatment in the paper):

1. *What are the main fluctuations in Australia-Indonesia relations during the period 2013-2025, and how have specific events (e.g., the 2013 espionage affair, IA CEPA 2019, AUKUS 2021) influenced the trajectory of cooperation or tension?* This study outlines the “peaks and troughs” of bilateral relations, detailing low points such as the 2013 spying scandal and the 2015 Bali Nine executions, and high points including the signing of IA CEPA in 2019 and RCEP in 2020 demonstrating how each event alternately strained or reinforced strategic ties.

2. *How is strategic consolidation driven by agreements such as IA CEPA and the Comprehensive Strategic Partnership (CSP), and what role does the Regional Comprehensive Economic Partnership (RCEP) play in rebuilding trust and expanding bilateral cooperation?* In the “Strategic consolidation” section, the elevation to CSP in 2018 (with its five pillars) and IA CEPA in 2019 are shown to deepen economic and people to people links, while RCEP’s entry in 2020 provided tariff reductions and market access that acted as a buffer against political crises.

2. Theoretical overview

To provide a robust analytical lens for understanding the complex dynamics of Australia-Indonesia relations, this study draws upon two prominent theoretical approaches in International Relations: Realism and Constructivism. From a Realist perspective, the enduring yet often volatile nature of this bilateral relationship can be primarily attributed to the pursuit of national interests, with a particular emphasis on security, power, and economic gains as the fundamental drivers of state behavior. Both Australia and Indonesia, as middle powers in the Indo-Pacific, are inherently driven by the imperative to safeguard their sovereignty (Hanggarini, 2023), enhance their security posture, and maximize economic prosperity. Realism helps explain why periods of tension, such as the 2013 spying scandal (Holmes, 2016) or Indonesia's concerns over AUKUS in 2021, arise from perceived threats to national security or challenges to their respective power positions. Conversely, Realism also illuminates the strategic imperative behind cooperation, where agreements like Indonesia – Australia Comprehensive Economic Partnership Agreement (IA-CEPA) and defense cooperation arrangements are seen as pragmatic means to achieve tangible national benefits, such as market access, technological exchange, or enhanced regional stability against common threats like terrorism. The geographical proximity and strategic importance of sea lanes to global trade further embed the relationship within a realist framework, where control or influence over these routes carries immense geopolitical significance.

However, a purely Realist interpretation falls short in fully capturing the nuances of Australia-Indonesia relations, especially given their “comprehensively unlike” nature (Lee, 2015). This is where Constructivism offers crucial complementary insights. Constructivism emphasizes the role of shared ideas, norms, identities, and mutual understandings in shaping state interactions, arguing that these social constructs can define national interests and influence policy choices. Despite significant differences in culture, religion, and political systems, the persistent efforts to mend ties after crises and foster people-to-people connections, particularly through cultural and educational exchanges, highlight the constructivist element. The elevation of their relationship to a Comprehensive Strategic Partnership (CSP) in 2018 is not merely a transactional agreement but reflects a mutual recognition and a constructed identity as “*strategic neighbors*” (Department of Foreign Affairs and Trade, 2018). This shared understanding and the fostering of trust, even when challenged, allow both nations to navigate

profound disagreements, as seen in the resilience of cooperation post-spying scandal or the Bali Nine executions. Constructivism suggests that consistent dialogue and exchange build a reservoir of goodwill and shared perspectives, enabling them to collectively address challenges and maintain stability, even when their core realist interests might seem to diverge.

By integrating both Realist and Constructivist perspectives, this article aims to provide a more comprehensive and nuanced analysis of Australia-Indonesia relations, demonstrating how the pursuit of material interests (Realism) interacts with the construction of shared meanings and identities (Constructivism) to produce the unique and resilient dynamics observed over the past decade.

3. Research methods

This research employs a qualitative research methodology, primarily relying on documentary analysis to investigate the Australia-Indonesia bilateral relationship. The core data for this study were gathered from a diverse range of credible academic and non-academic sources. These include scholarly articles, policy reports, analyses from reputable research institutions, official press releases, and news reports from established media outlets pertaining to Australia-Indonesia relations during the 2013-2025 period. This approach allowed for an in-depth exploration, interpretation, and analysis of key events, policy dynamics, and fluctuations within this bilateral relationship. Furthermore, the concurrent application of theoretical approaches drawn from Realism and Constructivism in International Relations provided a nuanced and multi-faceted analytical lens. This dual theoretical framework helped to elucidate both the fundamental drivers and the non-material factors shaping the complex interplay between the two nations. By integrating specific empirical events with theoretical concepts, this study aims not only to describe but also to provide a deeper explanation of the “fluctuations and strategic consolidation” inherent in Australia-Indonesia relations.

