



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**FRIEND OR FOE?: INDONESIA'S SHIFTING POLICY  
IN RESPONSE TO CHINA'S ASSERTIVENESS IN THE  
SOUTH CHINA SEA**

by

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June 2019

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CHINA'S ASSERTIVENESS IN THE SOUTH CHINA SEA**

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## **ABSTRACT**

Indonesia's foreign policy stance toward China is a significant issue as it is a major player and a core member of ASEAN. Southeast Asia is increasingly a competitive and important region of the world where China is asserting its great power status. Since 2009, China-related South China Sea controversies have intensified. After submitting its South China Sea claim to the United Nations in opposition to Malaysia and Vietnam's claim in 2009, China has increasingly defended its claim through increasing exercises and other forms of power assertion. The main purpose of this thesis is to show how and why Indonesia's China policy shifted after 2009 in reaction to China's action. The thesis explains each presidential administration's China policy between 1999 and 2019 by using Kuik's framework to identify the presence of two counteracting policies: risk-contingency and returns-maximizing options. Both of these policy options were executed by each Indonesian presidential administration toward China. After 2009, Indonesia's degree of power rejection toward China increased in comparison to power acceptance. It showed a growing tendency to balance against China by intensifying its risk-contingency policy. Thus, Indonesia's China policy shifted in the direction of balancing post-2009.

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## LIST OF ACRONYMS AND ABBREVIATIONS

|         |                                                                                                    |
|---------|----------------------------------------------------------------------------------------------------|
| ABRI    | <i>Angkatan Bersenjata Republik Indonesia</i> [National Armed Forces of the Republic of Indonesia] |
| ACFTA   | ASEAN-China Free Trade Agreement                                                                   |
| APEC    | Asia-Pacific Economic Cooperation                                                                  |
| ARF     | ASEAN Regional Forum                                                                               |
| ASEAN   | Association of South East Asian Nation                                                             |
| BAKAMLA | <i>Badan Keamanan Laut</i> [Maritime Security Agency]                                              |
| BKPM    | <i>Badan Koordinator Penanaman Modal</i> [Investment Coordinating Board]                           |
| BNPT    | <i>Badan Nasional Penanggulangan Terorisme</i> [National Counter-Terrorism Agency]                 |
| BRI     | Belt and Road Initiative                                                                           |
| CARAT   | Cooperation Afloat Readiness and Training                                                          |
| CEO     | Chief Executive Officer                                                                            |
| CNOOC   | China National Offshore Oil Corporation                                                            |
| COC     | Code of Conduct                                                                                    |
| CPPCC   | Committee of the Chinese People's Political Consultative                                           |
| DOC     | Declaration of Conduct                                                                             |
| EAS     | East Asia Summit                                                                                   |
| EDA     | Excess Defense Article                                                                             |
| EEZ     | Economic Exclusive Zone                                                                            |
| FMF     | Foreign Military Financing                                                                         |
| FMS     | Foreign Military Sales                                                                             |
| FONOP   | Freedom of Navigation Operation                                                                    |
| FPDA    | Five Power Defense Arrangement                                                                     |
| GAM     | <i>Gerakan Aceh Merdeka</i> [Free Aceh Movement]                                                   |
| GDP     | Gross Domestic Product                                                                             |
| GMF     | Global Maritime Fulcrum                                                                            |
| HSR     | High Speed Railway                                                                                 |
| IMBL    | International Maritime Boundary Line                                                               |

|        |                                                                                  |
|--------|----------------------------------------------------------------------------------|
| IMET   | International Military Education and Training                                    |
| IMSS   | Integrated Maritime Surveillance System                                          |
| ISIS   | Islamic State of Iraq and Syria                                                  |
| JDCC   | Joint Defense Cooperation Committee                                              |
| LNG    | Liquified Natural Gas                                                            |
| MOU    | Memorandum of Understanding                                                      |
| MP3EI  | Masterplan for the Acceleration and Expansion of Indonesian Economic Development |
| MPA    | Maritime Patrol Aircraft                                                         |
| MPR    | <i>Majelis Permusyawaratan Rakyat</i> [People's Consultative Assembly]           |
| PLA    | People's Liberation Army                                                         |
| PKI    | <i>Partai Komunis Indonesia</i> [Indonesian Communist Party]                     |
| PPP    | Public Private Partnership                                                       |
| PRC    | People's Republic of China                                                       |
| SIPRI  | Stockholm International Peace Research Institute                                 |
| TNI    | <i>Tentara Nasional Indonesia</i> [Indonesian National Armed Forces]             |
| UN     | United Nations                                                                   |
| UNCLOS | United Nations Convention on the Law of the Sea                                  |
| UNHAN  | <i>Universitas Pertahanan</i> [Defense University]                               |

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# I. INTRODUCTION

## A. MAJOR RESEARCH QUESTION

Indonesia's foreign policy stance toward China matters a great deal as it is a major player and a core member of the Association of South East Asian Nations (ASEAN) in an increasingly competitive and important region of the world. China's rise to great power status and its moves in Southeast Asia deserve attention. Within this context, it is interesting to note that Southeast Asian countries are neither balancing against nor bandwagoning with China. Instead, in response to China's rise, Southeast Asian countries seem to be taking a middle path. Most experts on Southeast Asian foreign policy and international relations agree that, since the end of the Cold War, governments in this region have pursued what some scholars usually call "hedging."<sup>1</sup> Similarly, Indonesia has also pursued a hedging strategy with China, and has maintained a positive economic relationship with that country. Nevertheless, this relationship is changing as China increasingly asserts itself in the region and globally.

Since 2009, China's claims to the South China Sea have been more aggressive, prompting tensions between China and some Southeast Asian countries. Most notably, China has constructed artificial islands on which it has built military installations and it has used maritime law enforcement vessels to enforce Chinese claims to natural resources within its nine-dash line. In response, some Southeast Asian countries are reconsidering their hedging policies. The Philippines, for example, under Benigno Aquino (2010–2016) adopted a policy of external balancing with the United States, but under President Rodrigo Duterte (2016–present), its policy has shifted in the direction of bandwagoning with China.

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<sup>1</sup> Several studies conducted before China began to actively enforce its claims inside the nine-dash line in 2009 strongly suggested that Southeast Asian states were hedging, see Evelyn Goh, "Southeast Asian Perspectives on the China Challenge," *Journal of Strategic Studies* 30, no. 4–5 (August 2007): 809–32, <https://doi.org/10.1080/01402390701431915>; David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27, no. 4 (April 2003): 57–85, <https://doi.org/10.1162/016228803321951090>; Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 27, no. 2 (August 2005): 305–22; Iis Gindarsah, "Strategic Hedging in Indonesia's Defense Diplomacy," *Defense & Security Analysis* 32, no. 4 (October 2016): 336–53, <https://doi.org/10.1080/14751798.2016.1233695>.

Most scholars, however, continue to believe that Southeast Asian countries remain reluctant to balance or bandwagon and prefer to hedge against China.<sup>2</sup> Examining Indonesia's foreign policy stance toward China will deepen our understanding of this regional dynamic and the individual choices made by these countries.

Like other Southeast Asian countries, Indonesia has in the past tried to avoid taking sides in the growing U.S.-China rivalry. Scholars agree that Indonesia, like its neighbors, has pursued a policy of hedging since the end of the Cold War.<sup>3</sup> Yet, in recent years Indonesia has been facing growing pressure from China in regards to disputed claims. Although Indonesia has repeatedly declared itself to be a non-claimant state in the South China Sea dispute, some incidents have occurred between the two countries in disputed maritime areas. In particular, in 2016, several incidents occurred involving Chinese and Indonesian government vessels. In response to this growing friction, the Indonesian government is taking steps to strengthen its position. For example, it expanded its air and naval bases in the Natuna islands, which are located just south of China's nine-dash line, and renamed the nearby waters as the "North Natuna Sea." These developments raise challenges for bilateral relationship-building between the two countries.

Despite these notable actions by Jakarta, scholars have yet to examine whether Indonesia's stance toward China is changing in response to recent Chinese actions in the South China Sea. This thesis aims to fill that gap by providing such an examination. The thesis, therefore, uses "the Cheng-Chwee Kuik framework" to examine the following

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<sup>2</sup> Ann Marie Murphy, "Great Power Rivalries, Domestic Politics and Southeast Asian Foreign Policy: Exploring the Linkages," *Asian Security* 13, no. 3 (September 2, 2017): 165–82, <https://doi.org/10.1080/14799855.2017.1354566>; Bates Gill, Evelyn Goh, and Chin-Hao Huang, "The Dynamics of US-China-Southeast Asia Relations," June 2016, 1–49.

<sup>3</sup> Iis Gindarsah, Rizal Sukma, and Emirza Syailendra strongly suggest that the state is undergoing strategic hedging, and Evan A. Laksmana proposes the same idea with a different term: pragmatic equidistance. For a further comprehensive understanding, read: Gindarsah, "Strategic Hedging in Indonesia's Defense Diplomacy"; Rizal Sukma, "Indonesia's Response to the Rise of China: Growing Comfort amid Uncertainties," in *The Rise of China: Response from Southeast Asia and Japan*, ed. Jun Tsunekawa, NIDS Joint Research Series 4 (Tokyo: The National Institute for Defense Studies, Japan, 2009), 139–55, [http://www.nids.mod.go.jp/english/publication/joint\\_research/series4/pdf/4-5.pdf](http://www.nids.mod.go.jp/english/publication/joint_research/series4/pdf/4-5.pdf); Emirza Adi Syailendra, "A Nonbalancing Act: Explaining Indonesia's Failure to Balance Against the Chinese Threat," *Asian Security* 13, no. 3 (September 2, 2017): 237–55, <https://doi.org/10.1080/14799855.2017.1365489>; Evan A Laksmana, "How Indonesia Manages Its Great Power Relations," in *China, The United States, and the Future of Southeast Asia*, ed. David B.H. Denoon, vol. II, U.S.-China Relations Series (New York: New York University Press, 2017), 113–35.

research question:<sup>4</sup> How has Indonesia's foreign policy stance toward China shifted since 2009?

## **B. SIGNIFICANCE**

This research argues that Indonesian policy has adopted a new approach to China since 2009 when Indonesia started to perceive China as a sufficient threat. Consequently, Indonesia has been growing a set of risk-contingency policies indicating a shift toward balancing. This shift has implications for other players in the region as well as for the international community as the region lies at the heart of important routes. In addition, a shift toward balancing may indicate that Indonesia's sensitivity to the problem of state sovereignty is significant enough to influence its foreign policy in general.

This thesis contributes to the literature on Southeast Asian countries' changing stance toward China in response to China's aggressive behavior. The hedging strategy these countries have pursued in the past may not be relevant to the challenges they face in the present or the future. If the escalation in the South China Sea increases, or if there is any other cause that requires these countries to choose to take part in one of the existing defense alliances or coalitions, it is important to understand whether the states are more likely to balance against or bandwagon with China and how that would potentially affect global conflict.

## **C. LITERATURE REVIEW**

A rising power in many circumstances may create fear and can lead to a power transition that may be perilous for international stability. The significant growth of a state, Thucydides highlights, is a plausible cause of war when the other states perceive it as an intimidating power. He writes that "the growth of the power of Athens, and the alarm which this inspired in Lacedaemon, made war inevitable."<sup>5</sup> Here, Thucydides describes two variables that may spark war, one is the growing power and the other is the acts of the state

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<sup>4</sup> Cheng-Chwee Kuik, "The Essence of Hedging: Malaysia and Singapore's Response to a Rising China," *Contemporary Southeast Asia* 30, no. 2 (August 2008): 159–85, <https://doi.org/10.1355/CS30-2A>.

<sup>5</sup> Thucydides and Richard Crawley, *History of the Peloponnesian War* (Auckland, New Zealand: The Floating Press, 2008), 27, <http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=340598>.

that eventually triggers the threat perception. Graham Allison argues that those factors do not always lead to a war; instead, great powers may avoid a calamitous clash, as they did during the Cold War. “Misunderstandings about each other’s actions and intentions could lead them into a deadly trap first identified by the ancient Greek historian Thucydides,” Allison writes, “when one great power threatens to displace another, war is almost always the result, but it does not have to be.”<sup>6</sup> He mentions his observation on 16 similar cases within the past 500 years. Four of these, escaped war because “when a violent clash seemed certain, a surge of imagination helped both sides develop ways to compete without a catastrophic conflict.”<sup>7</sup>

For small or medium countries like the Southeast Asian states, either asymmetric war or direct strategic competition with the great power state could be disastrous depending on the policy choices made by the small countries. Hence, this literature review covers the range of weaker states’ policy choices: balancing, bandwagoning, and hedging. The next section examines various scholars’ perspectives on the range of Southeast Asian states’ approaches to China. The third section examines Indonesia’s approach to China, and the fourth section details Kuik’s theoretical hedging strategy framework.

## **1. Weaker-State Preferences: Balancing, Bandwagoning, and Hedging**

Under the realist International Relations (IR) framework, weaker states (i.e., small and medium states) apply various approaches and behaviors to a leading power. The factors behind the preference are widely ranged, from the economic to the political and cultural. A significant amount of IR literature suggests three main approaches: the weaker states can either balance against the threatening power, bandwagon with it, or hedge.

### ***a. Balancing***

Realists theorize that balancing is a form of reaction by a weak state under the anarchic world to guarantee its survival and security. Kenneth Waltz suggests that

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<sup>6</sup> Graham Allison, “The Thucydides Trap,” *Foreign Policy*, June 9, 2017, <https://foreignpolicy.com/2017/06/09/the-thucydides-trap/>.

<sup>7</sup> Allison.

balancing behavior emerges because any country should be aware that other states might exercise force against it; thus, every state should either gain the capacity to do so or be under the protection of another great power.<sup>8</sup> This theory provides a strong basis for a weaker state to choose balancing behavior (either internal or external balancing). He suggests that external balancing is less reliable than internal balancing because governments are more likely to misjudge their strength and the coalition's reliability.<sup>9</sup> Self-help is a principle within the world of anarchy; under this circumstance, to mitigate risk under the condition of anarchy, states should depend on "the means that they can generate and the arrangements they can make for themselves."<sup>10</sup>

While, Waltz emphasizes the term of capability (i.e., the balance of power) Stephen Walt argues that power is not the sole prominent factor of the equation. He suggests that the degree of threat posed by the adversary powers might be the more precise factor for weaker states to decide their response, i.e., the balance of threat theory.<sup>11</sup> This theory maintains that when the balance of threat is disrupted, a weaker state will either cooperate with other powers or develop its domestic capability to diminish its weakness.<sup>12</sup> Walt proposes several factors affecting threat perception: "aggregate power, geographic proximity, offensive power, and aggressive intentions."<sup>13</sup> Walt hypothesizes that the likelihood of a weaker state balancing is greater than that of it bandwagoning; to explain, he then argues that the stronger a state, the more the state tends to balance against the

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<sup>8</sup> Kenneth N Waltz, *Theory of International Politics*, Political Science (Menlo Park, CA: Addison-Wesley, 1979), 102.

