

New York waterway ferries. It continues to remind us how much of a need we have to make certain that the ferries operate safely, as well as efficiently.

I ask, along with the distinguished Senator from New York who made his remarks a few minutes ago, that the Federal Government do whatever they can to understand what took place, and we understand and know the facts; that we take all the steps we can to make certain it should not happen again.

One of the questions I asked in the committee in which I serve, the Commerce Committee, is take a look and see what the Coast Guard requires by way of licensing for captains of these boats. The ferry that had the accident yesterday can carry as many as 6,000 people. We have to make certain in that travel they are not careless.

POPE JOHN PAUL II

Mr. FRIST. Mr. President, today Pope John Paul II and billions of faithful around the world celebrate the 25th anniversary of his election in 1978 to the papacy.

Born Karol Wojtyla on May 18, 1920 in Poland, John Paul II is the first non-Italian pope in 380 years. He has profoundly shaped the modern church and advanced its spiritual and moral influence across the globe. A poet, a playwright and a philosopher, Pope John Paul II has been an indefatigable champion of the poor and dispossessed.

In his 25 years of service to the church, he has also traveled more extensively than any pope before him. His historic trip to Poland in 1979 catalyzed the Solidarity Movement and led to the peaceful dissolution of the Soviet Empire. He is also the only pope ever to have visited a mosque or a synagogue.

Those who have studied the Pope's writings and biography say that the Pope was profoundly shaped by his early encounter with death and suffering.

As one expert observes, Professor Tony Judt for "Frontline", John Paul "was born in 1920, shortly after World War I to an impoverished Poland, into a family, where, one by one, his closest relatives died around him—He was left before his 21st birthday with no family. At about the time of his father's death, shortly before, World War II broke out, and he lived in Poland under the worst dictatorship ever known—And then this man lives in post-war Poland for 20 years under Communist occupation when Poland was a grim, depressed, dishonest, duplicitous impoverished place."

Out of all of this grimness and death, John Paul did not become despondent or embittered. No, indeed, his experience of profound loss and suffering seemed to have deepened his spirituality and his capacity to find strength first and foremost in God, but also in man's fragility.

Billions around the world have been blessed by the Pope's goodness and

drive, his sincere love for the individual, and his determination to reconnect human endeavor to its higher purpose.

Pope John Paul has fought tirelessly against the culture of death, he has fought for man's dignity against tyranny and triviality. And if it is not too much to say, Pope John Paul has devoted his life to fighting for our souls.

I would like to close with a poem he wrote when he was only 19 years old. To me, it typifies his extraordinarily sensitive nature and perception of the divine mystery. It is called, "Over This, Your White Grave"

Over this, your white grave
the flowers of life in white—
so many years without you—
how many have passed out of sight?
Over this your white grave
covered for years, there is a stir in the air,
something uplifting
and, like death, beyond comprehension.

Over this your white grave
oh, mother, can such loving cease?
for all his filial adoration a prayer:
Give her eternal peace—
[Krakow, spring 1939]

God bless Pope John Paul II.

LOCAL LAW ENFORCEMENT ACT OF 2003

Mr. SMITH. Mr. President, I rise today to speak about the need for hate crimes legislation. On May 1, 2003, Senator KENNEDY and I introduced the Local Law Enforcement Enhancement Act, a bill that would add new categories to current hate crimes law, sending a signal that violence of any kind is unacceptable in our society.

I would like to describe a terrible crime that occurred in Indianapolis, IN. In October 1999, Jamie C. Carson and two accomplices robbed and tortured two men who were targeted because they were gay. Police said that one victim was forced to drink a mixture of bleach and urine. Both men were tied up and burned with a steam iron.

I believe that Government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Enhancement Act is a symbol that can become substance. I believe that by passing this legislation and changing current law, we can change hearts and minds as well.

REPORT ON U.S.-INDONESIA RELATIONS

Mr. LUGAR. Mr. President, today I rise to commend to Senators the Report of the National Commission on U.S.-Indonesian Relations issued today by the United States-Indonesia Society. This report is the culmination of more than one year of work by the Commission, whose co-chairs are former Secretary of State George Shultz, my fellow Hoosier and former Congressman Lee Hamilton, and George Russell, Chairman Emeritus of the Frank Russell Company.

This report will be an important point of reference for members of Congress and the public as a whole as the future course of Indonesia-U.S. relations is debated. I, for one, believe that the significance of Indonesia to Asia and to the world is often underappreciated. A relatively new democracy, Indonesia is home to the world's largest Muslim population and overall is the world's fourth most populous nation. The U.S. trade deficit with Indonesia is decreasing. U.S. exports of goods to Indonesia in 2002 were \$2.6 billion, up 2.4 percent from the previous year and U.S. imports from Indonesia were \$9.6 billion, down 4.6 percent from 2001.

The Commission's report examines the U.S.-Indonesia relationship and outlines policies and programs that "will help strengthen the nation's prospects for success." Education, democratization, economic growth and security are areas for emphasis highlighted by the Commission.