3. Discussion

3.1. Australian - Indonesian national interests from a geopolitical perspective

3.1.1. Geographical location and strategic importance

The relationship between Indonesia and Australia is not merely a neighboring one, but is also profoundly shaped by complex geopolitical factors. Both nations hold crucial strategic positions in the Indo-Pacific region, making their bilateral relationship a key element for regional stability and security.

Firstly, Indonesia and Australia are contiguous, sharing a common geographical area and forming a strategic “gateway” between the Indian and Pacific Oceans (Scott, 2019). Critical sea lanes, especially global vital trade and energy routes, pass through Indonesia's straits and Australia's adjacent waters. Controlling or influencing these routes carries immense geopolitical significance.

Secondly, both nations are middle powers in the region. Australia pursues a free and open Indo-Pacific strategy, while Indonesia, with its status as the most populous nation in Southeast Asia and a key ASEAN member (Parry, 2022), also plays a significant role in shaping the regional architecture. Coordination between the two countries can enhance their ability to counter external geopolitical challenges, such as the rise of major powers.

3.1.2. National interests of Australia and Indonesia

National interest plays a crucial role in international relations. It serves as a guiding principle for nations to define their objectives and formulate strategies to optimize their interests across all sectors, including economy, security-politics, and culture. In the context of a volatile regional geopolitical landscape, the bilateral relationship between Australia and

Indonesia is also based on the balance of "national interest" for each side to position itself and ascertain the other's standing. This relationship is profoundly influenced by their strategic geographical locations and geopolitical developments in the Indo-Pacific region.

a. Australia's national interests in relations with Indonesia

From a security and defense perspective, a friendly relationship with its distinctly different neighbor, Indonesia, not only helps Australia ensure its own security but also contributes to the stability of the Asia-Pacific region as a whole. As Australia pursues a free and open Indo-Pacific strategy, a stable and cooperative Indonesia is a key factor in ensuring maritime security and countering geopolitical threats from rising powers. Australia always has concerns about terrorist forces threatening its security, so among the three pillars of national interest, ensuring territorial integrity is always the top priority. Therefore, maintaining good relations with Indonesia helps minimize risks from the northern border.

From an economic and trade perspective, with its large population, Indonesia is the largest and most potential market in Southeast Asia. Australia can leverage this environment to export goods and views Indonesia as an important trading partner. Through Indonesia as a bridge, Australia's economic interests in the region also increase. This aligns with Australia's second national interest objective: to accelerate economic development and diversify markets in the context of regional geo-economic competition.

b. Indonesia's national interests in relations with Australia

From an economic and trade perspective, Indonesia views Australia as a potential export market and a source of technology. Indonesia can leverage Australia's strengths in investment and technology to boost its exports, attract investment, and develop its other economic sectors. Additionally, in the geopolitical context, economic cooperation also helps Indonesia diversify its partners, reduce its dependence on a single major power, and strengthen its economic position in regional supply chains.

From a security and defense perspective, the combination of Indonesia and Australia will create a strong posture, solidifying both countries in the field of security and defense. This is particularly important as Indonesia acts as a strategic "*natural buffer*", helping to stabilize Australia's northern border. Any instability in Indonesia could directly affect Australia's national security. Conversely, a stable and cooperative Australia also contributes to Indonesia's security and development. Considering the regional context, both can collectively address common challenges such as international terrorism, transnational crime, or tensions related to the South China Sea issue.

4.2. A decade of strained bilateral relations

4.2.1. The 2013 Australia - Indonesia spying scandal and its impact

On November 20, 2013, Australia - Indonesia relations entered a period of extreme tension (Karmini & McGuirk, 2013). This occurred after President Susilo Bambang Yudhoyono decided to downgrade their bilateral diplomatic relations. This decision followed revelations by ABC (Australia) and The Guardian (UK) that Australian intelligence had intercepted phone calls of President Susilo Bambang Yudhoyono, his wife, and other high-ranking Indonesian officials in August 2009, when Kevin Rudd was still Prime Minister.