<sup>9</sup> Waltz, 168.

<sup>10</sup> Waltz, 111.

<sup>11</sup> Stephen M. Walt, *The Origins of Alliances* [Cornell Paperback edition.], Cornell Studies in Security Affairs (Ithaca, NY: Cornell University Press, 1990), 21.

<sup>12</sup> Walt, 263.

<sup>13</sup> Walt, 22.

adversary state; the weaker a state, the more likely it will bandwagon with the adversary state.<sup>14</sup>

***b. Bandwagoning***

In exploring what bandwagoning theory encompasses, scholars offer interesting variations. Under the umbrella of the balance of threat theory, Walt dichotomizes the definition of bandwagoning relative to balancing. In respect of weaker states' position relative to the leading powers that trigger the threat, bandwagoning indicates serving the threat creator, while balancing refers to cooperation with other weaker states against the leading power.<sup>15</sup> He mentions two causes of bandwagoning: first, a weaker state bandwagons with the rising power "to avoid an attack by diverting it elsewhere."<sup>16</sup> Second, a weaker state may bandwagon with the superior power in a war in order to get the share of the trophy of triumph.

***c. Hedging***

Hedging theory is a bridge that helps to conceptualize the behavior of the weaker states toward leading states that do not adhere to either balancing or bandwagoning. The framework of balancing and bandwagoning is unable to accommodate all types of attitudes and behaviors of weaker states, which are varied. Hedging's main feature is the mixed strategies that provide flexibility for states to shift their approach under a certain circumstance. Waltz has implicitly introduced such a concept revealing the possibility of such an approach to occur under the circumstances of multipolar systems. He notes that "with three or more powers, flexibility of alliances keeps relations of friendship and enmity

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<sup>14</sup> Walt, 33. Walt presents two significant explanations for a state to choose to balance: first, because the intention is unclear and the state cannot rely on its perception, it is more plausible to join the weaker states to diminish the risk of being dominated by the more capable power. Second, the benefit of cooperating for the weaker state is getting more influence as the weaker will necessitate more assistance (Walt, 19).

<sup>15</sup> Walt, 17.

<sup>16</sup> Walt, 21.

fluid and makes everyone's estimate of the present and future relation of force uncertain.”<sup>17</sup>

The Kuik framework typifies the essence of hedging as a simultaneous set of two approaches that counterbalance each other, namely “return maximizing and risk-contingency.”<sup>18</sup> Kuik discovers that empirically, pure balancing or bandwagoning is not commonly applied. He argues that East Asian countries' military ties and cooperation with the West take form in cooperation and should not be considered as a pure balancing toward China because this form of balancing existed before the rise of China, and that East Asian countries' economic and diplomatic engagement with China is not a form of total acceptance of power (i.e., pure bandwagoning).<sup>19</sup> The states' avoidance of the pure approaches, though, is not without plausible factors. Kuik elaborates that it might be unnecessarily provocative and economically unfavorable to adopt a policy of pure-balancing, and potentially limit “the freedom of action and [might be] strategically hazardous to be pure-bandwagoning.”<sup>20</sup>

## **2. Understanding Southeast Asia's Hedging Behavior**

Most scholars agree that Southeast Asian states are neither hard balancing nor engaged in pure bandwagoning. They agree that these countries are pursuing strategies that lie between these two alternatives. Yet, these scholars disagree about where Southeast Asian strategies fall on the spectrum between hard balancing and pure bandwagoning. Some argue that Southeast Asian countries are leaning toward balancing (i.e., soft or indirect balancing). Others think that these countries tend to approach bandwagoning (i.e., limited bandwagoning). A third group argues that these countries are engaged in hedging strategies. Indonesia's current position will allow us to examine these choices.

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<sup>17</sup> Waltz, *Theory of International Politics*, 168.

<sup>18</sup> Kuik, “The Essence of Hedging,” 171.

<sup>19</sup> Cheng-Chwee Kuik, “Rising Dragon, Crouching Tigers? Comparing the Foreign Policy Responses of Malaysia and Singapore toward a Re-Emerging China, 1990-2005,” *BiblioAsia* 3, no. 4 (January 2008): 5.

<sup>20</sup> Kuik, 5.

*a. Leaning toward Balancing*

This leaning strategic preference may also be known as soft or indirect balancing. Several scholars advocate for these arguments. They argue that this approach is different when compared with a hard balancing. A state might perform certain actions similar to balancing behavior, yet not on a scale that can be defined as balancing. Scholars such as Yuen Foong Khong and Evelyn Goh have written extensively about this. In 2004, Khong argued that Southeast Asia endorsed two strategic approaches in dealing with the rising power of China: “soft balancing and institution building.”<sup>21</sup> Khong differentiates soft balancing from hard balancing. Southeast Asian states were in favor of the United States’ presence in the region by offering “places” instead of “bases.”<sup>22</sup> He explains that the states encouraged the United States to use the states’ naval bases and ports without the United States having to build their own, thus protecting against the United States’ withdrawal from the region after the United States was forced to withdraw from its bases in the Philippines in the early 1990s.<sup>23</sup>

In 2007, Evelyn Goh proposed a similar argument. She argued that pure dichotomized approaches are problematic.<sup>24</sup> She put forward “the omni-enmeshment of the major power and a complex balance of influence” to describe Southeast Asia’s behavior.<sup>25</sup> The states endorsed an “omni-enmeshment” strategy; the idea was not to embrace only China and the United States, but also other potential powers through political and economic measures by a bilateral, multilateral, and institutional approach.<sup>26</sup> Under her concept of complex balancing, the Southeast Asian countries’ balancing policy was not

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<sup>21</sup> Yuen Foong Khong, “Coping with Strategic Uncertainty: The Role of Institution and Soft Balancing in Southeast Asia’s Post-Cold War Strategy,” in *Rethinking Security in East Asia: Identity, Power, and Efficiency*, ed. J. J. Suh, Peter J. Katzenstein, and Allen Carlson, Studies in Asian Security (Stanford, CA: Stanford University Press, 2004), 173.

<sup>22</sup> Khong, 174.

<sup>23</sup> Khong, 174.

<sup>24</sup> Evelyn Goh, “Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies,” *International Security* 32, no. 3 (Winter 2007): 115, <https://doi.org/10.1162/isec.2008.32.3.113>.

<sup>25</sup> Goh, 119.

<sup>26</sup> Goh, 121.

merely indirect military capability balancing, but also the use of multiple means and targets at the regional level.<sup>27</sup> With respect to China, Goh also identified that the Southeast Asian countries shared a common perspective over China; they did not label China not as a threat; instead, they preferred to perceive it as a challenge.<sup>28</sup>

***b.      Leaning toward Bandwagoning***

The idea of bandwagoning emphasizes the close relations between the states in Southeast Asia and China, but this relationship is not easily categorized. According to David Kang and Renato Cruz de Castro, smaller countries in Southeast Asia aim to reap benefits and rewards from China, but want to avoid the consequences of pure bandwagoning: the giving up of autonomy and the deterioration of its relations with the other great powers. Such countries are establishing a political partnership instead of binding military ties and coordinating policies only in selected areas, not in deep foreign and defense policies.

Kang argues that Asian countries, as well as the Southeast Asian states, were not likely to balance against China as power theorists expect; instead, the small states appeared to be bandwagoning with China as in the case of Vietnam. Despite its high-level of nationalism and pride, and several disputes in the past with China, there was no apparent behavior signifying a departure from balancing against China's rise. Instead, the economic engagement between both countries indicated that China and Vietnam established a stable relationship. He also illustrates that Indonesia, Malaysia, and Singapore were leaning toward bandwagoning with China through economic cooperation and continued cultural ties while providing naval support to the United States.

Castro shows that Philippines' foreign policy recently shifted toward bandwagoning. He argues that under President Duterte the Philippines is moving closer to

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<sup>27</sup> Goh, 132.

<sup>28</sup> Goh, "Southeast Asian Perspectives on the China Challenge," 824.

China, undoing the Aquino administration's tendency to balance against China.<sup>29</sup> Under the Aquino administration (2011–2016), the Philippines fostered closer security cooperation and defense relations with the United States to balance against China.<sup>30</sup> After coming to power in 2016, the Duterte administration altered Philippines' foreign policy toward an appeasement policy, and has distanced itself from the United States under the assumption that, "the U.S. will not come to the aid of the Philippines in case of armed confrontation with China in the South China Sea, and that geography dictates that the country has no choice but to co-exist and even cooperate with this emergent power in its own backyard." The Duterte administration also seeks the side benefits from economic pragmatism.

*c. Hedging*

The hedging concept explains a center stance between balancing and bandwagoning but without any tendency toward one of them. By adopting this strategy, weaker states can minimize risks and losses from balancing and bandwagoning policy or behavior that leans toward one of them. In his 2005 article, Denny Roy theorized that Southeast Asia's states have adopted a hedging strategy by keeping several strategic options open.<sup>31</sup> Some Southeast Asian countries have created a link with great external powers through formal defense agreements; for example, Malaysia and Singapore partnered with the Five Power Defense Arrangement (FPDA) involving the United Kingdom, Australia, and New Zealand. Evan Medeiros would agree with him about the smaller states' use of hedging. Medeiros observed that "most Southeast Asian nations are themselves hedging by pursuing relations both with China and the United States, economic

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<sup>29</sup> Renato Cruz de Castro, "The Duterte Administration's Appeasement Policy on China and the Crisis in the Philippine-US Alliance," *Philippine Political Science Journal* 38, no. 3 (September 2, 2017): 159–60, <https://doi.org/10.1080/01154451.2017.1412161>.

<sup>30</sup> Cruz de Castro, 163–64.

<sup>31</sup> Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?" *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 27, no. 2 (August 2005): 305–22.

and technological interdependence is accelerating, and the region is calling for greater economic integration and multilateral cooperation.”<sup>32</sup>

The narrow dichotomy of balancing and bandwagoning is not enough to understand the variety of responses from Southeast Asian states to the great powers. In 2004, Amitav Acharya argued that “ASEAN’s attitude (as well as the attitudes of South Korea and Japan) toward China might be described as ‘hedging’, which can be defined as a situation in which states are not sure whether to balance, bandwagon, or remain neutral.”<sup>33</sup> He further mentioned that ASEAN endorses “double-binding,” enmeshing with both China and the United States institutionally, which depicts ASEAN countries’ unwillingness to have to choose between one or the other great power.<sup>34</sup>

Currently, scholars agree with the idea that the Southeast Asian countries are still hedging in regard to China. In 2017, Ann Marie Murphy argued that in recent decades, these countries have sustained a policy of strategic hedging as a rational response in coping with the strategic uncertainty.<sup>35</sup> These countries continuously seek to secure their strategic autonomy and economic benefits from all partners, including China.<sup>36</sup> In their 2016 work, Dr. Bates Gill, Dr. Evelyn Goh, and Chin Hao Huang argued that the hedging behavior is widespread and has deepened in Southeast Asia.<sup>37</sup> Their work showed that more countries are hedging, with Singapore, Malaysia, and Indonesia as the strongest hedgers. At the same time, previously “China-constrained countries” like Vietnam and Myanmar are now showing the hedging behavior. By contrast, U.S.-allied countries like Thailand and the Philippines no longer show vigorous enthusiasm to maintain an exclusive alignment with the United States.<sup>38</sup>

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<sup>32</sup> Evan S. Medeiros, “Strategic Hedging and the Future of Asia-Pacific Stability,” *The Washington Quarterly* 29, no. 1 (December 2005): 146, <https://doi.org/10.1162/016366005774859724>.

<sup>33</sup> Amitav Acharya, “Will Asia’s Past Be Its Future?,” *International Security* 28, no. 3 (January 2004): 153, <https://doi.org/10.1162/016228803773100101>.

<sup>34</sup> Acharya, 149–64.

<sup>35</sup> Murphy, “Great Power Rivalries, Domestic Politics and Southeast Asian Foreign Policy,” 165.

<sup>36</sup> Murphy, 165.

<sup>37</sup> Gill, Goh, and Huang, “The Dynamics of US-China-Southeast Asia Relations,” 14.

<sup>38</sup> Gill, Goh, and Huang, 14.

### 3. Indonesia's Strategic Approach toward China

Scholars agree that Indonesia is one of Southeast Asian countries which has pursued a hedging strategy since the end of the Cold War and has tried to avoid taking sides in the U.S.-China rivalry. Evan Laksmana argues that, in facing the great powers, Indonesia endorses an approach best described as “pragmatic equidistance.”<sup>39</sup> This term describes the idea of “fully engaging one great power in the various forms of cooperation from economic to defense matters, while simultaneously both maintaining strategic autonomy and keeping equal balance with other great powers,”<sup>40</sup> i.e., getting the benefits from the relationship while keeping the autonomy of the state safe. Therefore, the depiction of pragmatic equidistance fits with the hedging definition provided by Kuik, who proposes a similar idea.

Likewise, Iis Gindarsah suggests a hedging strategy is Indonesia's policy preference. With the emergence of a regional power and unresolved disputes on the South China Sea, he contends that, instead of pursuing a robust military power, Indonesia applies defense diplomacy as “the first line of defense.”<sup>41</sup> This first line suffices both agendas of Indonesia's hedging strategy: Indonesia will cooperate with all the great powers through the various defense engagements, and Indonesia will encourage defense cooperation in strengthening domestic strategic industry to serve the state's military modernization.<sup>42</sup>

Nevertheless, China's policy toward the South China Sea has changed in the last several years, therefore, changing the setting for Southeast Asian countries. In 2009, China submitted the nine-dash-line map to the U.N. Commission on the Limits of the Continental Shelf. Beijing then demonstrated China's growing assertiveness over the South China Sea, most notably by constructing artificial islands on which it built military installations and used maritime law enforcement vessels to enforce Chinese claims to natural resources within its nine-dash line. These developments raise challenges for bilateral relationship-

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<sup>39</sup> Laksmana, “How Indonesia Manages Its Great Power Relations,” 113.