The report goes into considerable detail about many aspects of life inside Indonesia, citing the challenges and hopes of this fellow democracy. For example, the report notes that the roles of the military and police are changing, with the goal of the Indonesian government being to make the police, rather than the military, fully responsible for internal security.

Important reference is made to ongoing conflict in the province of Aceh as well as unrest in Papua connected to issues surrounding the special autonomy law. Of special significance to justice-seeking citizens in the United States and Indonesia, the Commission highlighted the need for a full and thorough investigation into the murder of an Indonesian and two Americans, and the wounding of eight others in an ambush last year near Timika in Papua.

My purpose today is not to concur in all of the report's findings, but rather to recommend it to my colleagues as a helpful point of reference in future deliberations by this body on a wide range of issues regarding Indonesia.

Those Members interested in viewing the full report may contact the United States-Indonesia Society for a copy. I conclude my remarks by commending the ongoing work of Paul Cleveland, President of the United States-Indonesia Society and Edward Masters, Co-Chair of the Society's Board of Trustees for their tireless and outstanding commitment to stronger Indonesia-U.S. relations.

I ask unanimous consent to print the Executive Summary in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

REPORT OF THE NATIONAL COMMISSION
ON U.S.-INDONESIAN RELATIONS
STRENGTHENING U.S. RELATIONS WITH INDONESIA: TOWARD A PARTNERSHIP FOR HUMAN RESOURCE DEVELOPMENT
THE NATIONAL COMMISSION ON U.S.-
INDONESIAN RELATIONS

Honorable George P. Shultz, Co-Chairman—Thomas W. and Susan B. Ford Distinguished Fellow, Hoover Institution, Stanford

University; Honorable Lee Hamilton, Co-Chairman—Director, The Woodrow Wilson International Center for Scholars; Mr. George Russell, Co-Chairman—Chairman Emeritus, Russell Investment Group; Honorable Edward Masters, Vice Chairman—Co-Chair of the Board of Trustees, United States-Indonesia Society; Admiral Dennis C. Blair—Senior Fellow, Institute for Defense Analyses; Honorable Paul Cleveland—President, United States-Indonesia Society; Dr. Richard J. Ellings—President, The National Bureau of Asian Research; Professor Donald K. Emmerson—Director, Southeast Asia Forum, Asia-Pacific Research Center, Stanford University; Dr. Ellen L. Frost—Visiting Fellow, Institute for International Economics; and Professor R. William Liddle—Professor of Political Science, Ohio State University.

PREFACE

This report is the culmination of more than one year of effort by members of the National Commission on U.S.-Indonesian Relations. We first assembled in September 2002 to discuss increasingly evident and pressing concerns: that Indonesia is a frontline state in the war on terrorism; that it is in the midst of one of the most significant political transitions and economic recoveries in its history; that, despite its size and strategic location in Southeast Asia, it is one of the least well-known or understood countries in the United States; and that it would be enormously beneficial for the U.S.-Indonesia bilateral relationship, which has become strained in recent years, to move to a more balanced and sustainable footing.

The members of the National Commission on U.S.-Indonesian Relations represent a diverse range of backgrounds, interests, and opinions from the worlds of policymaking and diplomacy, the military, business, and academic. We were charged with drafting a consensus report that reflects the breadth of U.S. interests in Indonesia, of consulting widely with current and former policymakers, and others, in Washington and Jakarta, and of suggesting ways that the U.S. Congress and Administration might move toward a relationship which over the longer term will serve the interest of both countries.

In our work, we have been supported by the hardworking staff and representatives of the three institutions sponsoring this initiative—the Asia-Pacific research Center at Stanford University, The National Bureau of Asian Research, and the United States-Indonesia Society—to whom we offer our sincere appreciation. Thanks are also due to our colleagues on the Commission, who gave freely of their time and expertise, as well as for the valuable counsel of a large number of Americans and Indonesians who contributed their insights to this report. In particular, we wish to acknowledge and commend the work of Edward Masters, former U.S. Ambassador to Indonesia, Co-Chairman of USINDO, and Vice Chairman of this Commission, who has expended great effort over many months on the unenviable task of drafting a report that reflects our general consensus of opinion.

Two final notes: First, although it reflects the views of various public and private Indonesians with whom the general concept of a “partnership” has been discussed, this report is written from a U.S. standpoint. If the partnership concept is formally accepted by the two governments, we hope this report can serve as the basis for more detailed discussions to ensure that both sides have an equal opportunity to express their views, and that any programs adopted have the full support of the two governments and relevant private organizations.

Second, the National Commission and this report represent a non-governmental effort

to explore ways to improve relations between the third and fourth most populous countries in the world. In an international environment driven by the challenges and opportunities of globalization and beset by the problems of global terrorism, we are convinced that strong and positive relations between the United States and Indonesia are, and will remain, a key component of a prosperous and peaceful future.