According to Reuters, on November 21, 2013, approximately 200 people protested in front of the Australian Embassy in Jakarta, Indonesia, demanding an apology from the Australian government for the wiretapping incident (Reuters, 2013). On the same day, in Yogyakarta, crowds expressed anger by burning the Australian flag in response to the espionage. Following this crisis, Indonesia's Ambassador to Australia, Mr. Nadjib Riphath

Kesoema, was recalled. Conversely, Australia prevented Indonesian asylum seekers from reaching its shores. The relationship between the two countries entered a tense phase, leading to several consequences: (1) A decline in public trust in both nations; (2) Economic relations were directly impacted. Many Indonesian businesses and investors withdrew their capital from the Indonesian market. Australian businesses, in turn, faced difficulties accessing this Muslim market and (3) Security cooperation was also severely affected. Indonesia became less enthusiastic about sharing security and intelligence information with Australia than before. Indonesia even seriously considered reviewing its security relationship with Australia.

Beyond the immediate consequences of declining public trust and economic disruption, the spying scandal revealed deeper underlying issues in the Australia-Indonesia relationship. For Indonesia, a nation fiercely protective of its sovereignty and non-aligned foreign policy, the espionage by a supposed strategic partner was perceived as a profound breach of trust and an infringement on its national sovereignty (Wicaksana, 2022). It challenged Indonesia's expectations of a “*strategic partner*”, a relationship built on mutual respect and transparent communication, not covert surveillance. This incident exposed a fundamental difference in security perceptions: while Australia might have viewed intelligence gathering as a routine aspect of national security, Indonesia saw it as a violation of diplomatic norms and a direct affront to its leadership and people. Such actions undermined the very foundation of trust essential for genuine strategic cooperation and highlighted the fragility of a relationship that, despite its importance, often grappled with disparate strategic cultures.

4.2.2. The Execution of Two Australian Prisoners from the Bali Nine (2015)

In 2005, a group of nine Australian citizens were arrested in Bali, Indonesia, on charges of drug smuggling (Evans & Birtles, 2024). Under Indonesian law, this act falls within the death penalty framework. Both sides engaged in heated debates regarding human rights. Despite appeals from the Australian government, Indonesia maintained its stance, upholding the death sentence for the Australian convicts. By 2015, the execution of the last two members of the group, Myuran Sukumaran and Andrew Chan, once again had a negative impact on bilateral relations (Parliament of Australia, 2015). Indonesia's Vice President, Mr. Jusuf Kalla, even declared that Indonesia would be willing to repay the 1 billion Australian dollars that the Australian government had provided in aid for tsunami relief in 2004 (The Jakarta Globe, 2015). A wave of coin donations to repay Australia actively spread within Indonesian society, demonstrating the public's anger and resentment towards Australia's perceived attempt to “boast” about its humanitarian aid. Indonesia-Australia relations, which had not yet fully recovered from the wiretapping crisis, once again plummeted to a low point.

The execution of the Bali Nine drug traffickers, despite Australia's persistent appeals for clemency, served as another significant rupture in bilateral ties. For Indonesia, the rigid application of its death penalty laws, especially concerning drug offenses, is deeply rooted in its legal sovereignty and a firm stance against a perceived existential threat to its society. Any external intervention, even on humanitarian grounds, was widely interpreted as an infringement upon Indonesia's sovereign right to uphold its national laws and judicial processes. This incident underscored the profound differences in legal systems, cultural values (particularly regarding capital punishment), and national narratives between the two countries. While Australia's appeals were driven by humanitarian concerns and public pressure, Indonesia's unyielding position reflected its strong commitment to legal sovereignty and a national anti-drug campaign, which resonated deeply with its domestic populace. The public outcry and the symbolic act of “coin donations” to repay Australian aid further illustrated the Indonesian public's sensitivity to perceived external interference and their fierce pride in national autonomy.

4.2.3. Indonesia's AUKUS concerns (2021)

Formed in 2021, the AUKUS alliance is a military security pact among the United States, the United Kingdom, and Australia. Australia's failure to inform Indonesia in advance about the formation of the AUKUS alliance, despite both having upgraded their relationship to a Comprehensive Strategic Partnership (2018), could once again affect Indonesia's trust in Australia. Indonesia and Malaysia are two of the ten Southeast Asian member states that reacted most strongly to Australian's participation in the regional structure (Li, 2022). Several reasons can explain Indonesia's concerns about the emergence of AUKUS.