<sup>40</sup> Laksmana, 113.

<sup>41</sup> Gindarsah, “Strategic Hedging in Indonesia's Defense Diplomacy,” 336.

<sup>42</sup> Gindarsah, 337.

building between the two countries. Has Indonesia reconsidered its policy of hedging, and if so, why? Does Indonesia's response signify the beginning of a policy to balance against China?

#### **4. Kuik's Framework and Its Importance for This Research**

To determine whether Indonesia's policy on China is closer to balancing or bandwagoning, and whether that policy is moving on the spectrum in recent years, I rely on a framework developed by Kuik.<sup>43</sup> His framework is useful because it disaggregates "hedging" into a range of five types of behavior. This allows researchers to draw distinctions between different countries' approaches to hedging and to assess change in those countries' approaches over time. Kuik developed this framework to identify responses by ASEAN states in the face of China's emergence as a great power. Kuik identifies specific factors that are expected to help pinpoint a state's position on the hedging spectrum from balancing to bandwagoning.

Kuik's definition of hedging strategy emphasizes the counteracting characteristics embedded in multiple strategic options of a policy in order to neutralize the risk of any effort to cope with the rising power. Kuik conceives of hedging as a "multiple-component strategy situated between the two ends of the balancing-bandwagoning spectrum."<sup>44</sup> This measurement is according to the degree of power rejection and acceptance (Table 1). Pure balancing represents the maximum degree of power rejection, and the more power accepted, the more behavior placement will shift toward bandwagoning.<sup>45</sup>

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<sup>43</sup> Kuik, "Rising Dragon, Crouching Tigers?," 1–13.

<sup>44</sup> Kuik, 5.

<sup>45</sup> Kuik, 5.

Table 1. Kuik's Assessment on ASEAN States' Responses to China: Singapore and Malaysia<sup>46</sup>

| Countries | Balancing Strategy (Pure form) | HEDGING STRATEGY         |                  |                                      |                    |                       | Band-wagoning Strategy (Pure form) |
|-----------|--------------------------------|--------------------------|------------------|--------------------------------------|--------------------|-----------------------|------------------------------------|
|           |                                | Risk-Contingency Options |                  | Return-Maximizing Options            |                    |                       |                                    |
|           |                                | Indirect Balancing       | Dominance Denial | Economic Pragmatism /Diversification | Binding-Engagement | Limited Band-wagoning |                                    |
| Singapore |                                |                          |                  |                                      |                    |                       |                                    |
| Malaysia  |                                |                          |                  |                                      |                    |                       |                                    |

To reject China's power

To countervail It (militarily)

To neutralize It (politically)

To neutralize It (politically)

To accommodate It (diplomatically)

To draw Strength from it

To accept China's power

←

DEGREE OF POWER REJECTION

→

DEGREE OF POWER ACCEPTANCE

↑

NEUTRALITY

Kuik conceptualizes Table 2 in the context of Southeast Asian states' relations with China. He labels two different types of hedging strategies as return-maximizing and risk-contingency. The return-maximizing options (economic pragmatism, binding-engagement, and bandwagoning) allow the hedging state to benefit economically, diplomatically, and politically from the leading state when the circumstance is favorable. Meanwhile, the risk-contingency options (economic diversification, dominance denial and indirect balancing) will "limit the hedger's loss if things go awry."<sup>47</sup> In other words, the hedger "aims for the best and prepares for the worst."<sup>48</sup> Kuik distinguishes these components not merely by the degree of acceptance and rejection, but also by the function and modus operandi.<sup>49</sup>

<sup>46</sup> Adapted from Kuik, 6.

<sup>47</sup> Kuik, "Rising Dragon, Crouching Tigers?," 5.

<sup>48</sup> Kuik, 5.

<sup>49</sup> Kuik, 5.

Table 2. Smaller States' Policy Options in Response to Power Asymmetry<sup>50</sup>

|                                                                                | FUNCTIONS                                                                                                                                                                                                                                                                                                                      | INDICATORS                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BANDWAGONING<br>(Pure form)<br>“Profit first”                                  | To reap present or future rewards from a big power                                                                                                                                                                                                                                                                             | Forging a military alliance with the big power, coordinating key foreign and defense policies                                                                                                                                     |
| LIMITED<br>BANDWAGONING*<br>“Grasp the opportunity for profit, but cautiously” | To reap present or future foreign policy rewards from a big power, but taking care to avoid the loss of small state's autonomy and any erosion of its existing relationship with another dominant power                                                                                                                        | Forming a political partnership with the power, coordinating external policies in selected areas, as well as giving deference to the dominant power on a voluntary basis                                                          |
| BINDING<br>ENGAGEMENT<br>“Socialization matters”                               | To bind a big power in institutions, to increase voice opportunities and to socialize the power with the established norms, with the ultimate goal of encouraging it to behave in a responsible and restrained way                                                                                                             | Creating and maintaining regularized institutional links with the big power through bilateral and multilateral diplomatic platforms.                                                                                              |
| ECONOMIC<br>PRAGMATISM &<br>ECONOMIC<br>DIVERSIFICATION                        | Economic pragmatism is a policy that seeks to maximize economic benefits from direct trade and investment links with the big power, regardless of any political differences.<br><br>Economic-diversification is a part of the broader economic-pragmatism seeking to diversify trade and investment links to avoid dependency. | Establishing and maintaining direct trade and investment link with the big power, as well as entering into bilateral and regional economic cooperation (such as a Free Trade Agreement) with that power                           |
| DOMINANCE<br>DENIAL<br>“Ascendancy is okay, but not dominance”                 | To deny and prevent the emergence of a dominant power who might display a tendency of dictating hegemonic terms to smaller states                                                                                                                                                                                              | Making use of other powers' balancing efforts to offset the growing clout of the big power, by ensuring the involvement of the other power in regional affairs, and by giving political support to others' alliance and armaments |
| INDIRECT<br>BALANCING<br>“Just in case”                                        | To prepare for diffuse and uncertain strategic contingencies                                                                                                                                                                                                                                                                   | Maintaining military ties (either a formal alliance or informal military cooperation) with another power, and modernizing its own military, without explicitly identifying any specific target of its military efforts            |

<sup>50</sup> Kuik, 7; Cheng-Chwee Kuik, “How Do Weaker States Hedge? Unpacking ASEAN States' Alignment Behavior towards China,” *Journal of Contemporary China* 25, no. 100 (July 3, 2016): 505, <https://doi.org/10.1080/10670564.2015.1132714>.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | FUNCTIONS                                                               | INDICATORS                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| BALANCING<br>(Pure form)<br>“Security first”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | To check and counter-balance the growing capability of a specific power | Entering into a military alliance with a third power and upgrading its own armament program, for the purpose of containing against a specific threat |
| *Limited bandwagoning (LB) is different from pure bandwagoning (PB) in three aspects. First, PB often takes the form of military alignment or security alliance, whereas LB mainly involves political collaboration on selective issues. Second, PB signifies a zero-sum scenario for big powers, that is, when a state bandwagons with one power, it simultaneously distances itself from another power. PB often occurs when there is an intense rivalry between two big powers, and smaller states are forced to take sides between the competing powers. In LB, on the other hand, a smaller state bandwagons with a rising power while maintaining its traditional relations with the preponderant power. Finally, PB implies an acceptance of a superior-subordinate relationship between a big power and a smaller partner, whereas, in LB, the smaller state tries to avoid the loss of its autonomy and to avoid becoming over-dependent on the big power. Simply put, PB is hierarchy-acceptance while LB is hierarchy-avoidance |                                                                         |                                                                                                                                                      |

Kuik elaborates certain kinds of behaviors to indicate the five factors of a hedging spectrum. According to Kuik, economic pragmatism is best depicted by bilateral and regional economic cooperation. In observing Malaysia, Kuik used economic cooperation, the result of bilateral high-level visits, as an indicator of economic pragmatism. In examining Singapore, Kuik utilized the economic gain factors: achievement in trade, bilateral cooperation in direct investment, and management skill transfer dominated the relationship.

Kuik identifies binding engagement from the countries’ behavior of establishing institutional links by diplomatic platform, either bilateral or multilateral, to encourage China to behave in a responsible manner. In Malaysia, Kuik recognizes Kuala Lumpur’s heterogeneous approaches to broaden dialogue opportunities with China. In the case of Singapore, Kuik reviews its various attempts to bind China institutionally through ASEAN.

Kuik recognizes the limited bandwagoning behavior by the existence of the weaker state’s coordinated policies in selected areas underneath the political partnership with the leading state and by the weaker state’s behavior to voluntarily give compliance to the dominant power. In scrutinizing Malaysia and Singapore, he found this behavior only in Malaysia but not in Singapore. Kuik identifies Malaysia’s willingness to reach consensus, accommodate, and accept China’s stance in the South China Sea.

Dominance denial is best illustrated by the behavior of preserving the involvement of the other powers in the region; meanwhile, indirect balancing is an implicit and weaker

approach than a pure balancing. Instead of joining a military alliance and significantly upgrading its armament for an apparent balancing effort against a specific leading state, a weaker state may only maintain its military relations either in a formal or informal defense collaboration with the other power and modernize its internal capability. Kuik identifies both factors as present in Malaysia and Singapore from the states' willingness to maintain the presence of the United States in the South China Sea and Malacca strait and the existence of the FPDA in which both Malaysia and Singapore are involved.

#### **D. POTENTIAL EXPLANATION AND HYPOTHESIS**

The central concern that this thesis addresses is whether and how Indonesia is shifting its approach toward Beijing after China began to enforce its South China Sea claims more vigorously after 2009. China is obviously a state rising to great power status, exerting considerable leverage on the region and the global strategic environment. Meanwhile, Indonesia, as well as the other Southeast Asian countries, is a weaker state actor vis-à-vis China; it has lesser internal and external potential to alter global politics when compared with China. This thesis explores the strategic policies of Indonesia as the weaker state actor vis-à-vis China in pursuing its political and economic interests while maintaining or expanding its relationship building with China.

The South China Sea dispute is a significant factor for small Southeast Asian states in determining their choice of strategic approaches. They exemplify various approaches toward rising China.

By contrast, China's challenge is not limited to the claimant states, but includes non-claimant states like Indonesia. The 2009 claim hindered the growing relationship between Indonesia and China. Prior to this, Indonesia had been building a good relationship with China since the reopening of their diplomatic ties in 1990.<sup>51</sup> Both countries had

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<sup>51</sup> Anthony L. Smith, "From Latent Threat to Possible Partner: Indonesia's China Debate," In *Special Assessment: Asia's China Debate* (Fort Belvoir, VA: Defense Technical Information Center, December 1, 2003), <https://doi.org/10.21236/ADA592206>; Christine Susanna Tjhin, "Indonesia's Relations with China: Productive and Pragmatic, but Not yet a Strategic Partnership," *China Report* 48, no. 3 (August 2012): 303–15, <https://doi.org/10.1177/0009445512462303>; Chongbo Wu, "Forging Closer Sino-Indonesia Economic Relations and Policy Suggestions," *Ritsumeikan International Affair* 10 (2011): 119–42.

undergone many efforts to nurture mutual relations. Here, Indonesia saw more opportunities than challenges in their relationship with China; however, China's claim addressed in 2009 shifted Indonesia's strategic approach to China.

Nevertheless, despite all the emerging challenges and the offered benefits of the relationship, many scholars agree that none of the states is purely balancing or bandwagoning toward China. The variation in the Southeast Asian states' approaches is actually very limited. The hypothesis here is that Jakarta has changed its policy on China since Beijing submitted its nine-dash-line claim in 2009. Jakarta's hedging posture is moving slightly closer to balancing. The events and the disputes in the South China Sea are impacting Indonesia's negative threat perception of China. Before 2009, Indonesia followed a soft dominance-denial strategy through ASEAN and applied economic pragmatism and binding-engagement to maximize its economic gain from China. Since then, Jakarta seems to be engaging in the implementation of a harder dominance-denial and indirect internal balancing against China.

## **E. RESEARCH DESIGN**

This thesis scrutinizes the changes that Indonesia made after China's submission of the nine-dash line in 2009. This thesis first provides a descriptive historical background about Indonesia's policy toward China prior to 2009. This includes China's approach and foreign policy that influences Indonesia and the other Southeast Asian states. The history of conflicts between China and the related Southeast Asian countries regarding the South China Sea is also important, and certainly, Indonesia uses it as one of its assessment factors of China. The goal is to illustrate how Indonesia's policy toward China fits on Kuik's spectrum during the decade prior to 2009 and since then.

The South China Sea dispute is changing Indonesia's perception of China, which has produced a shift in Jakarta's policy on China. A few key events during and after Beijing's 2009 submission provide valuable evidence in assessing how Indonesia formed a more negative threat perception and how this perception affected Indonesia's policy toward China. These key events include Chinese activities and disputes with other individual countries in Southeast Asia as well as China's regional engagement with

ASEAN regarding the South China Sea. However, the impact of such policies is felt regionally and therefore, by Indonesia.

Finally, the thesis determines Indonesia's position in the hedging spectrum compiled by Kuik (Table 1). In this framework, the hedging spectrum is divided into several behaviors that counteract each other. The thesis uses information obtained from various sources: books, academic articles, official web, press reporting, official statements from the key elites and other valuable information. Then this thesis analyzes and classifies the data in the hedging spectrum. From the results of this classification, the thesis deduces Indonesia's position vis-à-vis China, which is leaning toward balancing.

## **F. THESIS OVERVIEW**

To better explore Indonesia's strategic approach toward China before and after the nine-dash-line submission in 2009, the thesis is divided into three chapters. Chapter II examines Indonesia's policy on China during the 1990s, a decade prior to the intensification of South China Sea disputes in the late 2000s. This chapter presents a background of China's policy, China's relations with Southeast Asian countries as well as with ASEAN, and determines where Indonesia's policy toward China fits in the analytical framework historically. Chapter III outlines the South China Sea disputes, provides evidence of Indonesia's growing threat perception and then presents various responses that Indonesia has pursued toward China. Chapter IV concludes the thesis with a summary and an analysis.