EXECUTIVE SUMMARY

Indonesia, the world's fourth most populous nation and third largest democracy, is the pivotal state in Southeast Asia. It has exercised major influence in the region and plays an active and constructive international role. It has vast natural resources and is strategically located astride major lines of communication between the Pacific and Indian Oceans. Half of the world's merchant fleet capacity passes through straits with Indonesian territory on one or both shores. Including its oil and mineral sectors, Indonesia is home to about \$25 billion in U.S. investment, with more than 300 major U.S. firms represented there.

Two additional factors are of particular importance today: Indonesia has the world's largest Muslim population—more than all the Middle Eastern Arab states combined. The vast majority of Indonesia's Muslims have historically been noted for their moderation. There is one of the few Muslim-majority nations in which Islam is not the state religion; and given its size and importance, Indonesia is critical to stability in Southeast Asia. It has been the anchor of the Association of Southeast Asian Nations (ASEAN) and a key player in the ASEAN Regional Forum, the only organization in the Asia-Pacific region that brings the United States together with Japan, China, ASEAN and others to discuss security issues.

Today Indonesia faces major faces major problems: a difficult transition from authoritarian rule to democracy; slow economic growth combined with inadequate job creation; capital outflow; endemic corruption; ethnic and sectarian violence; a weak judiciary; and a serious threat from domestic and international terrorists. The October 12, 2002 bombings in Bali were the most grievous instance of terrorism since the September 2001 attacks on the United States. The carnage in Bali was a wake-up call for Indonesians and their government, and Indonesia joined the fight against terrorism. Local police arrested more than 90 suspected terrorists, but more are still at large as shown by the August 5, 2003 attack on the J.W. Marriott Hotel in the heart of the capital city Jakarta. Fourteen people (all but one were Indonesians) died as a result of that attack and 150 were injured.

There are continuing problems, but the news from Indonesia has not by any means been all bad. Since 1999 the country has had a free and fair national election and two peaceful presidential successions. Its media are among the most free in Southeast Asia. Civil society is flourishing, and more than 5,000 non-governmental organizations are active across a broad range of sectors. Constitutional reform and decentralization have made the government less top-down. For the first time, beginning in 2004, the president and vice president will be directly elected. In this process of reform, the leaders of major Muslim organizations have played a constructive role in defining relations between religion and the state. The ceasefire agreement in Aceh has failed, but those between hostile ethno-religious groups in the eastern islands are holding. And the Indonesian economy, despite its vulnerabilities, has stabilized in important respects.

The country is now at a critical juncture in its democratic transition and economic

recovery. This is therefore an opportune time for the United States to rethink its approach to Indonesia. A failure of democracy there would hurt not only Indonesians. It would reinforce the stereotype that a Muslim-majority nation cannot manage a democratic system. Given the size and importance of Indonesia, we believe that success of that nation's democracy would not only provide a better life for its people but also reduce vulnerabilities to radicalism and have an impact beyond Indonesia's borders.

For these multiple reasons, the National Commission on U.S.-Indonesian Relations recommends that the United States and Indonesia enter into a “Partnership for Human Resource Development” in which the two nations pledge to work together on joint programs to promote in Indonesia an effective democracy, sustainable development, and the rule of law. The idea of a formal partnership is new to this important bilateral relationship. We believe this concept is essential to increase the prospects for success and to ensure that both nations buy into these programs and are committed to make them succeed. In other words, that both accept ownership.

Events in the coming five years, including national elections in 2004 and their consequences, will determine the fate of Indonesia's democracy and the nature of the new leadership generation expected to emerge before the following elections in 2009. Accordingly, we recommend that the United States pledge \$200 million annually in additional assistance funds to this partnership during this five-year period. The Commission believes that Indonesia would be a good candidate for funding under the Millennium Challenge Account. Whatever the source, it is important that these be add-on funds that do not disrupt important ongoing assistance programs.

These additional funds would be used to strengthen existing programs and initiate new programs in four critical fields:

1. Education—work with Indonesian officials to strengthen the nation's educational system at all levels, including Islamic schools, and rebuild ties with U.S. educational institutions. Before the fall of Suharto, Indonesia's experience with democratic systems and practices was limited to a few years in the 1950s, so that most Indonesians living today have had no direct experience with democracy. As a result, Indonesia's democracy must be built from the ground up. A key prerequisite for success is an informed electorate. Education is the key to success and is also essential to give greater depth to the management level in virtually all sectors. We therefore attach special importance to education and urge prompt, large-scale U.S. support.

2. Democratization—improve governance, speed and deepen legal reform, strengthen parliament and the electoral system, and help ensure the effectiveness of decentralization.

3. Economic Growth—improve the investment climate, strengthen Indonesia's private sector, expand trade, facilitate the resumption of full debt servicing.

4. Security—strengthen the police and, when practicable, resume carefully crafted military education programs that will strengthen those elements willing to promote reform.

