

Strategic Analysis Paper

13 September 2018

Indonesian Foreign Policy: The China Factor

Lindsay Hughes

Research Analyst

Indian Ocean Research Programme

Key Points

- The Sino-Indonesian relationship is a complicated one.
- It is ostensibly built on economic and mutually-beneficial foundations.
- Economic factors such as illegal fishing by Chinese boats in Indonesian waters and a sceptical perception of Chinese business organisations by Indonesians are a drawback.
- Ethnic tensions in China and Indonesia add to the tensions.

Summary

Formal Sino-Indonesian diplomatic relations were established on 13 April 1950. They were built on mercantile ties that had existed for centuries past and had witnessed ethnic Chinese traders and fishermen settle in various parts of Indonesia. The relationship between ethnic Indonesians (the “pribumi”) and the Chinese settlers in Indonesia was, however, one fraught with underlying tensions. It was predicated to a significant degree on a healthy dose of envy on the part of the Indonesians who perceived the Chinese as being wealthier than Indonesians in their own land.

That resentment has spilled over into bloody violence on occasion, most notably in 1965, when anti-communist violence soon became conflated with anti-Chinese sentiment and led to at least several hundred thousand deaths. China consequently suspended its ties to Indonesia on 30 October 1967. No matter that the relationship began to be re-established in the 1980s, the underlying tensions remain; ethnic Chinese are still viewed with suspicion, albeit not to the same degree as in 1965. China’s aggressive approach towards South-East Asia, additionally, has not helped that situation.

Analysis

South-East Asia in the 1960s was a region in flux: some countries were throwing off the regimes of their imperial overlords but faced indigenous threats to their newly-established independence from vested interest groups. The 1960s was also the time when the anti-communist “Domino Theory” still held sway. According to this idea, which was formulated by American policy-makers in the 1950s, an established communist government in one country would seek to support communist insurgencies against democratically-elected governments in neighbouring ones and lead to communist takeovers in the neighbouring states, with each of those falling like dominos to communism. The Americans specifically raised Indo-China as a case in point. The theory became accepted fact in the perception of a West, which perceived communism as an existential threat, in April 1954, during the decisive battle between Viet Minh and French forces at Dien Bien Phu, when President Eisenhower spoke of it as the “falling domino” principle.

This idea was built in part on incidents such as that of 16 June 1948, when three young Chinese communists entered the office of a remote rubber plantation in Malaya, shot its British manager, and rode off into the jungle on their bicycles. The British, who governed Malaya at the time, denounced that incident as a communist attack on democracy, no matter that it was more likely that they did not wish to have their revenues from their rubber plantations and tin mines interrupted in their quest to rebuild their war-shattered economy. They referred to the subsequent war that they waged against the communist groups in the Malayan Federation as the “Malayan Emergency”, that particular sobriquet being used and not “civil war” so as not to upset their insurance arrangements. It was a war, nevertheless, that lasted for around twelve years and cost thousands of innocent lives, including those of women and children and became known among the communists as “The War of the Running Dogs”, an epithet against those who they saw as supporters of their imperial masters.

The lesson was not lost on Jakarta. When six Indonesian Army generals were alleged to have been killed on 30 September and 1 October 1965 by members of the Indonesian Communist Party, therefore, the army began a pogrom, aided by paramilitary and religious groups, against suspected Indonesian communists. That action soon took on an ethnic hue, leading to violence against ethnic Chinese as well. Estimates of casualties of that violence range from [half a million people](#) to around [three million](#). China subsequently froze its ties to Indonesia on 30 October 1967.

The thaw in the relationship began in 1989, when the Chinese Foreign Minister Qian Qichen met with President Suharto to discuss just that. The two countries formally re-established diplomatic ties in 1990; Chinese premier Li Peng visited Jakarta in August 1990 and President Suharto travelled to Beijing in November 1990. Bilateral ties were further strengthened in April 2005 when Presidents Hu and Yudhoyono issued a joint declaration in Beijing after agreeing to create a strategic partnership. They agreed to hold ministerial-level talks on bilateral co-operation every two years, on economic and technical co-operation annually and on security matters every two years.