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## **II. INDONESIA'S POLICY ON CHINA 2000–2009**

In 2009, Indonesia began to move its China policy towards balancing. This was in reaction to China's changed strategy in the Southeast Asia that sought to make new claims in the South China Sea. Indonesia's previous strategy was also based on China's stance in the region. This chapter explores Jakarta's changing policy on China in the decade before Beijing's expanded claims in order to understand why the shift occurred. Kuik's framework is utilized to assess Indonesia's policy on China during this decade. The research here shows that Indonesia pursued several different approaches to China in the previous decade, including economic pragmatism, binding engagement, and dominance denial, all in response to China's activities in the region. The purpose of this chapter is to show that Indonesian strategy before 2009 and post-2009 is independent of different administrations; rather it is in response to China's activities.

In this chapter, the period 2000–2009 is divided into three sections that correlate with the changing governments: President Abdurrachman Wahid's (Gus Dur) administration that lasted from 1999 until 2001, President Megawati Sukarnoputri's that was from 2001 until 2004, and President Susilo Bambang Yudhoyono's first term administration that lasted from 2004 until 2009. All three of these administrations attempted to form good relations with China, which was in contrast to the hedging policies of the previous administration under Suharto that are also summarized in this chapter.

### **A. CHINA AND SUHARTO: BALANCING EAST AND WEST**

In 1967, Suharto became the acting president of Indonesia in March 1967 amid a security and political crisis caused by the assassination of several Indonesian Army generals by the Indonesian Communist Party (PKI) in what, according to the government, was an attempted coup. The coup by the communists shaped the administration's perspective on China as well as the Soviet Union. Under the Suharto administration, Indonesia changed its foreign policy direction to weaken its relations and indirectly balance against China as well as the Soviet Union, and approached the West.

The Suharto government suspended its relations with China on October 23, 1967. Although China's involvement in PKI's series of actions was unclear, as Leo Suryadinata highlighted, the new government under the President Suharto sought to blame China for the coup attempt.<sup>52</sup> According to Rizal Sukma, since the 1950s, Beijing had allegedly tried to gain influence over and to collect financial support from ethnic Chinese living in Indonesia in order to revive the demoralized PKI after its 1948 attempted rebellion had been defeated.<sup>53</sup> Beijing, through its ambassador in Jakarta, provided financial help and political support to the PKI.<sup>54</sup>

Under the Suharto administration, Indonesia sought closer relations with the United States in order to balance out the communist powers in the region. During his meeting with the American President Richard Nixon in 1970, President Suharto stated that Indonesia's weaponry was in poor condition due to the lack of spare parts, and he expressed his intention to modernize the Indonesian Armed Forces (TNI) with weapons from the United States. The weaponry that the previous Indonesian administration purchased from the Soviet Union, which succeeded in strengthening Indonesia in the struggle for West Irian against the Dutch, were gradually replaced with U.S. military weapons.

Although diplomatic relations were restored in August 1990, opening a new page clear of the past scribbles was not easy. Diplomatic normalization did not mean a total disappearance of Indonesia's suspicion and distrust of China. Sukma formulized four characteristics of the relations. First, the old problems faced by both countries regarding their bilateral relations still existed: suspicion and anti-interference. Second, in the early development of the normalization, Indonesia tended to move forward carefully; it seemed to wait and see when the other ASEAN state members began to develop their cooperation with Beijing, roughly in the early 1990s. Third, the vagueness of Indonesia's perception of China delayed the immediate development of relations. Despite having recognized China's

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<sup>52</sup> Leo Suryadinata, "Indonesia-China Relations: A Recent Breakthrough," *Asian Survey* 30, no. 7 (July 1990): 683.

<sup>53</sup> Rizal Sukma, *Indonesia and China: The Politics of a Troubled Relationship*, ed. Michael Leifer (London, UK: Routledge, 1999), 24, <http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=180331>.

<sup>54</sup> Sukma, 24.

potential, the Indonesian public and elites' perception of China had not significantly changed and continued to be troubled by Chinese minority issues. Fourth, economic cooperation was steadily growing despite the bumpy progression of socio-political bilateral relations, as can be seen from the growing trade between Indonesia and China from 1990 to 1997.<sup>55</sup>

In a move similar to that of the other Southeast Asian countries, the Indonesian government also sought the continuous presence of the United States in the South China Sea. In 1994, the country awarded the exploration contract of the Natuna gas field to Esso Exploration and Production Natuna Inc., a subsidiary of Exxon.<sup>56</sup> The field, which was considered as the largest in Southeast Asia, was discovered by Italy's Agip in 1970.<sup>57</sup> The awarding of this gas field contract was a clear-cut political message for China. Indonesia hoped Exxon's participation, which was potentially backed by the United States, in exploring Indonesia's natural resources would balance out China's presence in the waters surrounding the Natuna Islands.

Indonesia and the other ASEAN state members were determined to create the ASEAN Regional Forum (ARF) in 1994, which involved the participation of the United States and China. According to Alice Ba, the creation of ARF, by and large, was motivated by "the need to keep the United States in Asia."<sup>58</sup> The United States began to reconsider its presence in the region in response to the massive change of circumstances after the Cold War; the likelihood that the United States would abandon its bases in the Philippines increased.<sup>59</sup> Indonesia and the other Southeast Asian states recognized the United States'

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<sup>55</sup> Rizal Sukma, "Indonesia-China Relations: The Politics of Re-Engagement," *Asian Survey* 49, no. 4 (July 2009): 595–96, <https://doi.org/10.1525/as.2009.49.4.591>.

<sup>56</sup> Andrew Pollack, "Company News; Exxon Leads Signers of Indonesia Gas Deal," *The New York Times*, November 17, 1994, <https://www.nytimes.com/1994/11/17/business/company-news-exxon-leads-signers-of-indonesia-gas-deal.html>.

<sup>57</sup> "Natuna Gas Field - Greater Sarawak Basin," Offshore Technology, Oil and Gas News and Market Analysis, accessed January 30, 2019, <https://www.offshore-technology.com/projects/natuna/>.

<sup>58</sup> Alice D. Ba, "The ASEAN Regional Forum: Maintaining the Regional Idea in Southeast Asia," *International Journal* 52, no. 4 (Autumn 1997): 637.

<sup>59</sup> Ba, 639.

role in providing deterrence against their neighboring power; Ba emphasizes, “China was the country that posed the greatest challenge to the Southeast Asian states.”<sup>60</sup>

Lastly, in 1996, Indonesia took a firm stance amid the South China Sea debates and disputes by conducting a large-scale military exercise in Natuna. Indonesia conducted the ABRI III / 96 Joint Training (*Latihan Gabungan/Latgab*) in the Natuna Islands and its surroundings as a response to the potential for conflict in the South China Sea. As the islands face the South China Sea, which makes them ideal as a strategic place to carry out operations, the area was chosen as a training site for field maneuvers by ABRI.<sup>61</sup>

Under President Suharto, Indonesia undertook these balancing acts for several reasons. First, China posed a challenge to Indonesian ideology, Pancasila, which was opposed to atheism and communist ideology. Suharto was an anti-communist leader who saw communism as a latent threat for the nation. Second, Indonesians were highly suspicious of China, considering its interference in Indonesia’s domestic affairs during President Sukarno’s administration as well as due to conflicts in Southeast Asia associated with China. Yet, these issues became less important in the following decade after the fall of Suharto as Beijing sought to minimize its interest in the South China Sea and use its aid and trade in order to form new relations.

After Suharto left office, Indonesia underwent a massive political transformation internally under President B.J. Habibie’s transitional administration. When the new administration of Abdurrahman Wahid (Gus Dur) took over in 1999, the country’s foreign policy on China shifted from leaning toward balancing to hedging. The two administrations that followed President Gus Dur also pursued a hedging policy in response to China’s shifting policy in the region.

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<sup>60</sup> Ba, 639.

<sup>61</sup> “Latihan Gabungan ABRI 1996 [ABRI Integrated Exercise 1996],” *Berita Rakyat*, October 10, 2010, <http://pustakaad.blogspot.com/2010/10/latihan-gabungan-abri-1996.html>.

## **B. ABDURRAHMAN WAHID ADMINISTRATION (1999–2001): ESTABLISHING A FOUNDATION**

President Gus Dur was sworn in in October 1999 after replacing Habibie's transitional government. The short period of Gus Dur's administration was an essential period in the history of Indonesia-China bilateral relations as the new democratically elected government shifted Indonesia's policy on China. The Gus Dur administration set new priorities, including economic incentives, which spurred Jakarta to build closer relations with China as a potential partner.

### **1. Binding Engagement**

In less than three months after coming to power, President Gus Dur took the strategic binding engagement steps toward China to lay a strong foundation for future economic cooperation. He initiated engagement by establishing political communications with China followed by economic agreements, which illustrated economic pragmatism; Indonesia enjoyed benefits from economic activity with China. In Indonesia's effort to implement the binding engagement strategy, the Gus Dur administration took several steps.

First, President Gus Dur's visit in December 1999 provided an atmosphere for new political relations. This visit was a signal of the Gus Dur administration's intention to increase its relations with China. Although under the Suharto government Indonesia opened diplomatic relations with the People's Republic of China (PRC), under Gus Dur, Indonesia began to separate China from its associated communist ideology. According to Anthony Smith, one of the idiosyncratic features of Gus Dur's approach to the countries that he visited was his stress on "commonalties" with them rather than differences; with China, Gus Dur emphasized trade history as well as traditional and cultural links.<sup>62</sup> The visit also stimulated a reciprocal effect. China's perspective on Indonesia became more positive, contributing to China's willingness to establish closer relations with Indonesia.

Second, Indonesia showed goodwill toward China and tried to reduce domestic resistance to the shifting policy. The condition of Chinese minorities in Indonesia has long

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<sup>62</sup> Anthony L. Smith, "Indonesia's Foreign Policy under Abdurrahman Wahid: Radical or Status Quo State?," *Contemporary Southeast Asia* 22, no. 3 (December 2000): 505–6.

been a concern of China. During the 1998 riots in Jakarta, many Chinese minorities were attacked and killed, and faced destruction and looting of assets and businesses. Under Gus Dur, the government accepted Chinese philosophical faith, Confucianism, as one of the official religions in Indonesia. Likewise, celebrations of Chinese cultural and sacred days, which were previously banned, were exempted from the prohibition. This policy helped lift China's perspective on Indonesia and played a role in encouraging Chinese-Indonesia relations. Indonesian Chinese played a major role as "a bridge in the bilateral economic relations."<sup>63</sup>

The third was the signing of various agreements as a follow-up to Gus Dur's visits. The strategic engagement carried out by Indonesia's government was welcomed by China; the two countries agreed on several things. In May 2000, Indonesian Foreign Minister Alwi Shihab came to China to celebrate the 50th anniversary of the establishment of diplomatic relations, hosted by Foreign Minister Tang Jiaxuan. Both governments' representatives exchanged congratulatory messages. On this occasion as well, Indonesia and China signed a joint statement regarding the establishment of future bilateral relations and a memorandum of understanding (MOU) on facilitating a broader range of cooperation (politics, economics, tourism, as well as science and technology).<sup>64</sup> In July 2000, at the invitation of Indonesia's vice President Megawati, Vice President Hu Jintao visited Indonesia. Both governments signed an agreement on judicial collaboration, and Beijing approved Indonesia as a Chinese tourist destination in November 2001.<sup>65</sup>

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<sup>63</sup> Chongbo Wu, "Forging Closer Sino-Indonesia Economic Relations and Policy Suggestions," *Ritsumeikan International Affairs* 10 (2011): 131.

<sup>64</sup> Smith, "Indonesia's Foreign Policy under Abdurrahman Wahid," 513.

<sup>65</sup> Embassy of the People's Republic of China in the Republic of Indonesia, "Overall Relations: China and Indonesia," Official Web, China-embassy.org, April 21, 2004, <http://id.china-embassy.org/eng/zgyyn/sbgxgk/t87359.htm>.

Table 3. Indonesia-China High-Level Contact under the Gus Dur Administration<sup>66</sup>

| <b>Date</b>       | <b>Official</b>                                                | <b>Occasion</b>                                  | <b>Achievement</b>                                                                                                                                                               |
|-------------------|----------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| May 8, 2000       | Foreign Minister Tang Jiaxuan and Foreign Minister Alwi Shihab | Official visit in Jakarta                        | Consensus on maintaining high-level visit, people-to-people contacts, and enhancing cooperation in all field.                                                                    |
| July 28, 2000     | Foreign Minister Tang Jiaxuan and Foreign Minister Alwi Shihab | Attending a series of ASEAN meetings in Thailand | Shared thought on bilateral, regional, and international affairs                                                                                                                 |
| July 24, 2000     | Vice President Megawati and Vice President Hu Jintao           | Official visit in Jakarta                        | Signed the Treaty on Mutual Legal Assistance in Criminal Matters                                                                                                                 |
| July 24, 2000     | President Abdurrahman Wahid and Vice President Hu Jintao       | Official visit in Jakarta                        | The consensus to maintain mutual security cooperation, respect others' national sovereignty, avoid making intervention, and encourage collaboration in creating new world order. |
| November 24, 2000 | President Abdurrahman Wahid and Premier Zhu Rongji             | Attending a series of ASEAN meeting in Singapore | The consensus to encourage regional stability, politically and economically. Indonesia would consistently support the "one China policy."                                        |

Finally, Gus Dur accomplished binding engagement with China through ASEAN. In the second quarter of 2000, ASEAN state members including Indonesia, conducted negotiations with China over a long-term binding agreement. In PRC-Indonesia joint statements, both parties agreed to establish and develop "a long-term and stable relationship of good-neighborliness, mutual trust and all-round cooperation."<sup>67</sup> Also through this endeavor, Indonesia ensured that China would hold that "Indonesia's stability, integrity, and prosperity are conducive to peace and development in the region, and support the Indonesian Government in its efforts to maintain national unity and territorial integrity

<sup>66</sup> Adapted from articles in "Policies and Activities," Official website, Ministry of Foreign Affairs of the People's Republic of China, accessed April 17, 2019, [https://www.fmprc.gov.cn/mfa\\_eng/](https://www.fmprc.gov.cn/mfa_eng/).