In addition to these funding priorities, ongoing U.S. assistance for emergency relief and improved health should be continued. Bolstering the ethical rationale for such support is the contribution it can make to reducing hardship and thus limiting the grievances that can be used to incite cycles of violence and repression.

Indonesia today offers a unique but temporary window of opportunity for the United

States to help this nation of 230 million people build an effective democracy based on a civil society and a market economy under the rule of law. The time to rise to the occasion is now.

STRENGTHENING U.S. RELATIONS WITH INDONESIA: TOWARD A PARTNERSHIP FOR HUMAN RESOURCE DEVELOPMENT

INTRODUCTION

Congressman Jim Leach, head of the East Asia Subcommittee in the House of Representatives International Relations Committee, said in a 2001 Congressional hearing that "there is no country in the world of such vital importance that is less understood than Indonesia." He went on to say that "it is strongly in the interest of America and the world for Indonesia to succeed." As members of the National Commission on U.S.-Indonesian Relations, we share this view.

This important nation of 220 million people, occupying some of the world's most strategic real estate, faces formidable problems: a complicated political transition which has produced three governments in as many years; complex and politically sensitive economic problems left from the 1997-98 financial crisis; ethnic and religious strife resulting in thousands of deaths and hundreds of thousands of displaced persons; continued armed rebellion in Aceh and Papua; and a significant increase in violence by radical Muslims. The October 2002 bombing in Bali, in which more than 200 people were killed, was the most serious terrorist attack worldwide since the September 11, 2001 attacks on the United States. To show their continuing capability, Indonesian militants attacked the J.W. Marriott Hotel in Jakarta in early August 2003 resulting in 14 deaths and 150 injured.

In coping with these problems, Indonesia is handicapped by the legacy of more than 40 years of authoritarian rule—weak institutions and poor administrative capabilities. Nonetheless, the nation has made important progress. It has shown a commitment to openness, development, political stability, economic reform, and, since the Bali bombings, to rooting out terrorists. This progress, the remaining challenges, the stakes for U.S. national interests, and our recommendations for U.S. policymakers are outlined in this report.

Our broad conclusion is that the United States and Indonesia should enter into a "partnership" to strengthen Indonesia's fragile democracy, reduce the problems that lead to radicalism, and improve this important bilateral relationship. The basic development decisions must be made by the Indonesians themselves, but U.S. assistance can be critical to their success. Under the partnership the two nations can work together on programs where their national interests converge. This will enable U.S. policymakers to recognize Indonesia's priorities, understand what the Indonesians are willing to do, determine how the United States might best assist, and monitor progress. The partnership will also give Indonesia "ownership" of the agreed programs and ensure that these programs have the full support of both governments.

We believe there are few better investments for the United States at this critical time than to help strengthen democratic behavior and institutions in the world's largest Muslim-majority nation and one which is striving to build a viable democracy. The price of failure would be serious for Indonesia, for the region, for the Muslim world, and, not least, for the United States.

U.S.-INDONESIAN RELATIONS IN PERSPECTIVE
Why is Indonesia important to the United States?

Indonesia is the pivotal state in Southeast Asia. The world's fifteenth largest and fourth most populous nation, it exercises strong influence in Southeast Asia and plays a constructive international role. It has huge natural resources and a strategic location astride major sea lines of communication—half of the world's merchant fleet capacity passes through the Straits of Malacca, Sunda, and Lombok. Including the oil and mineral sectors, Indonesia is home to an estimated \$25 billion in U.S. investment, with more than 300 major U.S. firms represented in the country.

There are two additional factors of great importance today: Indonesia has by far the world's largest Muslim population, and historically Indonesia's Muslims have been noted for their moderation. It has the two largest Muslim social and educational organizations in the world—the Nahdlatul Ulama and Muhammadiyah—each of which is moderate and has more than 30 million members. Indonesia is one of the very few Muslim-majority nations in which Islam is not the state religion. Indonesian Islamic scholars have had a moderating impact on debate within the Muslim world on the relationship between religion and the state. This influence will be enhanced if Indonesia succeeds in its efforts to develop a viable and nonsectarian democratic system; and a stable and responsible Indonesia is critical to regional stability. It is the anchor of the Association of Southeast Asian Nations (ASEAN) and a key player in the ASEAN Regional Forum (ARF), the only organization in the Asia-Pacific region that brings the United States together with Japan, China, the ASEAN nations, and others to discuss security issues. The cohesion and effectiveness of ASEAN have eroded significantly due to Indonesia's preoccupation with domestic crises. Instability in Southeast Asia has already provided openings for Islamic radicalism.

