



## BALANCING PROXIMITY AND POWER: THE STRATEGIC PARTNERSHIP OF INDONESIA AND AUSTRALIA

**Regional Update Australia** | In November 2025, Australia announced it would be signing a new security pact, the Treaty of Common Security, with Indonesia. While the details of the agreement are still unknown and the official signing is yet to take place, this announcement has sent a wave of interest through the region, particularly as a great power rivalry takes place around their shores. Australia and Indonesia have fostered over 75 years of diplomatic relations but this time has not always been characterised by mutual trust and cooperation. What is the significance of this security pact given the complex history between the two countries, and given the growing geopolitical tensions in the region?

### History of the Relationship

Australia-Indonesia relations began at the end of World War II when Indonesia gained independence from the Netherlands, and Australia supported this by boycotting Dutch ships. However, in 1963 Australia's Prime Minister declared Indonesia a growing threat following their declaration of a policy of 'Konfrontasi' (confrontation) against Malaysia, destabilising the region. This marked the beginning of the volatile relationship between the two nations, with periodic moments of mistrust on both sides.

In 1995, Australia's Prime Minister Paul Keating developed and signed the Agreement on Maintaining Security (AMS) with Indonesia's President Suharto, arguably, this agreement was built by Keating for optics to help him appear statesmanlike during the election that year. Australia's Foreign Minister, Penny Wong, has stated that the new Treaty of Common Security has been modelled on the AMS. However, this agreement was ultimately unsuccessfully implemented, and in 1999 the agreement collapsed completely when Australia led INTERFET, a peacekeeping task force to East Timor following a violent outbreak after a referendum that showed overwhelming support for independence from Indonesia. This move by Australia deteriorated Indonesia's trust and led them to the decision to abandon the agreement. Following this event, the relationship was strained, with renewed periods of tension in 2013 following an espionage scandal and in 2015 following the execution of Australian nationals associated with the Bali Nine.

Observing the relationship in more recent history, it has been characterised by greater periods of cooperation than turbulence due to mutual interests despite varying values. In 2018 their relationship advanced with the signing of the Comprehensive Strategic Partnership (CSP) which was built on five core pillars: enhanced economic and development partnership, connecting people, securing shared interests, maritime cooperation, and contributing to Indo-Pacific security and prosperity. The two countries also have the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) in place since 2019, which has been successful in bringing closer economic engagement. Additionally, the defence ministers signed a Defence Cooperation Agreement in 2024, which allows greater "practical cooperation and interoperability" between the two defence forces. During this time, Indonesia has, however, expressed concerns over Australia's participation in AUKUS as it could impact their national security and potentially intensify regional competition. They worry that AUKUS may provoke China further, leading them to escalate their actions in the South China Sea, as well, they were concerned about potential nuclear accidents as some of Australia's most important sea routes pass through Indonesian waters.



## BALANCING PROXIMITY AND POWER: THE STRATEGIC PARTNERSHIP OF INDONESIA AND AUSTRALIA

### Schools of Thought

On one hand, there is the view that Australia and Indonesia are bound by their geographical proximity and, therefore, they must cooperate to manage strategic risks. As explained by Dr Gatra Priyandita, Senior Analyst at the Australian Strategic Policy Institute, past policy discourse in Australia said that a threat to them would either come “from Indonesia or through Indonesia”. Therefore, Indonesia is significant for ensuring Australia’s security in the north, and for this reason, stability in Indonesia is essential for them. Contrarily, Indonesia considers Australia to be an important partner “for purposes of capacity-building, information sharing, and training”. Dr Priyandita elaborates that “these are important for Indonesia, as Indonesia continues to work on both military modernisation and improving its warfighting capabilities”.

This line of thinking attributes the persistence of the relationship, despite the continued volatility observed over history, to the pursuit of national interests. Friction is seen as inevitable but, ultimately, manageable given the primarily transactional nature of the relationship. Thus, they prioritise cooperation where interests align. Looking at the new security pact from this perspective, it is a move to upgrade the Defence Cooperation Agreement signed in 2024 in order to better address shared concerns about the regional landscape.

Within Indonesia, Dr Priyandita pointed out that while there is general support for increased military engagement with Australia, not all Indonesians think positively of it. In particular, nationalist politicians and some conservative segments of the military are sceptical of Australia’s intentions and question whether they are seeking to “undermine Indonesian sovereignty in West Papua, either through espionage or support for pro-independence groups”. This partially comes from the previously mentioned Australian support for East Timor’s independence, but Priyandita mentions that among these groups, there is also a general suspicion around foreign intent.

It is also observable that the stark differences in political systems, identities, and foreign policy strategies can be the reason for limits in the relationship and recurring tensions. Where Australia is an ally to the United States, Indonesia maintains a position of non-alignment, but is simultaneously deepening partnerships with countries that Australia is cautious of. This leads to conflicting expectations, as Australia often places a higher importance on its relationship with Indonesia, due to Indonesia’s geographical location, than is reciprocated. Indonesia, on the other hand, assumes that Australia will be a consistent and dependable security partner, even when faced by pressure from the US. This security pact, therefore, faces obstacles as its success depends heavily on how both countries meet implicit expectations.





## **BALANCING PROXIMITY AND POWER: THE STRATEGIC PARTNERSHIP OF INDONESIA AND AUSTRALIA**

### **China**

The announcement of this security pact also raises questions about Indonesia's potentially shifting relationship with China. Indonesia currently finds itself increasingly involved with China in "economic, foreign policy and security terms," but this new pact could symbolise Indonesia's move closer to 'the West' as China's position as a superpower grows. However, under Indonesia's President Prabowo Subianto, their foreign policy has become more unpredictable, also becoming less concerned with its alignment to authoritarian states. Dr Natalie Sambhi, Executive Director at Verve Research, explained that "Indonesia's foreign policy priorities have increasingly aligned with the current president's personal ambitions to raise Indonesia's international profile and thus his own standing as a global statesman". Dr Sambhi elaborates that Indonesia has long had to balance its relationship with China and the US, maintaining economic and security ties with both. However, she highlights that now "it remains to be seen whether the US National Security Strategy, which articulates a desire to dominate China economically, will require Indonesia to take stronger steps to limit Beijing's influence in the region".

Australia, conversely, despite being a close trade partner with China, is in a state of "permanent contest" with them in the Pacific region. Australia finds themselves concerned with China's expansionist motivations moving closer to their borders and thus, finds it relevant to actively counter them. As the pact with Indonesia would require the two countries to consult each other on security activities, this could help Australia to avoid Russian or Chinese presence within its waters or airspace. Particularly as the current Trump administration becomes less reliable, Australia should be looking outside of this relationship and paying more attention to other partners, making this pact with Indonesia increasingly important.

### **Conclusion**

In conclusion, despite the volatile history of Indonesia-Australia relations, they remain close strategic partners, not only because of their geographical proximity, but also because of mutual gains and shared concerns about the regional geopolitical landscape. Their combined power within the Indo-Pacific region makes them a strong counter-balance to China, highlighting the importance of democratic middle powers coming together. For Australia, signing the Treaty of Common Security is a great step for them to expand beyond the US and diversify their partnerships, particularly with the uncertainties under the current Trump administration. However, under Prabowo, while he is raising Indonesia's international profile, the foreign policy strategies seem to lack some coherence which may lead to potential frictions in the future.