<sup>67</sup> Embassy of the People's Republic of China in the Republic of Indonesia, "Sino-Indonesia Joint Statement on Bilateral Cooperation," Official website, China-embassy.org, April 21, 2004, <http://id.china-embassy.org/eng/zgyyn/zywx/t87364.htm>.

and to facilitate ethnic reconciliation and promote harmony in the country on the basis of equality.”<sup>68</sup>

## **2. Economic Pragmatism**

In 1999, both countries had the potential to establish a massive economic partnership. China’s industrialization saw an increasing demand for energy and raw materials, while Indonesia sought a market for its increasing production of natural energy resources and some industrial raw material commodities. In the early 2000s, Indonesia was trying to recover from the economic devastation caused by the 1990s financial crisis, so it desperately needed investment to build up the infrastructure to support the country’s economy. Both countries were populous, which created markets as well. Under these conditions, economic cooperation between the two countries would bring mutual benefits, potentially fulfilling each other’s needs. China could take advantage of the energy and raw materials exported from Indonesia, while Indonesia could get the investment needed and the benefits of bilateral trade in finished materials.

President Gus Dur’s visit to China at the end of 1999 not only brought Jakarta closer to Beijing, it increased Beijing’s willingness to disburse financial assistance, which was seen as a good signal in the field of economic cooperation. Beijing provided Indonesia a US\$5 billion financial assistance and a credit package of US\$200 million dedicated to maintain food security. In addition, both sides signed an agreement on economic collaboration: financial, technology, fisheries, tourism promotion, and countertrade of energy resources, including Indonesia’s liquified natural gas (LNG) trade with China’s products.<sup>69</sup>

Data from the World Bank shows that the bilateral trade increased after the two countries agreed to resume diplomatic relations in 1990 (Figure 1). Indonesia’s trade volume was only US\$4.1 billion in 1990 but grew to US\$11.3 billion in 2000. This positive

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<sup>68</sup> Embassy of the People’s Republic of China in the Republic of Indonesia.

<sup>69</sup> Syamsul Hadi, “Hubungan Indonesia-Cina di Era Pasca Orde Baru: Perspektif Indonesia [Indonesia-China Relations Post-New Order Era: Indonesian Perspective],” in *Merangkul Cina: Hubungan Indonesia-Cina Pasca Soeharto* [Embracing China: Indonesia-China Relations Post-Soeharto], ed. I. Wibowo and Syamsul Hadi (Jakarta: Gramedia Pustaka Utama, 2009), 57.

trend stalled for a short period in 2001 due to the global economic slowdown, but in 2000, the PRC invested US\$ 300.4 million in Indonesia. The global economic slowdown in 2001 hit not merely trade; the number of Chinese investments also decreased to US\$ 124.3 million from only 15 projects.<sup>70</sup> Indonesia and China “set up 53 non-trade joint ventures and jointly-operated enterprises, and reached a deal on reopening of the Bank of China in Jakarta in 2001.”<sup>71</sup> But overall, China became Indonesia’s fifth largest trading partner, while Indonesia was ranked 17th for China.<sup>72</sup> During the period 1990–2001, Indonesia enjoyed a positive trade balance from this trade collaboration.

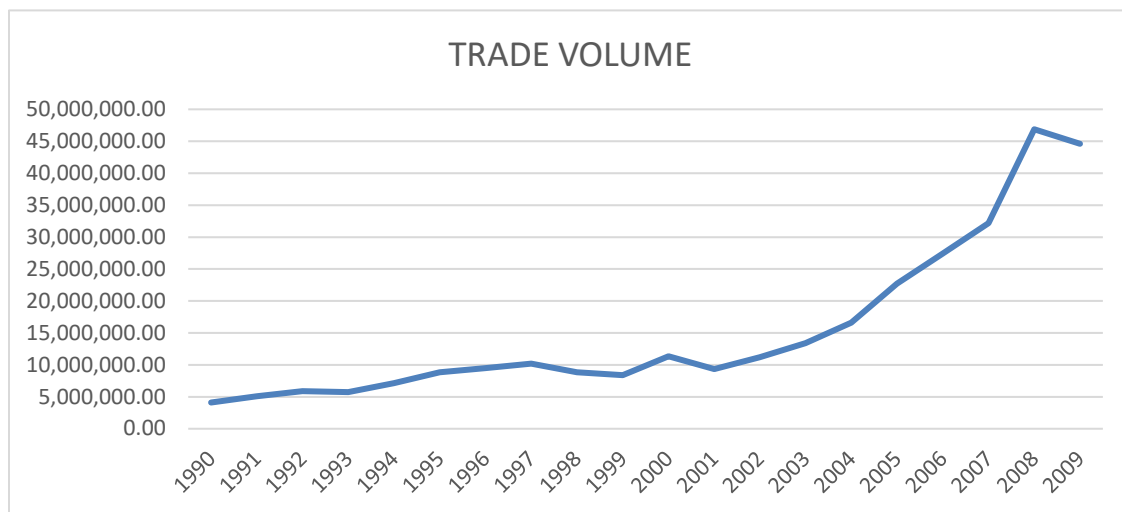


Figure 1. Indonesia–China Trade Volume 1990–2009<sup>73</sup>

Indonesia’s economic cooperation with developed countries also expanded. In this period, although China became one of Indonesia’s top five trading partners, its trade

<sup>70</sup> National Single Window Investment, “Perkembangan Investasi Asing [Foreign Investment Development],” Statistics (Jakarta: Badan Koordinasi Penanaman Modal Indonesia [Investment Coordinating Board of Indonesia], accessed February 5, 2019, [https://nswi.bkpm.go.id/data\\_statistik](https://nswi.bkpm.go.id/data_statistik).

<sup>71</sup> Embassy of the People’s Republic of China in the Republic of Indonesia, “China and Indonesia.”

<sup>72</sup> Embassy of the People’s Republic of China in the Republic of Indonesia.

<sup>73</sup> Adapted from World Integrated Trade Solution, “Indonesia’s Trade Flow by Country,” World Bank, accessed February 6, 2019, <https://wits.worldbank.org/CountryProfile/en/Country/IDN/Year/LTST/TradeFlow/EXPIMP>.

remained significantly below Indonesia's trade with Japan, the United States, and Singapore. China's trade figures equaled those of South Korea with Indonesia.

### **3. Dominance Denial**

Indonesia's efforts to maintain its strategic relations with other major countries can be interpreted as a primary indicator of its hedging strategy, especially when these countries were natural rivals of China, such as the United States, Japan, India, and Australia. The presence of these countries on the political and economic playing field guaranteed the stability and balance of the strategic environment. Indonesia could maximize the benefits of all these relationships and avoid excessive economic and political dependency on one country.

What stands out was Indonesia's military cooperation with other countries. Collaboration included procurement of weapons, exchange of students for military education programs, joint training, and also joint security patrols. During Gus Dur's period, military relations with the United States were maintained; although Indonesia's first participation in the low-level joint exercise Cooperation Afloat Readiness and Training (CARAT) with the United States was in the mid-1990s under President Suharto administration, the continuation of the program under Gus Dur administration proved Indonesia's willingness to maintain a good defense tie with the United States. Naval joint exercises were held twice in 1999 and 2000.<sup>74</sup> The Indonesian Navy also conducted a low-level exercise with India in October 2000. During India's naval visit to Jakarta, both states' ships held the Pass Exercise (Passex).<sup>75</sup>

### **4. Policy Rationale**

Gus Dur's administration leaned toward return-maximizing options. Driven by binding engagement and economic pragmatism policies, Indonesia and China opened a new page of closer bilateral relations. Gus Dur, spurred by his strong sense of

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<sup>74</sup> "Cooperation Afloat Readiness and Training (CARAT)," Global Security, June 28, 2014, <https://www.globalsecurity.org/military/ops/carat.htm>.

<sup>75</sup> Ajaya Kumar Das, "India's Naval Exercises with ASEAN States Since 1991: A Time Line," *India Review* 12, no. 3 (July 2013): 124, <https://doi.org/10.1080/14736489.2013.821316>.

internationalism, visited 26 countries during his first four months in office and made China his first destination. Indonesia, still suffering from the consequences of the Asian economic crisis, needed to embrace China's emerging economic potential. Gus Dur said that "China is a big country and has economic potential, so if we leave China, we will lose the benefit of building relations with them."<sup>76</sup> Gus Dur also managed to reduce Indonesians' negative sentiment toward ethnic Chinese, which also contributed to create a conducive atmosphere for China's trade and investment.

### **C. MEGAWATI SUKARNOPUTRI ADMINISTRATION (2001–2004): BUILDING THE PILLARS**

President Megawati came into power after the impeachment of Gus Dur as a result of his controversial policy<sup>77</sup> and alleged affairs (Buloggate and Bruneigate),<sup>78</sup> which were later disproved. She became the fifth president of the Republic of Indonesia on June 23, 2001, when the People's Consultative Assembly (MPR) endorsed her. Under President Megawati's administration, Indonesia's hedging policy towards China remained the same. Indonesia continued to carry out its approach without leaving other partner countries, even though President Megawati's foreign policy as a whole was not as active as President Gus Dur's had been.

#### **1. Binding Engagement**

After the administration change, Indonesia continued to exercise its binding engagement toward China. In between the government's efforts to concentrate on improving domestic issues, the administration also advanced several diplomatic agendas with China, which were followed by various agreements. The government also maintained the continuity of efforts to increase the quantity and quality of economic cooperation with China and expand the field of cooperation, especially in the energy sector. At the same

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<sup>76</sup> Rini Utami, "Hubungan Indonesia-Tiongkok: Dari Soekarno Hingga Jokowi [Indonesia-China Relations: From Soekarno to Jokowi]," *Antara News*, April 13, 2015, <https://www.antaranews.com/berita/490460/hubungan-indonesia-tiongkok-dari-soekarno-hingga-jokowi>.

<sup>77</sup> For a further understanding of Gus Dur's controversial policy, read Chapter 9, "Challenges Facing Gus Dur," in Leo Suryadinata, *Elections and Politics in Indonesia* (Singapore: Institute of Southeast Asian Studies, 2002), 161–81.

<sup>78</sup> Harold A. Crouch, *Political Reform in Indonesia after Soeharto* (Singapore: Institute of Southeast Asian Studies, 2010), 30.

time, the Indonesian government also maintained its relationship with other developed countries.

For both Jakarta and Beijing, continuation of their relationship was significant as both needed to increase strategic cooperation, gain trust, and produce mutual benefit. But for Indonesia, ensuring the continuum of the binding engagement with China was crucial. By maintaining high level contact and institutionalizing the interaction, Indonesia's engagement would, beside the economic benefits, establish a binding feature to mitigate the potential conflict of interest between both countries. Therefore, under the new administration, Jakarta still favored increasing the quality and quantity of Indonesia-China bilateral communication and cooperation.

The forms of communication ranged from sharing views and formulating joint declarations that resulted in agreements. In early November 2001, Prime Minister Zhu Rongji visited Jakarta and was hosted by President Megawati with a warm welcome in the Presidential Palace. This was not President Megawati's initial high-level contact with China's government, but this visit set a strong foundation for the future collaboration. On this occasion, Premier Zhu proposed to "maintain high-level contacts and visits, strengthen bilateral economic and trade cooperation emphasizing the need for mutual benefits, increase cultural and educational bilateral exchanges and cooperation, as well as both countries should exert major influence in regional and world peace development."<sup>79</sup> In response, President Megawati stated that "Indonesia looked forward to the great support and help from China, a friendly neighbor, in both its national economic development and regional affairs. Indonesia was ready to further deepen friendly and mutually beneficial cooperation with China in all fields."<sup>80</sup> This occasion resulted in the signing of several agreements. President Megawati's reciprocal visit made in March 2002 was equally as important. Other than the signing of four MOUs on technical-level cooperation, the

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<sup>79</sup> "Premier Zhu Rongji Held Talks with Indonesian President Megawati Sukarnoputri," Official website, Ministry of Foreign Affairs of the People's Republic of China, November 8, 2001, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zjzg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t15954.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zjzg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t15954.shtml).

<sup>80</sup> "Premier Zhu Rongji Held Talks with Indonesian President Megawati Sukarnoputri."

establishment of the Indonesian Consulate General in Guangzhou and Shanghai was a major step for Indonesia in engaging China.<sup>81</sup>

Table 4. Indonesia-China High-Level Contact under the Megawati Administration<sup>82</sup>

| Date             | Official                                                           | Occasion                  | Achievement                                                                                                                                                                                                                                    |
|------------------|--------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 19, 2001 | President Megawati and President Jiang Zemin                       | APEC meeting in Shanghai  | Both exchanged views on the anti-terrorism issue and maintenance of regional peace                                                                                                                                                             |
| November 7, 2001 | President Megawati and Premier Zhu Rongji                          | Official visit in Jakarta | MOU on Agriculture, agreement on avoidance of dual taxation and prevention of dodging and tax evasion, agreement on cultural cooperation, MOU regarding the establishment of People's Bank of China, and agreement on China's outbound tourism |
| November 8, 2001 | Premier Zhu Rongji and Indonesian parliament leaders               | Official visit in Jakarta | Recognized the importance of friendly cooperation to maintain the states' interest. China pledges to support Indonesia's effort to maintain its sovereignty, integrity, and economic recovery.                                                 |
| March 24, 2002   | President Megawati and President Jiang Zemin                       | Official visit in Beijing | The official signing of the establishment of Indonesia's consulate general in Shanghai and Guangzhou, and the four agreements on economy and technology cooperation                                                                            |
| March 25, 2002   | President Megawati and Vice President Hu Jintao                    | Official visit in Beijing | Both sides agreed to carry out as soon as possible all cooperation projects in different areas.                                                                                                                                                |
| March 25, 2002   | President Megawati and NPC Chairman Li Peng                        | Official visit in Beijing | Both exchanged views and introduced each country's domestic situation.                                                                                                                                                                         |
| March 25, 2002   | President Megawati and Premier Zhu Rongji                          | Official visit in Beijing | Both shared thoughts on multi-field cooperation, such as energy, infrastructure, science, technology, and economy.                                                                                                                             |
| May 17, 2002     | Foreign Minister Hassan Wirayuda and Foreign Minister Tang Jiaxuan | Official visit in Jakarta | Both states appointed specific departments from each side to speed up the implementation of US\$400 million preferential credit China offered to Indonesia, both sides agreed to push the acceleration of the establishment of Bank of         |

<sup>81</sup> "President Jiang Zemin Held Talks with Indonesian President Megawati," Official website, Ministry of Foreign Affairs of the People's Republic of China, March 25, 2002, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zjzg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t15957.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zjzg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t15957.shtml).