In short, an unstable, hostile or unpredictable Indonesia would adversely affect U.S. interests and objectives, tilt the international balance toward radical Islam, complicate transit through strategic sea and air routes, hamper efforts to combat piracy and drug trafficking, and weaken a potentially constructive regional counterpoint to China. *What is the current U.S.-Indonesian relationship?*

U.S. relations with Indonesia have been close for much of the country's history. The United States played an important and supportive role in Indonesia's transition to independence, and the country was a reliable strategic partner from the mid-1960s through the end of the Cold War. Bilateral relations suffered during the late 1950s when the United States intervened in domestic strife in Indonesia and during the post-Suharto transition, which saw three presidents in as many years. Although relations are generally good today, there are negative undercurrents stemming from differing demands and expectations over the war in Iraq and its aftermath, priorities in the war on terrorism, and the most appropriate steps in Indonesia's democratic transition.

Since September 11, 2001, U.S. strategic priorities have been driven by the demands of the war on terrorism. Washington was frustrated through much of 2002 by the limited extent of Jakarta's commitment to support this war in Southeast Asia and the reluctance of many Indonesians to recognize that terrorism was an urgent internal problem. Such frustrations were not unique to the U.S.-Indonesian relationship, but similarly affected Jakarta's relations with its neighbors in Southeast Asia.

The initial reaction of many Indonesians to the Bali terrorist attacks of October 12, 2002, was that their countrymen were incapable of such a horrible act. Some blamed outsiders, including the CIA, which was accused of precipitating the bombings in an effort to draw Indonesia into the war on terrorism. The well-conducted police investigation into the bombings and their aftermath (which by mid-September 2003 had led to the arrest of more than 90 suspected Indonesian terrorists) clearly showed that terrorism is an Indonesian as well as an American problem.

The August 5, 2003 attack on the J.W. Marriott Hotel in Jakarta by an Indonesian terrorist drove home the point. Thirteen Indonesians and one foreigner were killed and 150 people were injured in this noon-time car bomb attack on a hotel in Indonesia's financial district known to be frequented by Americans. The Indonesian reaction was one of shock and anger perhaps even greater than the earlier terrorist attack in distant Bali. The two largest Muslim social and educational organizations in Indonesia, the Nahdlatul Ulama and Muhammadiyah, promptly issued a joint statement strongly condemning this "heinous, ruthless and uncivilized crime against humanity" and called it an action which "belies religious values." The two organizations called on the government to "further strengthen the capacity of security officials" to combat terrorism. These themes were also echoed in the press. Like the Bali attack, this terrorist act was carried out by Indonesians, probably, according to government officials, with encouragement and support from the regional terrorist organization Jemaah Islamiyah.

Indonesia's growing awareness of the problem and its increased cooperation with U.S. and regional security counterparts, plus the willingness of moderate Muslims to speak out against radical extremists, have helped improve bilateral relations. Improved communications between the U.S. embassy and the Indonesian government are also helping, as is the fact that the U.S. ambassador is successfully developing contacts with a broad cross-section of opinion leaders, including more traditional Muslim elements.

Despite such progress, there are at least two notable areas where significant problems in the relationship remain: The August 2002 murder of two Americans and an Indonesian working for a U.S. company in an ambush near Timika in Papua is a major issue. The Indonesian police have implicated military elements in the attack. The long-running investigation into this deplorable incident, in which US FBI agents have participated, has not led to any charges or prosecutions. This will plague the relationship until a credible investigation is completed and appropriate follow-on actions are taken; and this incident is symptomatic of broader U.S. concerns on accountability—a problem that requires special attention. The Leahy Amendment and various U.S. policy statements stress the need for accountability by senior Indonesian military and police officers for human rights abuses in East Timor and elsewhere. The amendment bans U.S. military education and training programs (IMET) for Indonesian officers until there is an accounting for these actions. A small IMET program was included in the 2003 Defense Department budget, which is not subject to the Leahy Amendment, but there were indications in September 2003 that these funds would not be used because of continued concern over the slow pace of the Timika investigation.

The war in Iraq led to large demonstrations against the United States and official and private criticism, but government authorities took strong measures to prevent outbreaks of violence. President Megawati, while criticizing the coalition's lack of UN

support, stressed that this U.S. action did not represent an attack on Islam. Indonesians can be expected to continue to watch developments in Iraq closely, but unless large-scale fighting resumes or there is a prolonged and difficult direct U.S. occupation, we do not expect this to become a major issue in the bilateral relationship. Indonesians have in the past complained about a perceived "lack of balance" in the Middle East policy of the United States. They hope that, with the end of the Saddam Hussein regime, the United States will take a more active role in resolving basic problems in the Middle East, particularly the plight of the Palestinians, and that the U.S. government will strongly pursue implementation of the "roadmap."