Firstly, AUKUS could alter the military balance between Indonesia and Australia, specifically concerning maritime security. The strengthening of the Australian navy with the addition of eight nuclear-powered submarines equipped with modern missile systems, and even the potential for increased nuclear weaponry, convincingly explains why Indonesia must be wary and apprehensive. Moreover, the emergence of AUKUS also, to some extent, hinders Indonesia's ambition to become a maritime power.

Secondly, increased Australian military presence could affect Indonesia's sovereign rights over its islands and maritime territories.

Thirdly, with its independent and non-aligned foreign policy, the emergence of AUKUS could disrupt and cause tension or disputes with other countries in the region. This would undoubtedly create diplomatic pressure for Indonesia.

Finally, this could be a move by Indonesia to appease China due to its reliance on China for vaccine support in response to the COVID-19 pandemic, infrastructure development investment, and other economic benefits China provides to Indonesia.

In response to Indonesia's reaction, Australia made efforts to reassure and guarantee its adherence to commitments regarding nuclear weapons. However, it is clear that Indonesia's concerns about the emergence of AUKUS are not unfounded, especially as it directly impacts this country's national interests. Indonesia's strong concerns regarding the AUKUS alliance, particularly the acquisition of nuclear-powered submarines by Australia, are deeply intertwined with its core national interests, as previously outlined. The potential shift in the regional military balance due to Australia's enhanced naval capabilities directly threatens Indonesia's security interests by introducing advanced military assets into its immediate neighborhood, potentially creating an arms race or intensifying regional competition. This move also challenges Indonesia's longstanding aspiration to become a maritime power, as a significantly stronger Australian navy could overshadow Jakarta's regional influence. Crucially, Indonesia's adherence to an "independent and non-aligned" foreign policy means it views military pacts like AUKUS as potentially disruptive to regional stability and an imposition of major power dynamics, which could create diplomatic pressures and force Indonesia to take sides (Hakim, 2025). This stance is a natural reflection of a middle power seeking to maintain its strategic autonomy and resist being drawn into great power rivalries, thereby safeguarding its own national security and diplomatic flexibility in the complex Indo-Pacific landscape.

4.3. Strategic consolidation in bilateral relations

In more than a decade since 2013, although relations between Indonesia and Australia have experienced crises, the efforts of both sides to restore and promote the relationship cannot be denied. This stems partly from their self-awareness of their respective national interests within the bilateral relationship. More importantly, both share a common vision of each other's

significance for regional stability. Consequently, alongside the “*low notes*”, there have also been “*high notes*” in bilateral relations over the past 10+ years. Despite facing serious tensions from events such as the 2013 spying scandal and the 2015 execution of the two Australian citizens, the fact that Indonesia and Australia still achieved significant agreements like the Defense Cooperation Agreement (DCA) in 2014 and 2020, along with IA-CEPA in 2019, indicates that deeper strategic interests compelled both sides to overcome their disagreements. When weighed against their national interests, these core benefits proved to be the main drivers for maintaining and strengthening the relationship.

From a security and defense perspective, for Australia, a friendly relationship with Indonesia not only helps ensure Australia's own security but also contributes to the stability of the Asia-Pacific region as a whole. Indonesia is seen as a key factor in ensuring maritime security and countering geopolitical threats from rising powers, especially as Australia pursues a free and open Indo-Pacific strategy. Maintaining good relations with Indonesia helps minimize risks from the northern border and address terrorist threats.

Economically and commercially, Indonesia, with its large population, is the largest and most potential market in Southeast Asia. Australia views Indonesia as an important trading partner and can leverage this market to boost its exports. Through Indonesia, Australia's economic interests in the region are also enhanced, aligning with the objective of accelerating economic development and diversifying markets in the context of regional geo-economic competition.

From a security and defense perspective, for Indonesia, the combination of Indonesia and Australia creates a strong posture, solidifying both countries in the field of security and defense. Indonesia acts as a strategic “*natural buffer*”, helping to stabilize Australia's northern border, and conversely, a stable and cooperative Australia also contributes to Indonesia's security and development. Furthermore, both can collectively address common challenges such as international terrorism, transnational crime, or tensions related to the South China Sea issue.