<sup>82</sup> Adapted from articles in "Policies and Activities."

| Date             | Official                                                                    | Occasion                                    | Achievement                                                                                                                                      |
|------------------|-----------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
|                  |                                                                             |                                             | China, energy forum, and fishery and agricultural cooperation.                                                                                   |
| May 17, 2002     | President Megawati and Foreign Minister Tang Jianxuan                       | Official visit in Jakarta                   | Reached consensus to bolster bilateral cooperation in multiple fields, especially in infrastructure and energy.                                  |
| October 26, 2002 | President Megawati and President Jiang Zemin                                | APEC Meeting in Los Cabos, Mexico           | Shared thoughts on mutual cooperation between two countries                                                                                      |
| October 6, 2003  | Premier Wen and Indonesian President Megawati                               | Attending ASEAN summit in Bali              | Reached consensus to develop bilateral relations.                                                                                                |
| October 18, 2003 | Foreign Minister Li Zhaoxing and Indonesian Foreign Minister Hasan Wirayuda | Attending ASEAN regional meeting in Bangkok | Reached consensus to promote mutual cooperation, which have synergy with the Bandung Conference and the five Principles of Peaceful Coexistence. |

Along with other ASEAN countries, Indonesia was very keen to limit China's assertiveness in the South China Sea. Jakarta's approach aimed to avoid future conflict in the contested waters and maintain stability in regional politics, although some wariness toward China's long-term intention in the region still existed. Therefore, ASEAN member states were determined to settle the Code of Conduct (COC) to manage the South China Sea maritime dispute. The non-binding agreement was concluded on November 4, 2002, when China and ten ASEAN member states signed the Declaration of Conduct (DOC) as a stepping stone toward the COC.<sup>83</sup>

## 2. Economic Pragmatism

The Megawati administration continued Gus Dur's policy the economic pragmatism toward China in order to obtain economic benefits and thereby assist the progress of Indonesian domestic development. Besides maintaining bilateral trade, during this period the government agreed to several bilateral economic agreements as well as the ASEAN-China Free Trade Agreement (ACFTA).

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<sup>83</sup> Nguyen Hong Thao, "The 2002 Declaration on the Conduct of Parties in the South China Sea: A Note," *Ocean Development & International Law* 34, no. 3/4 (July 2003): 279, <https://doi.org/10.1080/00908320390221849>.

China was set to become one of the Indonesia's major economic contributors through its increasing trade activity with Indonesia. Based on World Bank data, Indonesia-China trade volume in 2001 was US\$9.3 billion.<sup>84</sup> By the end of Megawati's administration in 2004, Indonesia-China trade volume was US\$16.6 billion, 56% greater than in 2001.<sup>85</sup> This three-year achievement was greater than that achieved from 1990 until 2001. Until the end of 2004, even though China was not Indonesia's number one trading partner, it remained as one of the top five. Indonesia still enjoyed the surplus of trade balance with China.

The investment data provided by Indonesia's Investment Coordinating Board (BKPM) illustrates that China sustained its interest in Indonesia's economy, although the information provided does not include investments in the oil and gas sector, banks, non-bank financial institutions, insurance, leasing, and all the investments whose licenses are issued by technical/sector agencies, portfolio investments (capital markets), and household investment. The number of investment projects continued to increase from 2001 until 2004.<sup>86</sup> This trend signaled that Beijing, despite Indonesia's domestic issues such as terrorism and insurgency, still had faith in the Indonesian government's capacity to run the overall economy. The Indonesia-China Energy Forum initiative was signed during President Megawati's official visit to Beijing in March 2002. The first energy forum was held in September 2002 in Bali. During this event, China awarded Pertamina, the Indonesian state-owned oil corporation, with a project worth US\$8.5 billion.<sup>87</sup> Indonesia's Pertamina along with China's largest state-owned offshore oil company, China National Offshore Oil Corporation (CNOOC), signed a 25-year deal; Pertamina would provide LNG to supply a terminal in Fujian.<sup>88</sup> This contract, considered a massive deal at the time,

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<sup>84</sup> World Integrated Trade Solution, "Indonesia's Trade Flow by Country."

<sup>85</sup> World Integrated Trade Solution.

<sup>86</sup> National Single Window Investment, "Perkembangan Investasi Asing [Foreign Investment Development]."

<sup>87</sup> "Indonesia, China Sign \$8.5B Gas Deal," CNN, September 26, 2002, <http://edition.cnn.com/2002/BUSINESS/asia/09/26/indonesia.gas.biz/>.

<sup>88</sup> "Indonesia, China Sign \$8.5B Gas Deal."

illustrated the seriousness of both governments in building robust economic ties based on win-win collaboration between both countries.

The ACFTA was also a major effort in advancing the regional economy as well as opportunities for the country in developing markets. Proposed by China's Prime Minister Zhu Rongji in 1999, ACFTA was institutionalized on November 4, 2002.<sup>89</sup> The framework led to further negotiations on the implementation of ACFTA by January 1, 2010.<sup>90</sup> Megawati ratified ACFTA despite public concern and opinion conveyed by elites in the private sector and state's officials over ACFTA's negative impact.<sup>91</sup> Jakarta thought that ACFTA would contribute to the participants' economy in the future, including Indonesia. The ACFTA was also seen as a bridge to connect and deepen relations between China and ASEAN countries.

### **3. Dominance Denial**

During this period, when Indonesia experienced deteriorating military cooperation with Western countries, the Indonesia-China improving relationship did not steer Jakarta toward closer defense relations with Beijing, even though it was a potential option. Indonesia's defense relations with the West were degenerating due to several issues related to the allegation of human rights violation by the Indonesian Army during the Indonesian reforms process and East Timor case. China did not become Indonesia's partner of choice. Instead, Indonesia maintained its collaboration with India and sought to build a defense network with Russia.

With India, Indonesia conducted another joint military operation. According to the information compiled by Ajaya Kumar Das in 2002, the first coordinated patrols were

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<sup>89</sup> "Building the ASEAN Community: ASEAN-China Free Trade Area, Building Strong Economic Partnership" (ASEAN, October 2015), <https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20ACFTA.pdf>.

<sup>90</sup> "ASEAN-China Free Trade Area."

<sup>91</sup> Alexander C. Chandra and Lucky A. Lontoh, "Indonesia-China Trade Relations: The Deepening of Economic Integration amid Uncertainty?," *International Institute for Sustainable Development, Trade Knowledge Network*, 2011, 7.

held.<sup>92</sup> The patrol force consisted of two Maritime Patrol Aircraft (MPA) and two surface patrol vessels. They operated along the International Maritime Boundary Line (IMBL) in the Andaman Sea, and they have continued to organize it biannually since then. Both countries also engaged in a joint exercise in 2003 when India hosted the “MILAN 2003” in Port Blair along with Thailand’s warship.

Due to the arms embargo imposed by both the United States and the European states, Indonesia had no other choice than cooperate with countries who were potential arms suppliers. Indonesia chose Russia to satisfy the gap. In 2003, President Megawati visited Russia and signed a Declaration on the Foundation of Friendship and Partnership between the Russian Federation and the Republic of Indonesia in the Twenty First Century, as well as the agreement to purchase six military platforms: two Su-27SKs, two Su-30MKs, and two Mi-35Ps.<sup>93</sup>

#### **4. Policy Rationale**

Under Megawati, Indonesian policy toward China emphasized returns maximization more than risk-contingency. Because of Indonesia’s need to recover from the late 1990s economic crisis, Megawati’s government placed a high priority on economic cooperation with China. During her short presidency China did not take actions to enforce its claims in the South China Sea and it did not present a serious military challenge to Indonesia. Therefore, Megawati’s government did not place a high priority on balancing against China. Overall, her government’s policy emphasized binding engagement and economic pragmatism rather than dominance denial or indirect balancing.

#### **D. SUSILO BAMBANG YUDHOYONO ADMINISTRATION (2004–2009): BECOMING A STRATEGIC PARTNER AND REGIONAL POWER**

In 2004, Indonesia held a direct presidential election for the first time. Susilo Bambang Yudhoyono defeated the incumbent President Megawati Sukarnoputri. He was

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<sup>92</sup> Das, “India’s Naval Exercises with ASEAN States Since 1991: A Time Line,” 125.

<sup>93</sup> Alexey Muraviev and Colin Brown, “Strategic Realignment of Deja vu? Russia-Indonesia Defence Cooperation in the Twenty-First Century,” *Strategic and Defence Studies Centre at The Australian National University*, no. 411 (December 2008): 15.

sworn into office on October 20, 2004, with his Vice President Jusuf Kalla. His cabinet was loaded with intellectual leadership that often emphasize diplomacy and pragmatism.

The Yudhoyono presidency's attitude toward China was characterized by more confidence and a stronger dominance denial policy in comparison to the previous government. He inherited a strong relationship with China due to the foundation that had been built by the previous governments of President Gus Dur and President Megawati. The Indonesian economy was starting to recover and the country was becoming a regional power. Indonesia began to have more choices in the international arena. In this period, the government continued to increase economic pragmatism while continuing to carry out its binding engagement. With the economy continuing to grow, the government began to strengthen itself as a regional power by modernizing its military and improving defense cooperation with state partners without a balancing strategy targeting any specific country.

### **1. Binding Engagement**

The course of Indonesia's policy on China in this era could be seen in Indonesian attempts to accommodate China. Indonesia maintained its high-level communication with China, guided by economic and diplomatic motives, but it also began to establish defense cooperation with the country. High-level communication frequency increased during this period (Table 5), some of which was significant in strengthening the strategic cooperation between the two countries. President Yudhoyono's government enjoyed a jump start in this relationship due to the previous administrations' actions. Immediately after being inaugurated in early November 2004, President Hu Jintao sent Tang Jiaxuan, the President's Special Representative and State Councilor, to congratulate and invite Yudhoyono. Furthermore, in April 2005, during the visit of President Hu Jintao to Jakarta, the two heads of government signed the Joint Declaration of the Indonesia-China Strategic Partnership and several other accords. A counter-visit was held by President Yudhoyono to China in July 2005, which resulted in the signing of cooperation in several fields, including the defense sector.

Table 5. Indonesia-China High Level Contact under the Yudhoyono First Term Administration<sup>94</sup>

| Date               | Official                                                                                                                                                                           | Occasion                                        | Achievement                                                                                                                                                                                                                                                     |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November 5, 2004   | President Yudhoyono and Chinese President's Special Representative and State Councilor Tang Jiaxuan                                                                                | Official visit in Jakarta                       | The signing of the "Agreement on China-Indonesia Economic Cooperation and Agreement on China Export & Import Bank Offering Indonesia's Suramadu Bridge Export Buyer's Credit."                                                                                  |
| November 19, 2004  | President Hu Jintao and President Susilo Bambang Yudhoyono                                                                                                                         | Attending APEC CEO Summit in Santiago           | Discussion on bilateral relations.                                                                                                                                                                                                                              |
| November 28, 2004  | Premier Wen Jiabao and President Susilo Bambang Yudhoyono                                                                                                                          | Attending ASEAN Meetings                        | Discussion on China-Indonesia strategic partnership.                                                                                                                                                                                                            |
| April 25, 2005     | President Hu Jintao and President Susilo Bambang Yudhoyono                                                                                                                         | Official visit in Jakarta                       | The Joint Statement on Establishing the Strategic Partnership Between the PRC and the Republic of Indonesia.                                                                                                                                                    |
| April 25, 2005     | President Hu Jintao and Vice President of Indonesia Jusuf Kalla                                                                                                                    | Official visit in Jakarta                       | Discussion on bilateral relations and both agreed to strengthen the cooperation on "infrastructure construction, exploitation of energy and resource, agriculture and fishery, make better use of complementary advantages and promote the common development." |
| July 28, 2005      | President Hu Jintao and President Susilo Bambang Yudhoyono                                                                                                                         | Official visit in Beijing                       | Signed five agreements: economic cooperation, technology collaboration, disaster relief and assistance, education programs, and defense relations.                                                                                                              |
| July 28, 2005      | Prime Minister Wen Jiabao of the State Council and President Susilo Bambang Yudhoyono                                                                                              | Official visit in Beijing                       | Established the strategic partnership and formulated action plans to implement the partnership.                                                                                                                                                                 |
| August 31, 2005    | Vice President Zeng Qinghong and vice president Jusuf Kalla                                                                                                                        | Official visit in Beijing                       | Exchanged views on developing the Indonesia- China strategic.                                                                                                                                                                                                   |
| December 14, 2005  | Premier Wen Jiabao of the State Council and President Susilo Bambang Yudhoyono                                                                                                     | Attending the 11th ASEAN Summit in Kuala Lumpur | Agreed on strengthening financial cooperation and coordination on economic and energy policies, deepening economic and trade relations.                                                                                                                         |
| March 27, 2006     | Chairman Jia Qinglin of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) and chairman of MPR Hidayat Nur Wahid, and Ginandjar Kartasasmita | Official visit in Jakarta                       | Discussion on parliament exchanges.                                                                                                                                                                                                                             |
| September 28, 2006 | Vice Premier Huang jou and President Susilo Bambang Yudhoyono                                                                                                                      | Official visit to Shanghai                      | Signed a MOU on Energy Cooperation (china.org.cn).                                                                                                                                                                                                              |

<sup>94</sup> Adapted from articles in "Policies and Activities."

| <b>Date</b>       | <b>Official</b>                                                                        | <b>Occasion</b>                                                                                | <b>Achievement</b>                                                                                                                    |
|-------------------|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| December 21, 2006 | Assistant Foreign Minister He Yafei and Foreign Minister Handriyo Kusumo Priyo         | Consular consultations                                                                         | Discussion on facilitating bilateral collaboration in multi-area, including politics, economy, trade, culture, science and technology |
| June 8, 2007      | Chinese Premier Wen Jiabao and Indonesian Vice President Yusuf Kalla                   | Official visit in Beijing                                                                      | Discussion on expanding mutually-beneficial cooperation.                                                                              |
| July 4, 2007      | Chinese foreign minister Yang Jiechi and Indonesian foreign minister Hassan Wirayuda   | Official visit in Jakarta                                                                      | Signed an agreement on economic and technological cooperation.                                                                        |
| July 5, 2007      | Indonesian President Susilo Bambang Yudhoyono and Chinese Foreign Minister Yang Jiechi | Official visit in Jakarta                                                                      | The consensus to develop multi-field strategic partnership.                                                                           |
| September 26 2008 | Chinese Foreign Minister Yang Jiechi and Indonesian Foreign Minister Hassan Wirajuda   | Attending The sidelines of the 63rd Session of the United Nations General Assembly in New York | Discussion on implementing key energy and infrastructure projects and to continually deepen pragmatic cooperation in various fields.  |
| July 1, 2009      | Chinese Foreign Minister Yang Jiechi and Indonesian Foreign Minister Hassan Wirayuda   | Official visit in Beijing                                                                      | Both sides share thoughts about regional as well as international affairs.                                                            |

The Joint Declaration of Indonesia-China Strategic Partnership encouraged Indonesia to begin exploring further cooperation in defense with China. The establishment of annual defense consultation in 2006 marked a new unprecedented chapter of bilateral defense cooperation.<sup>95</sup> This event was in response to President Ju Jintao's proposal, "to strengthen the security cooperation, establish the defense and security consultation mechanism, intensify the exchanges of military staffs of both countries and the cooperation in such non-traditional security fields as anti-terrorism, the fight against transnational crimes and anti-drug and enhance the security dialogue on the sea."<sup>96</sup> According to SIPRI,

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<sup>95</sup> "Indonesia to Explore Defense Industry Cooperation with China," *Tempo*, May 12, 2006. Cited in Ian Storey, "China's Bilateral Defense Diplomacy in Southeast Asia," *Asian Security* 8, no. 3 (September 2012): 296, <https://doi.org/10.1080/14799855.2012.723928>.