Other sticking points in the relationship from the Indonesian perspective include: The January 16, 2003 announcement that Indonesia had been added to the list of nations whose males over 16 visiting the United States must register with the Immigration and Naturalization Service and be fingerprinted and photographed. Indonesians see this as further evidence of religious profiling by the United States. They also object strongly to what they see as the failure of the U.S. government adequately to discuss the matter before the rules were published in the Federal Register. This is likely to be a continuing source of friction which will discourage travel to the United States by students, business representatives, and others, and add fuel to anti-American sentiment; and Indonesian perceptions of U.S. "unilateralism" and "bellicosity." While agreement with many U.S. criticisms of the problems facing Indonesia, Indonesians resent what they see as America's heavy-handed style and its demands that Indonesia must take certain actions. One well-informed American scholar has said the United States should "demustify" its approach. It is important that the United States work with the Indonesians to identify problems and agree on approaches to solve those problems. A joint approach is likely to be more effective than public exhortations or the imposition of sanctions.

Top Indonesian officials have expressed deep appreciation for quiet U.S. assistance in working out the Aceh ceasefire in December 2002. Unfortunately, that agreement has not held and fighting has resumed. Nonetheless, we believe that Aceh should continue to have a high priority for the United States, and that the U.S. government should be prepared to offer additional help in ending the violence if this is requested by the Indonesians. Similarly, recognizing that responsibility for Papua lies with the Indonesian government, we recommend that the United States also assist in reducing tensions and violence in that area.

Why do we need to rethink U.S.-Indonesian relations now?

We hear a great deal about Indonesia's continuing problems but much less about the real progress that has been achieved during the past several years. This progress provides a good base for expanded U.S. assistance in areas where Indonesia wants and can effectively use our help to consolidate the gains already made and to strengthen the base for democracy and continued economic growth. The Commission sees encouraging progress in five important areas:

The nation had a free and fair national election in 1999 and peaceful political transitions in 1999 and 2001. Many key elements necessary for a successfully democratic system are in place—an active and independent legislature, a functioning party system, a free and active press, and a growing civil society.

Constitutional reform has gone much further than most observers anticipated. Sovereignty for the first time is vested in the people, a system of checks and balances has been introduced, appointed seats for the military in elected bodies will be eliminated at the time of the 2004 elections, and in these elections the president and vice president will for the first time be directly elected. A new Regional Representative Council has been created to advance the interests of the provinces, and a new Constitutional Court and a Judicial Commission have been formed to strengthen the legal structure.

Indonesia's decentralization—the largest in history—transferred many central powers and two million civil servants to some 400 local districts and towns on January 1, 2001. Despite initial misgivings, the process has gone reasonably well, and some of the concerns about the potential problems—increased corruption, double taxation—have proved to be exaggerated. Moreover, while the process is still in its early stages, there are already signs in some areas of grassroots democracy and local leadership.

Macroeconomic conditions have improved significantly. The rupiah is relatively stable, interest rates are down to manageable levels, monetary policy is sound, the banking system has been strengthened, asset recovery is proceeding, and inflation has fallen from 80 percent at the peak of the financial crisis to less than 10 percent. There has also been progress in reducing the debt ratio, which is down from 102 percent of GDP in 1999 to 67 percent in late 2003 according to Indonesian official sources. Per capita income is approaching 1997 pre-crisis levels, and the 13 percent of the population living in absolute poverty, while still excessive, is less than half the level in 1998. Citing "good progress" in June 2003, the IMF announced a further release of \$486 million, raising the amount released under the Extended Fund Facility arrangement to about \$4 billion out of the \$5 billion total.

The government moved quickly after the Bali bombings to revise internal security regulations to give the authorities greater flexibility in moving against suspected terrorists. The police, who welcomed support from Australia, the United States and others, have arrested more than 90 Indonesians suspected of complicity in terrorist activities, and international cooperation is continuing following the Marriott Hotel attack.

In short, Indonesia has made progress and is now at a critical juncture in its democratic transition and economic recovery. This is an opportune time for the United States to rethink its approach to the relationship. If the democratic transition is unsuccessful, Indonesia's political situation will become less predictable, with increased risk of exaggerated nationalism and/or Muslim radicalism. Less likely, although impossible to discount, is a return to authoritarian rule.

Such negative scenarios are by no means inevitable, and it is therefore important for the United States to identify policies and programs that will help strengthen the nation's prospects for success. As members of the National Commission on U.S.-Indonesian Relations, we see a need for broad, consistent U.S. engagement with Indonesia in four priority areas (while anticipating that the significant U.S. health and humanitarian assistance programs will continue):

Education. Underlying all other areas is the urgent need to help develop Indonesia's poorly functioning educational system and significantly expand the pool of trained administrators. This is an essential underpinning for a successful democracy and for continued domestic economic and social reform. Support for education was an important

component of U.S. policy in the 1960s and it made a major contribution to Indonesia's rapid economic growth in the 1970s and 1980s. It is now time for a similar effort to strengthen the country's democratization programs and administrative capabilities.

Democratization. The United States will place to assist Indonesia in its efforts to strengthen the electoral system, improve civil governance, pursue legal reform, and extend decentralization. Helping to ensure the emergency of Indonesia as a democratic, moderate, Muslim-majority state directly serves the long-term national interests of the United States.