The normalisation of bilateral ties was likely driven by four factors. First, the idea of globalisation was, by then, fast gaining credence and becoming the foundation of future thinking. China's simultaneous positioning as the world's factory and its presumed economic liberalisation led the West to believe that China would eventually become a liberal state. Indonesia, therefore, perceived China to be less of an ideological threat and, given its growing economy, a country to be associated with in that sphere. Second, the end of the Cold War and China's strengthened position added to that perception. Third, Jakarta, as a leading member of the Association of Southeast Asian Nations (ASEAN) bloc, was deeply involved in the Cambodian peace process but found it impossible to progress its efforts there due to Beijing's influence over the Khmer Rouge. It needed a direct line of communication to Beijing. Finally, Indonesia's requirement to also intervene in the issue of the disputed South China Sea and to negotiate an agreement between the various claimants to that sea also required a direct line of communication with China, which it did not have.

China, for its part, recognises that Indonesia is arguably the most important member of ASEAN. It has the largest economy of the group, is the sixteenth-largest economy in nominal GDP terms in the world, the seventh-largest in purchasing-power parity terms, is a member of the G-20 group and, geo-strategically, adjoins the Strait of Malacca, the waterway through which around 80 per cent of China's energy imports are shipped. Indonesia's growing economy has made it a desirable destination for Chinese manufactured goods and an important market because it also has the world's fourth-largest population. Its membership in ASEAN, additionally, makes it a desirable political associate and its geographic location could, if properly persuaded, ensure the security of China's energy imports upon which it depends to keep its manufacturing base and economy moving forward. Indonesia, moreover, overtook India as the world's second-fastest growing economy in 2012 and although that ranking has since been reversed again, its economy continues to grow at around five per cent per annum.

The two countries signed a Memorandum of Understanding to enhance defence co-operation, including joint missile production in March 2011. Jakarta has since purchased Chinese C-802 missiles and installed them on some of its naval ships. In 2015, President Widodo called on both countries to increase bilateral trade to US\$150 billion (\$208.5 billion) by the year 2020. That figure, if achieved, would double total trade between the countries from 2014 levels, according to the World Bank. It would also enhance the existing strong trading relationship between them. Indonesia imports more goods from China than it does from any other country and China is its second-largest export destination after Japan. In 2015, Presidents Widodo and Xi signed eight agreements partly aimed at allowing China to undertake the construction of infrastructure in Indonesia and in 2016, government officials from both countries agreed to work together on agriculture, energy and industrial park construction. Jakarta has, in short, created a situation wherein China needs Indonesia as much as Indonesia needs China.

This strategy has served Jakarta well. In the wake of China's claim to around 95 per cent of the 3.5-million-square-km South China Sea, which stretches from Taiwan to Singapore and includes a tract near the Natuna group of islands, which Indonesia governs, President Widodo stated in November 2016 that he would increase Indonesia's naval patrols in the

waters around those islands to expel Chinese fishing vessels that were illegally fishing there. China cited historical records to claim that its fishing boats have used those same waters for centuries. Indonesia has since increased patrols to thwart illegal fishing by foreign vessels, including Chinese and Vietnamese.

In March 2016, unsurprisingly, Indonesian authorities [detained](#) a Chinese fishing vessel but a Chinese coast guard vessel intervened and enabled the fishing vessel to escape. That incident, however, led to a stand-off between the two countries. Indonesia complained that same month that China had officially included an area near the Natuna Islands on a map denoting its territory. This led the Chief Security Minister for Defence to inform local media that China had made a 'large impact on the security' of that tract of ocean. In May 2016, being better prepared, the Indonesian navy seized a Chinese fishing vessel despite a Chinese coast guard vessel's intervention. A month later the navy fired on another Chinese boat, possibly injuring a sailor, before impounding it and jailing the seven crew members on it. Jakarta was incensed by the presence of Chinese fishing vessels in its territorial waters but even more so by the illegal presence of a Chinese naval vessel that, additionally, engaged in actions designed to prevent Indonesian authorities from carrying out their function on their territory.

China has not reacted as strongly or even as vociferously to these events as it has with similar incidents involving Japan or the Philippines. As one analyst [remarked](#), 'At the moment, both countries seem to have been able to largely compartmentalise those incidents from affecting the economic relations although obviously it must have an effect on anxieties about increasing Chinese assertiveness.' The incidents have created a decided wariness in the relationship, however, if not led to a cooling in it. Following a third confrontation in the same waters in 2016, Beijing warned Jakarta not to 'complicate the situation'. The Indonesian Foreign Minister, Retno Marsudi, said that while Indonesia sought to maintain good relations with China, it would not negotiate over violations of its sovereignty and jurisdiction over its Exclusive Economic Zone and continental shelf. President Widodo followed those statements by taking some government ministers for a "Cabinet Meeting" on board a warship to emphasise Jakarta's resolve in defending its sovereignty.