<sup>96</sup> "Hu Jintao Holds Talks with Indonesian President Susilo," Official website, Ministry of Foreign Affairs of the People's Republic of China, April 25, 2005, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t193909.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t193909.shtml).

between 2004 and 2009, Indonesia's defense purchases from China were valued at US\$16 million.<sup>97</sup> Indonesia and China drafted a framework on defense technology collaboration at the second Indonesia-China Defense Security Consultation Talks in April 2007, which then was institutionalized in November the same year.<sup>98</sup>

## **2. Economic Pragmatism**

Under the leadership of President Yudhoyono, Indonesia sustained the win-to-win economic pragmatism to foster economic prosperity and social justice for the people. The Indonesian economy saw a gradual improvement due to the increasing confidence of other governments and foreign investors. The government was determined to create a favorable climate for the economy despite security threat from insurgency movements such as the Gerakan Aceh Merdeka (GAM) and acts of terrorism. The benefits of fostering good relations with Beijing had taken effect, such as the increased trade capacity enjoyed by the two countries. Investment waves from China endured. The two governments persistently boosted various forms of bilateral cooperation and institutionalized various collaborations in the form of agreements to support economic progress.

Indonesia-China bilateral trade became stronger. There was a considerable increase in Indonesia's bilateral trade volume in the 2004–2009 period (Figure 1). The peak was in 2008 when the total value of bilateral trade between the two countries reached US\$ 46.8 billion, almost three times the value of trade in 2004 when President Yudhoyono became president. Even when there was a global economic crisis in 2009, Indonesia's bilateral trade with China was minimally affected; there was a decrease of only US\$ 2.2 billion. This surge in trade value could not be separated from the efforts of the government in creating a favorable domestic climate. In this period, China moved toward becoming Indonesia's primary trading partner. These conditions were ripe for the implementing of ACFTA in 2010.<sup>99</sup>

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<sup>97</sup> See the SIPRI Arms Transfer Data Base, available at [http://armstrade.sipri.org/armstrade/html/export\\_values.php](http://armstrade.sipri.org/armstrade/html/export_values.php).

<sup>98</sup> "RI, China Complete Draft on Defense Cooperation Agreement," *Antara*, April 9, 2007. Cited in Storey, "China's Bilateral Defense Diplomacy in Southeast Asia," 296.

<sup>99</sup> World Integrated Trade Solution, "Indonesia's Trade Flow by Country."

The level of Chinese investment in Indonesia was relatively stable in this period. President Yudhoyono began his administration with promising prospects from China. Indonesia received an export buyer's credit offer for the Suramadu bridge mega-project, the longest bridge in Indonesia that connects Java and Madura islands.<sup>100</sup> This bridge has become a symbol of the Indonesia-China achievement in cooperation involving collaboration in finance, technology, and human resources.<sup>101</sup> Besides institutionalizing the bilateral strategic partnership, President Hu Jintao's visit to Jakarta in April 2006 also resulted in a soft loan of US\$300 million.<sup>102</sup> Beijing also offered a post-disaster assistance package worth US\$500,000 of relief goods and a US\$1.5 million grant for the victims of the 2005 tsunami, as well as assistance in setting up a tsunami early warning system.<sup>103</sup> During the second Indonesia-China energy forum in September 2006, both countries signed a MOU in Shanghai regarding energy cooperation.<sup>104</sup> BKPM data on the realization of foreign investment showed that during this period, Indonesia's achievement based on the BKPM's data of foreign investment reached its peak in 2008, when there were 47 projects worth almost US\$ 262 million. The value went down in 2009, but the number of projects increased to 55.<sup>105</sup>

### 3. Dominance Denial

Indonesia enjoyed good relations with China at the bilateral level, but at the regional level, the combination of China's growing economic power and increasing military capability still raised some concerns. Along with other Southeast Asian countries,

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<sup>100</sup> "Indonesian President Meets with State Councilor Tang Jiaxuan," Official website, Ministry of Foreign Affairs of the People's Republic of China, November 5, 2004, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t169884.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t169884.shtml).

<sup>101</sup> "60 Years Indonesia-China Relations," *The Jakarta Post*, April 13, 2010, <https://www.thejakartapost.com/news/2010/04/13/60-years-indonesiachina-relations.html>.

<sup>102</sup> "China and Indonesia Seal Strategic Pact," *The New York Times*, April 26, 2005, sec. Asia Pacific, <https://www.nytimes.com/2005/04/26/world/asia/china-and-indonesia-seal-strategic-pact.html>.

<sup>103</sup> "China and Indonesia Seal Strategic Pact."

<sup>104</sup> "China, Indonesia Sign MoU on Energy Cooperation," China.org.cn, October 29, 2006, <http://www.china.org.cn/english/news/186591.htm>.

<sup>105</sup> National Single Window Investment, "Perkembangan Investasi Asing [Foreign Investment Development]."

Indonesia felt that China's long-term intentions for the region were unclear. Several acts at the time indicate this sentiment. First, Indonesia was determined to include outsider states in the East Asia Summit (EAS). Indonesia firmly opposed Malaysia's initial proposal of EAS limited membership to include only ASEAN members and some other countries such as Japan, South Korea, and China. Indonesia wanted to include Australia, New Zealand, and India to avoid a dominant party within the entity. This was, according to Sukma, broadly recognized as a reaction to China's unclear intention toward the region.<sup>106</sup>

The revocation of sanctions and embargoes imposed on Indonesia by the United States and the European Union during the Suharto era gave Indonesia greater opportunities to determine its course of diplomacy and to build closer relations with Western countries. On November 13, 2006, Indonesia signed an agreement called "The Lombok Treaty," an agreement between Indonesia and Australia on the "Framework for Security Cooperation," and "it provided a treaty-level framework for addressing traditional and non-traditional security challenges."<sup>107</sup> Soon after, President Yudhoyono and President George W. Bush signed a joint statement "reaffirming the strength and vitality of the bilateral relationship between Indonesia and the United States."<sup>108</sup> Defense cooperation between Indonesia and the United States resumed and Washington began to provide assistance, such as Foreign Military Financing (FMF) and International Military Education and Training (IMET).

#### **4. Policy Rationale**

As its economic pragmatism was well-developed, Indonesia's return-maximizing option was strengthening. At the same time, there was no significant change in its risk-contingency option. The Yudhoyono administration inherited well-established-relations

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<sup>106</sup> Rizal Sukma, "Indonesia-China Relations: The Politics of Re-Engagement," *Asian Survey; Berkeley* 49, no. 4 (August 2009): 607, <http://dx.doi.org.libproxy.nps.edu/10.1525/as.2009.49.4.591>.

<sup>107</sup> "Agreement Between the Republic of Indonesia and Australia on the Framework for Security Cooperation," Official website, Department of Foreign Affairs and Trade of the Australian Government, accessed January 30, 2019, <http://dfat.gov.au/geo/indonesia/Pages/agreement-between-the-republic-of-indonesia-and-australia-on-the-framework-for-security-cooperation.aspx>.

<sup>108</sup> Office of the Press Secretary, "Joint Statement Between the United States and the Republic of Indonesia," Official archive, U.S. Department of State, November 20, 2006, <https://2001-2009.state.gov/p/eap/rls/prs/76323.htm>.

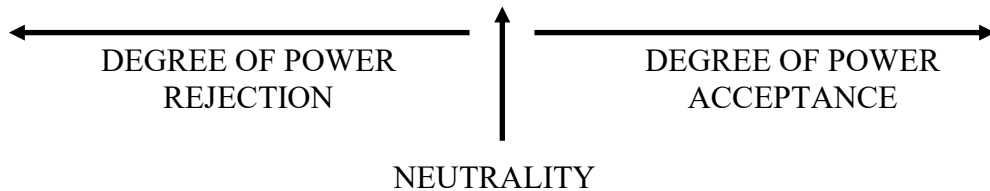
with China from the previous administration, so communication between Jakarta and Beijing was well established. This also contributed to the growth of the Indonesian economy as the bilateral communication led to various economic collaborations. As its economic power was starting to recover, Indonesia had the resources to become involved in regional theaters; thus, it was increasingly confident in playing a role in the regional political context. In the arena, the Yudhoyono administration sought out a regional balance and played an active role. Nonetheless, China's long-term intentions in the region remained unclear; therefore, Indonesia kept its risk-contingency option by building a close relationship with the other countries that had the potential to become China's rival.

## **E. CONCLUSION**

During this period, various factors shifted Indonesia's China policy. Suharto's reluctance to embrace China was due to his resentment over China's previous support for PKI and his worry that China might take belligerent action in the South China Sea. Negative sentiment toward ethnic Chinese was high, which made not merely the government but also the public reluctant to embrace China. The respective administrations of Gus Dur, Megawati, and Yudhoyono did not have the same resentment toward China, and China did not take the same kind of actions in the 2000s that it had taken in the 1990s. Suharto's balancing act had shifted into a hedging strategy dominated by economic pragmatism and binding engagement (Table 6).

Table 6. Indonesia's Response to China before 2009

| Adminis-<br>tration | Balancing<br><br>Strategy<br><br>(Pure<br>form) | HEDGING STRATEGY         |                     |                                            |                           |                           | Band-<br>wagoning<br><br>Strategy<br><br>(Pure form) |
|---------------------|-------------------------------------------------|--------------------------|---------------------|--------------------------------------------|---------------------------|---------------------------|------------------------------------------------------|
|                     |                                                 | Risk-Contingency Options |                     |                                            | Return-Maximizing Options |                           |                                                      |
|                     |                                                 | Indirect<br>Balancing    | Dominance<br>Denial | Economic<br>Pragmatism/<br>Diversification | Binding-<br>Engagement    | Limited Band-<br>wagoning |                                                      |
| Suharto             |                                                 |                          |                     |                                            |                           |                           |                                                      |
| Gus Dur             |                                                 |                          |                     |                                            |                           |                           |                                                      |
| Megawati            |                                                 |                          |                     |                                            |                           |                           |                                                      |
| Yudhoyono 1         |                                                 |                          |                     |                                            |                           |                           |                                                      |



- Note:
1. The difference in color shows the intensity of the policy.
  2. Yudhoyono 1 represents the first term of the Yudhoyono administration (2004–2009)

Indonesia's preference for hedging toward China during the period of 2000–2009 (Table 6) reflected Jakarta's ambivalence regarding the benefits of economic pragmatism and threats to future security. Indonesia continuously built a good relationship with China and benefited from it. President Gus Dur succeeded in placing a strong foundation for future Indonesia-China close relations. Although her foreign policy was not as active as President Gus Dur's, President Megawati managed to tighten the ties by pursuing a policy of binding engagement with China. The Yudhoyono administration pursued an even more robust economic pragmatism policy. However, the concern and suspicion regarding China's long-term intention still existed, although less pronounced than before 2000. Presidents Gus Dur, Megawati, and Yudhoyono exercised weak dominance denial. In the following chapter, we examine how China's assertiveness in the South China Sea shaped Indonesia's China policy in a different direction from that of the previous administrations.

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### **III. INDONESIA'S SHIFTING POLICY ON CHINA POST-2009**

Indonesia's China policy shifted in 2009 when China began to reveal its intentions to possess its claim over the South China Sea. Historically, China had made claims over the sea but had refrained from making any moves. Since 2009, China's unlawful activities in the disputed waters have increased Indonesia's threat perception and driven Jakarta to increase its security awareness. After 2009, the research shows that Indonesia built its traditional power capability and implemented specific acts that shifted its China policies toward balancing; in the meantime, Indonesia maintained some of its hedging strategy by preserving its economic pragmatism through binding engagement with China.

This chapter elaborates the activities of two democratic governments in this period by utilizing Kuik's framework to illustrate Indonesia's response to China. The analysis begins with President Yudhoyono's administration, which returned to power in October 2009 for a second term and confidently launched a "million friends-zero enemies" foreign policy.<sup>109</sup> At the same time, the administration also addressed Chinese assertiveness that threatened national and regional security. The subsequent administration of President Joko Widodo (Jokowi) also had to work in the same environment of China's increasing activities. His "Indonesia as the global maritime fulcrum" policy balanced pragmatic economy and national security. Application of Kuik's framework helps to explain the policies of the two governments amid ambivalence in the bilateral relationship.

#### **A. EXPANDING THREAT PERCEPTION AFTER CHINA'S 2009 CLAIM**

China's contesting claims began on May 6, 2009, when Malaysia and Vietnam jointly submitted their claim to the Commission on the Limits of the Continental Shelves.<sup>110</sup> In response to Malaysia and Vietnam's joint submission, on May 7 China sent its *note*

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<sup>109</sup> "SBY: Million Friends, Zero Enemy," News, Kompas.com, October 20, 2009, <https://nasional.kompas.com/read/2009/10/20/1308159/sby.million.friends.zero.enemy>.

<sup>110</sup> "Joint Submission by Malaysia and the Socialist Republic of Vietnam to the Commission on the Limits of the Continental Shelf," Official website, United Nations, May 6, 2009, [http://www.un.org/Depts/los/clcs\\_new/submissions\\_files/submission\\_mysvnm\\_33\\_2009.htm](http://www.un.org/Depts/los/clcs_new/submissions_files/submission_mysvnm_33_2009.htm).