Economic growth. There are a variety of measures that the U.S. government could undertake to alleviate Indonesia's financial burden, help improve the climate for investment and trade, and facilitate economic recovery. Encouraging a resumption of foreign investment will be a major boost to Indonesia's economy and contribute to social and political stability.

Security. The United States can help improve the Indonesian authorities' capabilities to guarantee security through education for the police and, when conditions are appropriate, for the military. Doing so will help reduce abuses and will also contribute to social and political stability, improve the investment climate, and coincide with U.S. strategic objectives in the war on terrorism.

The Joint Statement issued by Presidents Bush and Megawati following the Indonesian president's September 19, 2001 visit to Washington provides a good basis for future relations between the two nations. President Bush "expressed his conviction that Indonesia's transition to democracy is one of the most significant developments of this era . . . [and] he pledged his support for President Megawati's efforts to build a stable, united, democratic and prosperous Indonesia." He announced that the United States, in the "spirit of their shared commitment to promote reform and professionalization of the military . . . would lift its embargo on commercial sales of non-lethal defense articles for Indonesia" subject to the usual case-by-case review. The two presidents also noted "the importance of open markets and expanded trade for economic growth . . ."

For her part, President Megawati "condemned the barbaric and indiscriminate acts" of September 11 and "pledged to cooperate with the international community in combating terrorism." She also "reaffirmed her determination to pursue a multidimensional approach" to separatism in Aceh and Papua and "underscored her determination to improve Indonesia's investment climate" by "strengthening the rule of law, resolving outstanding investment disputes, and protecting investors' assets and property."

THE PARTNERSHIP FOR HUMAN RESOURCE DEVELOPMENT

Ensuring a successful transition to democracy, stability, and growth in Indonesia is not something that the United States can do. The basic parameters must be set by Indonesia, and the programs must be those with high priority for them as well as for the United States. Open communication and regular consultations are central to this. To ensure that both countries are in full agreement on the course ahead, we recommend creation of a formal coordinating mechanism to facilitate dialogue on the wide range of concerns in the bilateral relationship and to guide programs in the priority areas outlined above. This mechanism—which might be

termed a "Partnership for Human Resource Development"—would be a standing body of senior officials from both nations which would meet at least once a year, alternating between the two capitals. The basic purpose would be to ensure that both countries accept "ownership" of the agreed programs and understand their responsibilities.

Membership in the partnership on the U.S. government side should come from the Departments of State, Treasury, Defense, Commerce, USAID, USTR, Members of Congress or their staff, and other appropriate agencies. Specialists could be brought in as needed on specific issues. Indonesian representation should be comparable. To ensure that the designated members participate fully and actively, we suggest participation not be at the cabinet level but perhaps at the deputy assistant secretary level, but the actual level should be set by the two governments.

It has been suggested that the private sector also be included in the partnership. To avoid the group becoming unwieldy and the need to make difficult choices regarding participation, we suggest that permanent private membership in the partnership be limited to several broad organizations focusing on the bilateral relationship such as the American Chamber of Commerce in Jakarta, the Indonesia Committee of the U.S.—ASEAN Business Council, the American-Indonesian Chamber of Commerce in New York, and the United States-Indonesia Society. The Indonesian side may wish to invite participation by a similar Indonesian organization or organizations. As issues requiring additional expertise arise, other private sector representatives (teachers, lawyers, NGO members and others) could be invited to participate in partnership meetings on a case-by-case basis.

We do not envisage the creation of a large bureaucracy, but we suggest it would be useful to have several working groups, located in Jakarta, to handle day-to-day liaison. These might include working groups on: civil governance and legal reform; trade and investment; education and public affairs; military relations; and police programs. USAID and the public diplomacy section of the U.S. embassy could provide leadership and continuity to these groups.

If the United States agrees to pursue such a partnership, it should be aware of three basic factors:

1. Fixing Indonesia's problems will take many years. In most cases it is not a matter of simply repairing something which is broken. Many of Indonesia's problems go back to the country's independence. The Indonesian military has been engaged in politics, civilian activities, and independent fund raising since the early days of the republic. Except possibly for a few years in the 1950s, the nation has never had an honest or credible legal or court system. The bureaucracy has been inefficient from the start and there has always been corruption, although it reached new heights under Suharto. Knowledgeable Indonesians estimate that it will take 10 to 15 years to get the military and the legal system on track. We agree.

2. What the United States can do directly is limited. Many of the basic reforms will have to come from within Indonesia, and this underscores the need for a partnership. U.S. exhortations, threats, and penalties are of minimal effect and can be counter-productive. What the United States can do, and do very well, is to train, encourage and support Indonesians who can reform from within. This underscores our strong emphasis in this report on education.

3. Indonesians are in a state of heightened sensitivity at present because of what they view as U.S. "unilateralism," "arrogance," and a tendency to lecture or threaten others.

They resent Congressional restrictions and demands that they "must" take certain actions. It is important that the United States consider the public diplomacy aspects of all bilateral assistance programs.