Economically and commercially, Indonesia views Australia as a potential export market and a source of technology. Indonesia can leverage Australia's strengths in investment and technology to boost its exports, attract investment, and develop its other economic sectors. Moreover, economic cooperation also helps Indonesia diversify its partners, reduce its dependence on a single major power, and strengthen its economic position in regional supply chains.

Thus, despite periods where bilateral relations faced difficulties due to sensitive issues, both Australia and Indonesia clearly recognize each other's strategic importance in the Indo-Pacific region. Shared interests in security, regional stability, and economic-trade development have formed a solid foundation, compelling both sides to set aside temporary disagreements and move towards long-term cooperation. The elevation of the relationship to a Comprehensive Strategic Partnership in 2018 and the signing of agreements such as IA-CEPA and the DCA arrangements are clear testaments to the prioritization of national interests and strategic vision in the bilateral relationship.

The most prominent highlight is the elevation of the Australia-Indonesia bilateral relationship to a CSP in 2018, based on five key pillars: (1) enhancing economic cooperation; (2) fostering people-to-people links; (3) ensuring bilateral and regional interests; (4) maritime cooperation; and (5) contributing to security and prosperity in the Indo-Pacific region (Prime Minister of Australia, 2022) .

4.3.1. Economic - Trade

The most significant achievements during this period were the signing of the IA-CEPA and the Regional Comprehensive Economic Partnership (RCEP) Agreement by the two nations.

On March 4, 2019, after nine years of negotiations, Indonesia and Australia signed the IA-CEPA in Jakarta, Indonesia (Australian Embassy Indonesia, 2019). This agreement came into effect on July 5, 2020. It serves as a bridge, facilitating increased trade between the two neighboring countries, marking a transformation in overall bilateral relations, and fostering economic development cooperation between businesses, individuals, and communities in both nations. For Australia, this is an opportunity for its key economic sector, livestock farming, to access its neighbor's potential market. Conversely, this agreement will open doors for Indonesian industries such as textiles, automotive machinery, timber exports, and electronics to enter the Australian market. In 2021-22, total two-way goods and services trade with Indonesia was worth AUD 18.35 billion. Indonesia became Australia's 14th largest trading partner (Department of Foreign Affairs and Trade, nd). IA-CEPA offers Australian and Indonesian businesses opportunities to expand and diversify this economic partnership. The achievement of the CSP in 2018 and the subsequent signing and implementation of the IA-CEPA in 2019 and 2020 respectively, following periods of significant diplomatic strain, underscore the remarkable resilience of the bilateral relationship. This demonstrated capacity to overcome deep-seated disagreements, such as the spying scandal and the executions, signifies that both nations recognize the fundamental, enduring nature of their strategic interests, which ultimately outweigh temporary political turbulences. The CSP, with its five key pillars, notably enhancing economic cooperation and fostering people-to-people links, effectively established a new benchmark for bilateral engagement, moving beyond ad-hoc responses to crises towards a more structured and forward-looking framework. IA-CEPA, in particular, represents a strategic shift in both countries' trade policies, signaling a deeper commitment to integrating their economies and diversifying trade away from traditional partners. For Australia, it provides a crucial gateway into Southeast Asia's largest market, while for Indonesia, it secures access to Australian investment and technology, fostering diversification and strengthening its position in regional supply chains. This framework is designed to imbue the relationship with greater stability, creating vested economic interests that can potentially act as a buffer against future political disagreements, thereby enhancing its capacity to withstand potential crises.

As for RCEP, both Indonesia and Australia are among the 15 countries that signed the Regional Comprehensive Economic Partnership agreement in November 2020 (The ASEAN Secretariat, 2023). This signing brings both opportunities and challenges for Indonesia and Australia. RCEP creates three opportunities for the two nations: (1) access to large and diverse markets, enhanced export activities, and expanded business operations; (2) the benefit of tariff reductions; and (3) expanded investment cooperation opportunities for both Indonesia and Australia. Conversely, the "RCEP" playing field presents significant challenges for Indonesia and Australia. Specifically, both must strive to ensure their competitive advantage over other partners. Some domestic industries, professions, and products will face competition from cheaper foreign goods from other members.