It would appear that Chinese aggression and its perennial sense of justness led to its ham-fisted approach to its relationship with Indonesia. It has, in its own words, complicated the matter. Following those happenings, the Indonesian military conducted a large-scale exercise, "*Latihan Perang Pasukan Pemukul Reaksi Cepat*" (War Exercise of the Rapid Reaction Attacker Troops) in the Natuna seas on 18-19 May 2017. Beijing does not dispute that the Natuna Islands are sovereign Indonesian territory. It does dispute the Indonesian claim that the islands have an exclusive economic zone that, Indonesia correctly claims, extends for 200 nautical miles (370 kilometres) from the coastline of the islands. This claim is in stark contrast to China's own claim of a similar zone extending around its artificial islands in the South China Sea.

Taking a hard line against illegal fishing in Indonesian waters, Indonesia's Minister of Maritime Affairs and Fisheries, Susi Pudjiastuti, adopted the strategy of sinking seized

foreign fishing boats. The Minister is believed to have ordered the sinking of more than 200 illegal fishing boats since 2014, including a Chinese one in May 2015. It is likely that that number falls short of the total, however, since Indonesia has since made efforts not to publicise the destruction of those boats so as to avoid the public embarrassment of foreign governments such as China.

Indonesian politics plays a significant role in defining the bilateral relationship. President Widodo and the former Governor of Jakarta, Basuki Tjahaja Purnama (also known as Ahok) are perceived as being broadly pro-China. Prabowo Subianto, a former general and former son-in-law of President Suharto, on the other hand, is part of a group that opposes the Widodo Administration. Prabowo has the support of powerful Islamic parties and hard-line Muslims. During the Jakarta gubernatorial elections in April 2017, Prabowo gave his support to Anies Baswedan, who used Prabowo's Muslim base to defeat the incumbent Ahok. Prabowo and Anies have now sought to diminish Widodo's initiatives, including Chinese investment in Indonesia, the growing presence of Chinese organisations and workers and the Sino-Indonesian joint projects. President Widodo's opponents, such as Bachtiar Nasir, who leads the National Movement to Safeguard the Fatwa of the Indonesian Ulema Council, is [reported](#) to have stated while remarking on the disproportionate wealth of Chinese Indonesians, 'Our next job is economic sovereignty, economic inequality ... The state should ensure that it does not sell Indonesia to foreigners, especially China.'

The situation is further complicated by perceptions of less-than-efficient joint business ventures. China needs Indonesia to help realise some of its Belt-Road Initiative objectives, while Indonesia requires funding from China to assist its "Maritime Power Dream". This mutual need aside, public perceptions of Chinese incompetence remain strong. For example, whereas one [report](#) notes that Indonesia is trying to accelerate a US\$5 billion (\$6.95 billion) high-speed rail project being built by a consortium of local and Chinese state firms, [another](#) points to the progress being made by a Japanese firm in building another high-speed rail project.

There is a further complication at the social level. Whereas Beijing, seeking to demonstrate that it has the welfare of all ethnic Chinese people at heart, takes a dim view of the antagonism some ethnic Chinese face in Indonesia, Indonesians themselves take a less-than-favourable view of the treatment meted out to the Uighur, Hui and other Muslim minorities in China. The recent reports of mass detentions of Uighur Muslims in Xinjiang Province in China and Beijing's attempts to "Sinicise" Islam in China have only added to the growing tensions between the two countries.

The Sino-Indonesian relationship is a complicated one. Despite the best efforts of both governments to maintain the relationship on an even keel, other factors impinge upon those efforts. In the case of China, the need for President Xi to be seen to safeguard all Chinese interests and people, no matter that the latter may be citizens of another country, force him to take actions that have a negative impact upon the relationship. The need to ensure the security of the restive Xinjiang region, moreover, has seen millions of Chinese Muslims incarcerated. In Indonesia, on the other hand, simmering resentment against the disproportionate wealth of Chinese Indonesians and the growing presence of Chinese

workers and organisations, coupled with the perceived ill-treatment of fellow Muslims, leads to the unavoidable conclusion that the situation there is not as good as it could be. There is every possibility that there could be a repeat of the ethnic violence that has struck Indonesia previously. Should the economic situation in Indonesia worsen or if there are more Chinese fishing boats in Indonesian waters or if Indonesian politics leads to renewed violence, the relationship will undoubtedly deteriorate. That would be detrimental for both countries and their citizens.

Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.

Published by Future Directions International Pty Ltd.
Suite 5, 202 Hampden Road, Nedlands WA 6009, Australia.
Tel: +61 8 6389 0211
Web: www.futuredirections.org.au