Monitoring arrangements. As we are recommending a substantial increase in the American commitment to Indonesia, so too should Indonesia demonstrate its commitment to internal reform and partnership with the United States in order to ensure maximum effectiveness of the additional U.S. assistance. As the details of U.S. assistance are worked out, we believe benchmarks should be established by the partnership to provide for verification of progress. The "Partnership for Human Resource Development" can serve as a forum for Americans and Indonesians to evaluate the progress of the various programs and identify areas of success or underperformance.

CONCLUSIONS

Indonesia faces three critical challenges: (1) It is striving to consolidate a fragile democratic system with little experience and limited resources. If it fails it could revert to authoritarianism or chaos. Some Indonesians already speak nostalgically of the stability and economic progress of the Suharto era; (2) Moderate Muslims, still a substantial majority, are under challenge from a radical fringe which has grown significantly during the past five years. The goal of the radicals is to capitalize on domestic vulnerabilities and international issues to win over or intimidate the moderate majority; (3) The nation is striving, in the face of rising economic nationalism, to work its way out of the economic mess left by the Suharto regime. The outcome of these three contests will be crucial to the future of Southeast Asia and U.S. relations with the region.

The National Commission on U.S.-Indonesian Relations recommends that the United States enter into a five-year "Partnership for Human Resource Development" with Indonesia in which the two nations agree to work together in the following areas:

We strongly believe that our top priority should be to help Indonesia in the field of education. We need urgently to help train the trainers and reformers. We leave to experts on both sides to work out specific programs, but we favor a major effort to help improve Indonesia's educational system and expand opportunities for education and training in Indonesia and the United States.

The United States should support expanded programs for legal reform.

The two nations should explore ways in which the United States could help strengthen the Indonesian parliament, including the establishment of cooperative arrangements with the U.S. Congress.

The United States and Indonesia should cooperate on programs to strengthen Indonesia's administrative services through support to Indonesia's civil service and other bodies.

The United States should initiate discussions with other major donors to encourage the World Bank and the Asian Development Bank to increase fast-disbursing loans tied primarily to macroeconomic performance rather than to structural reforms.

The United States should work with Indonesia to reduce obstacles to foreign direct investment and, by offering technical assistance and lowering barriers to key Indonesian products, help Indonesia expand its exports to the United States. It should press other developed countries to do the same.

Indonesia, with U.S. cooperation, should revive the U.S.-Indonesia Energy Dialogue and other forums that will strengthen co-

operation between the private sectors in the two countries.

Working with Indonesian counterparts, the United States should expand support for the Indonesian police, with particular emphasis on education and training, and the establishment of long-term institutional relationships.

The United States should set aside plans to resume the International Military Education and Training program for Indonesia until the political climate is more conducive on both sides. The government should, however, continue to be alert to ways to expand contacts with the TNI in order to reduce its isolation.

If Indonesia wants U.S. help, the United States should provide appropriate assistance and support in seeking peaceful settlements in disputed or troubled areas.

U.S. public affairs should be significantly expanded to create additional opportunities for information and cultural programs.

The United States should take all possible measures to reduce the delay in issuing visas for Indonesian students, business representatives, scholars, and others with legitimate reasons to visit the United States.

The Commission sees this new relationship as a partnership and hopes accordingly that the Indonesian government, for its part, will take steps to make these programs successful.

The Commission commends the U.S. embassy and USAID in Jakarta and Washington for the excellent programs underway to strengthen civil governance, decentralization, and the electoral system. A good base has been built and the Commission recommends that these programs be expanded and augmented as noted in this report.

The Commission also recognizes and commends the efforts of the U.S. diplomatic mission to broaden the mission's contacts with political, media, religious and other leaders. We congratulate the ambassador in particular for his efforts to open dialogue with Muslim leaders, an area that has been neglected. These programs are of increasing importance in these difficult times, and the Commission calls on the U.S. government to provide full support.

TROOP MORALE

Mr. KENNEDY. Mr. President, today two news articles came to my attention regarding the recent survey conducted by the Stars and Stripes newspaper on the level of troop morale in Iraq. I ask unanimous consent that they be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Stars and Stripes, Oct. 16, 2003]

GROUND TRUTH, DAY 2: IN SURVEY, MANY IN IRAQ CALL MORALE LOW; LEADERS SAY JOB IS GETTING DONE

(By Ward Sanderson)

What is the morale of U.S. troops in Iraq? Answers vary. High-ranking visitors to the country, including Department of Defense and congressional officials, have said it is outstanding.

Some troops on the ground have begged to differ, writing to Stars and Stripes and to others about what they call low morale on their part and on the part of their units.

There was a correlation between such things as local services and release dates on the one hand, and morale on the other.

Stars and Stripes sent a team of reporters to Iraq to try to ascertain the states of both conditions and morale. Troops were asked about morale, among many other issues, in a