4.3.2. Security and Defense

Security and defense cooperation between Indonesia and Australia during this period has primarily been demonstrated through annual military exercises between the Australian Defence Force (ADF) and the Indonesian National Armed Forces (TNI). Additionally,

bilateral security cooperation has been reflected in 2+2 Dialogue meetings between high-level officials from both sides.

Thus, during this period, the two sides conducted 7 joint exercises. The locations for these exercises were chosen to leverage the infrastructure and training capabilities of each nation, while also facilitating coordination and communication between the military forces of Indonesia and Australia. These exercises all aimed at the common goal of enhancing mutual understanding, coordination, exchange, and learning of military technical experience between the ADF and TNI. This more or less confirms that both have continuously strengthened their operational coordination capabilities and exchanged experiences to create a reliable cooperative environment and enhance joint response capabilities in security and defense situations. Broadening this in the regional context, despite disruptions due to political factors, the maintenance and promotion of these training activities demonstrate a strong commitment from both the ADF and TNI to build a sustainable defense cooperation foundation, contributing significantly to maritime security and stability in the Indo-Pacific region.

It can be seen that the 2+2 dialogue between Australia and Indonesia has played a crucial role in security and defense cooperation between the two nations (Prashanth Parameswaran, 2016). This provides an opportunity for both sides to enhance understanding, build trust, and shape the direction of security and defense cooperation (Australian Minister for Foreign Affairs, 2023). Successful conferences, annual military exercises, and 2+2 Dialogues highlight deep commitment and trust, confirming security cooperation's vital role. Regional security challenges necessitate a collaborative response, beyond political disputes. This partnership aids both nations in navigating great power competition, boosting joint capabilities and strategic autonomy. Continuous coordination, intelligence sharing, and operational enhancements significantly contribute to regional stability. Notably, the imprint of security and defense cooperation between these two countries is also shown through signing the Australia-Indonesia Defense Cooperation Arrangement in 2014 and 2020 to discuss bilateral military security cooperation (Barlow, 2014; Minister for Foreign Affairs, 2020) as well as hosting the ASEAN Security Community Conference in Bali, Indonesia, in February 2017 to discuss common regional security issues and find solutions to strengthen multilateral security cooperation.

The security and defense cooperation between Indonesia and Australia can be summarized in several key points (Pattisina, 2025): (1) Enhanced coordination and communication between military forces; (2) Focus on intelligence sharing and critical security information exchange; (3) Cooperation in maritime security and combating illegal sea activities; (4) Strengthening border security management and counter-terrorism efforts; (5) Goal to build a reliable and sustainable cooperative environment for security and defense, crucial for Asia-Pacific stability.

Australia and Indonesia also deploy cultural and educational instruments to stabilize cooperation when material interests are at stake. In the Realist framework, initiatives such as the Australia-Indonesia Institute grants and the New Colombo Plan are treated as tools of economic statecraft and strategic signaling they reduce information asymmetries, create audience costs, and lock in complementary human-capital linkages that lower defection risks. These people-to-people programs therefore function as stability mechanisms that support, rather than substitute for material calculations.

5. Conclusion

In sum, as aptly declared by former Australian Prime Minister Paul Keating, 'No country is more important to Australia than Indonesia'. Given their unique geopolitical specificities as

well as profound cultural and political differences, these two middle powers in the Indo-Pacific region are, by necessity, indispensable actors on the regional and global political landscape. Their intertwined destinies compel a continuous interplay of economic interests, security and defense cooperation, and joint contributions to regional stability.

Indeed, the past decade has witnessed periods where Australia-Indonesia bilateral relations faced significant difficulties and challenges. Yet, both nations have concurrently achieved substantial successes across economic, security-defense, and crucially, people-to-people connection domains through robust cultural and educational cooperation. The very paradox of being geographically proximate yet fundamentally unlike renders the Indonesia-Australia bilateral relationship inherently 'sensitive'. Every subtle shift in policy or perception holds the potential for direct, often profound, repercussions on the other.

Moving forward, the imperative for building trust and consensus to forge sustainable diplomatic relations, adopting a “win-win” approach that safeguards both nations' national interests, is paramount. This necessitates not merely a reactive management of crises but a proactive, forward-looking commitment to institutionalizing deeper understanding and collaboration. To this end, both nations must strategically leverage and expand existing 'shock absorbers' like the New Colombo Plan and various cultural exchange initiatives, which have consistently proven resilient against political turbulences, to cultivate a robust reservoir of mutual understanding at the societal level. Furthermore, as integral middle powers navigating an increasingly complex Indo-Pacific, Australia and Indonesia are uniquely positioned to enhance their strategic alignment. This involves intensifying transparent dialogue on sensitive regional security issues, such as great power competition, and actively coordinating their positions in multilateral forums to collectively shape a stable and rules-based regional order. Ultimately, the enduring salience of their shared strategic interests, coupled with a concerted effort to bridge inherent differences, will continue to anchor this indispensable partnership in the volatile yet opportunity-rich geopolitical landscape towards and beyond 2025.

References

- Australian Embassy Indonesia (2010). Australia - Indonesia Institute (AII) invites proposals for project funding. Retrieved from https://indonesia.embassy.gov.au/jakt/MR10_016.html.
- Australian Embassy Indonesia (2019). Joint Press Statement by the Minister of Trade of the Republic of Indonesia and the Minister of Trade, Tourism and Investment of Australia on the Signing of Indonesia – Australia Comprehensive Economic Partnership Agreement. Retrieved from https://indonesia.embassy.gov.au/jakt/MR19_005.html.
- Australian Minister for Foreign Affairs (2023). Joint Statement: Second Australia-India 2+2 Ministerial Dialogue, New Delhi. Retrieved from <https://www.foreignminister.gov.au/minister/penny-wong/media-release/joint-statement-second-australia-india-22-ministerial-dialogue-new-delhi>.
- Barlow, K. (2014). Australia and Indonesia strike deal to resume intelligence and military cooperation. *The ABC News*. Retrieved from <https://www.abc.net.au/news/2014-08-19/australia-indonesia-resume-military-intelligence-cooperation/5680164>.
- Department of Foreign Affairs and Trade (2018). Joint Declaration on a Comprehensive Strategic Partnership between Australia and the Republic of Indonesia. *Government of Australia*. Retrieved from <https://www.dfat.gov.au/geo/indonesia/joint-declaration-comprehensive-strategic-partnership-between-the-commonwealth-of-australia-and-republic-of-indonesia>.

- Department of Foreign Affairs and Trade (nd). Indonesia-Australia Comprehensive Economic Partnership Agreement. *Department of Foreign Affairs and Trade*. Retrieved from <https://www.dfat.gov.au/trade/agreements/in-force/iacepa/indonesia-australia-comprehensive-economic-partnership-agreement>.
- Desai, I. (2024). Indonesia suspends Australian livestock again: What does this mean for bilateral tensions? *Young Australians in International Affairs*. Retrieved from <https://www.youngausint.org.au/post/indonesia-suspends-australian-livestock-again-what-does-this-mean-for-bilateral-tensions>.
- Evans, J. & Birtles, B. (2024). Remaining Bali Nine members return to Australia after 19 years in Indonesian prison. *ABC News*. Retrieved from <https://www.abc.net.au/news/2024-12-15/bali-nine-members-return-australia-drug-plot/104728110>.
- Hakim, C. (2025). AUKUS and its strategic implications for Indonesia: Weighing threats, sizing opportunities. *Insight. NNC Netralnews: Berita terkini dan akurat*. Retrieved from <https://en.netralnews.com/aukus-and-its-strategic-implications-for-indonesia-weighing-threats-sizing-opportunities/bGtjR0NaOFIra1p6VndvNFdaQ29SQT09>.
- Hanggarini, P., Madjid, M. A., Perwita, A. A. B., & Wiranto, S. (2023). The development of middle powers interaction: Australia-Indonesia bilateral relations. *Multidisciplinary Reviews*, 6(4), 2023041. <https://doi.org/10.31893/multirev.2023041>.
- Hill, H. (1990). Australia and Indonesia: Challenges and Opportunities in a “Small” Economic Relationship. *ASEAN Economic Bulletin*, 6(3), 283-306. Retrieved from <http://www.jstor.org/stable/25770266>
- Holmes, O. (2016). Indonesia's Jokowi to address Australian parliament as relations thaw. *The Guardian*. Retrieved from <https://www.theguardian.com/world/2016/nov/04/indonesias-jokowi-to-address-australian-parliament-as-relations-thaw>.
- Karmini, N. & McGuirk, R. (2013). Indonesia says it's 'downgraded' Aussie relations. *The Jakarta Post*. Retrieved from <https://www.thejakartapost.com/news/2013/11/20/indonesia-says-its-downgraded-aussie-relations.html>, accessed on 15 May 2025.
- Lee, W. (2015). *Post-Suharto democratisation and the obstacles to a security community between Australia and Indonesia*. Doctor of Philosophy of The University of Western Australia. Retrieved from https://api.research-repository.uwa.edu.au/ws/portalfiles/portal/7412720/Lee_Will_2015.pdf.
- Li, M. (2022). ASEAN's responses to AUKUS: implications for strategic realignments in the Indo-Pacific. *China Int Strategy Rev.* 4, 268–287 (2022). <https://doi.org/10.1007/s42533-022-00121-2>.
- Minister for Foreign Affairs (2020). *Joint Statement on the Seventh Indonesia-Australia Foreign and Defence Ministers 2+2 Meeting*. Retrieved from <https://www.foreignminister.gov.au/minister/marise-payne/media-release/joint-statement-seventh-indonesia-australia-foreign-and-defence-ministers-22-meeting>.
- Neilson, J. (2015). *Australia-Indonesia Centre Megatrends: Agriculture and Food, Report prepared for the Australia-Indonesia Centre*, Monash University. CSIRO, Australia.
- Parliament of Australia (2015). *Federation Chamber - MOTIONS - Death Penalty*. Retrieved from https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=chamber/hansardr/cb768683-f6bc-44e8-8348-c6bd1dba5e12/&sid=0250.

- Parameswaran, P. (2016). Indonesia-Australia defense relations in the spotlight. *The Diplomat*. Retrieved from <https://thediplomat.com/2016/11/indonesia-australia-defense-relations-in-the-spotlight/>.
- Parry, M. (2022). *Australia's strategic view of the Indo-Pacific*, European Parliamentary Research Service. Retrieved from [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/698917/EPRS_BRI\(2022\)698917_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/698917/EPRS_BRI(2022)698917_EN.pdf).
- Pattisina, E. C. (2025). *Indonesia and Australia: Defence cooperation under Prabowo*. Lowy Institute. Retrieved from <https://www.loyyinstitute.org/the-interpreter/indonesia-australia-defence-cooperation-under-prabowo>.
- Prime Minister of Australia (2022). *Joint Communiqué: Indonesia-Australia Annual Leaders' Meeting*. Retrieved from <https://www.pm.gov.au/media/joint-communique-indonesia-australia-annual-leaders-meeting>.
- Reuters (2013). Indonesians burn Australian flags over spying reports. *Reuters*, Retrieved from <https://www.reuters.com/article/world/indonesians-burn-australian-flags-over-spying-reports-idUSBRE9AJ1BA/>.
- Sarma, S. (2017). Australia-Indonesia: Time to revisit relations. *Indian Council of World Affairs*. Retrieved from https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=1750&lid=763.
- Scott, D. (2019). Indonesia grapples with the Indo-Pacific: Outreach, strategic discourse, and diplomacy. *Journal of Current Southeast Asian Affairs*, 38(2), 194-217. <https://doi.org/10.1177/1868103419860669>.
- Springer, K. (2018). *Australia and Indonesia: Strategic partners in a time of change*. Australian Institute of International Affairs. Retrieved from <https://www.internationalaffairs.org.au/australianoutlook/australia-indonesia-relations-strategic-partners-in-a-time-of-change/>.
- The ASEAN Secretariat (2023). RCEP Agreement enters into force for Indonesia. *The ASEAN Secretariat*. Retrieved from <https://asean.org/rcep-agreement-enters-into-force-for-indonesia/>.
- The Jakarta Globe (2015). Indonesia is prepared to return Australian tsunami aid: VP Kalla. *The Jakarta Globe*. Retrieved from <https://jakartaglobe.id/opinion/indonesia-prepared-return-australian-tsunami-aid-vp-kalla>.
- Tran, L. T., & Vu, T. P. T. (2018). Beyond the 'normal' to the 'new possibles': Australian students' experiences in Asia and their roles in making connections with the region via the New Colombo Plan. *Higher Education Quarterly*, 72 (3). 194-207.
- Wicaksana, I. G. W. (2022). Rethinking Indonesia's non-aligned foreign policy. *The East Asia Forum*. Retrieved from <https://eastasiaforum.org/2022/04/27/rethinking-indonesias-non-aligned-foreign-policy/>.