*verbale*<sup>111</sup> that stated “China has indisputable sovereignty over the islands in the South China Sea and the adjacent waters, and enjoys sovereign rights and jurisdiction over the relevant waters as well as the seabed and subsoil thereof.”<sup>112</sup> Furthermore, China claimed “the continental shelf beyond 200 nautical miles as contained in the Joint Submission by Malaysia and the Socialist Republic of Vietnam.”<sup>113</sup> Following China’s *note verbale*, Indonesia and the Philippines also gave their official responses opposing China’s claim by making statements that China’s claim lacked any legal basis.

China has the largest claim in the South China Sea. The claim stretches over almost all of the geographic features, the surrounding waters, as well as the potential resources inside.<sup>114</sup> In this 3.5 million-square-kilometer area semi-enclosed by most of the Southeast Asian countries, China claims four island groups along with hundreds of islands, islets, reefs, shoals, and rocks with potential fisheries, oil, and natural gas.<sup>115</sup> It is also the main shipping lane for the region, which supports millions of lives and economies of the surrounding states.<sup>116</sup> The presence of valuable of natural resources such as oil and gas reserves made the overlapping claims inevitable.

Some of the countries in Southeast Asia that have submitted sovereignty claims to the surrounding waters in the South China Sea have questioned the legal basis of China’s claims and activities. This has led to the discussion to establish the COC in almost all ASEAN agendas related to the issue. While the discussions continue, China continues to aggressively use the geographic features in the South China Sea for defense purposes. The

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<sup>111</sup> In this context, *note verbale* is used as a diplomatic communication measure to give a response to the other states’ perspectives. The *Note verbale* would reflect the policy of a state toward the issue.

<sup>112</sup> “Joint Submission by Malaysia and the Socialist Republic of Vietnam to the Commission on the Limits of the Continental Shelf.”

<sup>113</sup> “Joint Submission by Malaysia and the Socialist Republic of Vietnam to the Commission on the Limits of the Continental Shelf.”

<sup>114</sup> Florian Dupuy and Pierre-Marie Dupuy, “A Legal Analysis of China’s Historic Rights Claim in the South China Sea,” *American Journal of International Law* 107, no. 1 (2013): 125, <https://doi.org/10.5305/amerjintelaw.107.1.0124>.

<sup>115</sup> Zhiguo Gao and Bing Bing Jia, “The Nine-Dash Line in the South China Sea: History, Status, and Implications,” *The American Journal of International Law; Washington* 107, no. 1 (January 2013): 99–100.

<sup>116</sup> Dupuy and Dupuy, “A Legal Analysis of China’s Claim,” 126.

conditions are also complicated by the Western countries use of freedom of navigation or joint exercises, which implicitly aim to provoke Beijing. Furthermore, the Chinese also encourage conflict by promoting fishing within their so-called traditional fishing ground, which overlaps with several other countries' Economic Exclusive Zones (EEZ).

China's acts to defend their claim in the South China Sea created negative impressions that increased the threat perception among Indonesia's elites. Indonesian foreign policy is elite-centric, as the executive branch dominates the process of determining international relations' course and character. The predominant role of Indonesian political elites can be seen in how leadership changes could steer Indonesian Chinese policy to move within the hedging spectrum because each administration was exposed to a different face and attitude of China.

Indonesia's security concern in regard to China and its assertiveness in the South China Sea was weaker prior to the 2009 claim. Indonesia's 2008 defense white paper showed less apprehension on the issue of the South China Sea. In these papers, overlapping claims of borders in the South China Sea did not yet appear as a major issue.<sup>117</sup> Indonesia's policy on China was limited to strengthening ASEAN Plus Six, in which China was a member, and the early step in defense and security cooperation was related to the development of defense capabilities and handling joint security issues. After 2009, Indonesia and some other Southeast Asian countries changed their perception of China due to its behavior in the South China Sea; the country became a potential threat. The South China Sea constitutes a geopolitical dimension, which is an important aspect of threat conceptualization. Geographic proximity highlights a straightforward principle; Daniel Novotny has written that political elites would likely be more responsive to a closer threat one than that is further away.<sup>118</sup> The South China Sea is Indonesia's back yard. Negative

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<sup>117</sup> Departemen Pertahanan Republik Indonesia, *Buku Putih Pertahanan Indonesia 2008* [2008 Indonesian Defence White Paper]: *Disahkan Dengan Peraturan Menteri Pertahanan, Republik Indonesia Nomor PER/03/M/II/2008 Tanggal 18 Februari 2008*, Cet. 1 (Jakarta: Departemen Pertahanan, Republik Indonesia, 2008).

<sup>118</sup> Daniel Novotny, *Torn between America and China: Elite Perceptions and Indonesian Foreign Policy* (Singapore: Institute of Southeast Asian Studies, 2010), 35.

impressions emanating from China's gesture in enforcing its claim explained Indonesia's growing threat perception of China.

## **1. China's Reclamation Campaign and Militarization**

China's massive economic power and its expansive intention to modernize its naval power made the reclamation campaign and militarization possible. Constructing man-made islands complete with sophisticated infrastructures in remote and disputed areas needed abundant resources. China's efforts to occupy and militarize the disputed regions and the surrounding waters reflected its aggressiveness and expansionism.

Since 2014 when the reclamation first became public, China has progressively developed military facilities on the artificial islands in the Spratly's geographic features. China has gradually constructed airbases and installed its air and surface defense capability there. Three of those features, the Fiery Cross Reef, Subi Reef, and Mischief Reef, now have airstrips to accommodate China's future air power deployment either from its navy or air force.<sup>119</sup> Of the three airstrips, the Fiery Cross Reef's airstrip is the most sophisticated and strategically prominent; the length accommodates all of China's aircraft, ranging from fighters to large logistic airplanes.<sup>120</sup> To solidify its position over the contested areas, China invested electronic warfare assets such as radar systems and communications jamming equipment on its enforced frontier.<sup>121</sup> Reportedly, China also placed coastal defense cruise missiles and surface-to-air missiles in those artificial islands.<sup>122</sup> The militarization effort might include naval patrols and military exercises conducted in the South China Sea, as well as potential naval power development.

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<sup>119</sup> Ankit Panda, "South China Sea: China Deploys Jamming Equipment," *The Diplomat*, April 10, 2018, <https://thediplomat.com/2018/04/south-china-sea-china-deploys-jamming-equipment/>.

<sup>120</sup> Derek Watkins, "What China Has Been Building in the South China Sea," *The New York Times*, October 27, 2015, 7.

<sup>121</sup> Michael R. Gordon and Jeremy Page, "China Installed Military Jamming Equipment on Spratly Islands, U.S. Says," *Wall Street Journal*, April 9, 2018, <https://www.wsj.com/articles/china-installed-military-jamming-equipment-on-spratly-islands-u-s-says-1523266320>.

<sup>122</sup> Amanda Macias, "China Quietly Installed Defensive Missile Systems in Strategic Spratly Islands in Hotly Contested South China Sea," CNBC, May 2, 2018, <https://www.cnbc.com/2018/05/02/china-added-missile-systems-on-spratly-islands-in-south-china-sea.html>.

China's reclamation and militarization of the South China Sea have significantly contributed to the surrounding states' threat perception. Petter Dutton highlights that "China's island-building campaign has heightened regional instability because, by projecting its power farther into the South China Sea and closer to its neighbors, it has weakened the ability of other states to support their territorial and resource zone claims and caused those states to shift their security postures."<sup>123</sup> Despite the challenges from international community, including the United States, China has insisted on continuing its campaign. A People's Liberation Army (PLA) representative during the Shangri-la dialogue on June 2, 2018 stated, "deploying troops and weapons on islands in the South China Sea is within China's sovereign right to do and allowed by international law."<sup>124</sup> The development of threat perceptions in the neighboring countries can be seen from regional countries' resistance to China, which has led to conflicts. China's dredging efforts in creating fortified man-made islands may not have direct effect on Indonesia, but these actions have undermined regional security, and have left an impression on Indonesian political leaders.

## **2. Conflict Development**

Since China made its 2009 claims, the wariness of Southeast Asian countries toward China's arrogance grew. The conflicts with China not only affected claimant countries but also other countries that have interests in the region. China's assertiveness did not only target state ships but also civilian fisheries and sea-lanes users. Moreover, the Indonesian authorities have also experienced direct conflict in the sea with China. Although Indonesia is not a claimant country, it has an EEZ that overlaps with the nine-dash line. Therefore, whatever happens in the South China Sea, even if it does not involve Indonesia, affects Indonesian elites' perception of China.

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<sup>123</sup> Peter Dutton, "A Maritime or Continental Order for Southeast Asia and the South China Sea," *Naval War College Review*, no. 3 (February 16, 2016): 8.

<sup>124</sup> Minnie Chan, "China Is Putting Troops, Weapons on South China Sea Islands, and Has Every Right to Do So, PLA Official Says," *South China Morning Post*, June 2, 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2148979/china-putting-troops-weapons-south-china-sea-islands>.

Since 2009 China has had a series of conflicts with the Southeast Asian countries. Indonesia experienced several skirmishes with China in the northern part of Natuna's EEZ, which later became known as the North Natuna Sea after the Indonesian government renamed it in 2017. On March 19, 2016, a better-equipped Chinese coast guard vessel forcibly demanded that the Indonesian civilian task force release a captured Chinese fishing vessel. After a stand-off, Indonesian authorities captured eight crew members, and the Chinese coast guard took back the fishing vessel to Chinese waters.<sup>125</sup> On May 27, 2016, an Indonesian frigate pursued and fired on a Chinese fishing trawler in north of the Natuna Islands. The Indonesian Navy captured the ship and eight crews while a Chinese coast guard was nearby.<sup>126</sup> Another incident happened on June 17, 2016, when the Indonesian Navy intercepted and fired warning shots at a group of Chinese fishing trawlers north of the Natuna Islands. Indonesia captured seven ship-crews.<sup>127</sup>

Indonesia perceived a Chinese threat not merely due to such incidents. Other Southeast Asian countries' inconsistent responses to China added to the threat perceptions. China's changed strategies have shifted the attitude of the countries in the region regarding the dispute of the South China Sea. Some countries such as Vietnam and the Philippines began with strong reaction, but eventually softened when faced with the importance of their relations with China. By contrast, Malaysia's response has been fluctuating. China as repeatedly disrupted Vietnam's efforts to explore oil in the area claimed by China. Vietnam strongly opposed and even resisted China in response to the cable-cutting incidents in 2011. In 2014, Vietnamese coast guard vessels were involved in intentional collisions with

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<sup>125</sup> Ankit Panda, "Indonesia Summons Chinese Ambassador after South China Sea Stand-Off Near Natuna Islands," *The Diplomat*, March 21, 2016, <https://thediplomat.com/2016/03/indonesia-summons-chinese-ambassador-after-south-china-sea-stand-off-near-natuna-islands/>.

<sup>126</sup> Ankit Panda, "South China Sea: Indonesian Navy Fires at and Arrests Chinese Fishermen," *The Diplomat*, May 31, 2016, <https://thediplomat.com/2016/05/south-china-sea-indonesian-navy-fires-at-and-arrests-chinese-fishermen/>.

<sup>127</sup> "A Third 2016 Natuna Stand-Off Highlights Growing Indonesia-China Tensions," *The Diplomat*, June 23, 2017, <https://thediplomat.com/2016/06/a-third-2016-natuna-stand-off-highlights-growing-indonesia-china-tensions/>.

Chinese state vessels in the area where Beijing deployed its giant oil rig.<sup>128</sup> As Vietnam began to develop closer economic relations with China, in 2018, under Beijing pressure, Hanoi stopped its drilling effort located in the disputed area.<sup>129</sup>

Manila's initial responses to its dispute with China under President Aquino were strong but then shifted after the administration changed. The Aquino administration called for U.S. maximum intervention, renamed the western waters of Philippines' archipelago as the "West Philippine Sea," and officially submitted an arbitration case based on the 1982 United Nations Convention on the Law of the Sea (UNCLOS).<sup>130</sup> The Philippines' efforts to hold strong in its stance against China halted when the administration changed; President Rodrigo Duterte undermined the concessions the Philippines got from the international arbitration, steering Manila to lean toward China, and left its previous stance with the United States.

Malaysia's fluctuating response to China's territorial violation is also visible. In March 2013, Malaysia did not give much public and official attention to China's naval drilling in James Shoal, but in June 2015, an anchored Chinese coast guard ship triggered Malaysia to respond harder than it had before. Malaysia issued a diplomatic protest over what it considered as an intrusion as the vessel anchored at Luconia Shoal.<sup>131</sup>

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<sup>128</sup> Thuy Chung, "Chinese Boats Intrude Vietnam's Waters, Cut Cables Again," Vietnamnet, June 9, 2011, <https://english.vietnamnet.vn/fms/government/8961/chinese-boats-intrude-vietnam-s-waters--cut-cables-again.html>; Nguyen Phuong Linh and Michael Martina, "South China Sea Tensions Rise as Vietnam Says China Rammed Ships," Reuters, May 7, 2014, <https://www.reuters.com/article/us-china-seas-fishermen-idUSBREA4603C20140507>.

<sup>129</sup> James Pearson and Henning Gloystein, "Vietnam Halts South China Sea Oil Drilling Project under Pressure from Beijing," Reuters, March 23, 2018, <https://www.reuters.com/article/us-southchinasea-vietnam-idUSKBN1GZ0JN>.

<sup>130</sup> Michael Green et al., "Counter-Coercion Series: Scarborough Shoal Standoff," CSIS Asia Maritime Transparency Initiative, May 22, 2017, <https://amti.csis.org/counter-co-scarborough-standoff/>; Lucio Blanco Pitlo III, "The Philippines and the West Philippine Sea," *The Diplomat*, October 8, 2013, <https://thediplomat.com/2013/10/the-philippines-and-the-west-philippine-sea/>; Greg Torode and Thomas Escritt, "Factbox: Why the Philippines' South China Sea Legal Case Matters," Reuters, July 11, 2016, <https://www.reuters.com/article/us-southchinasea-ruling-factbox-idUSKCN0ZR283>.

<sup>131</sup> Jason Ng and Trefor Moss, "Malaysia Toughens Stance with Beijing Over South China Sea," *Wall Street Journal*, June 8, 2015, <https://www.wsj.com/articles/malaysia-toughens-stance-with-beijing-over-south-china-sea-1433764608>.

These temporal changes of the Southeast Asian states' attitude indicate China's ability to bend the course of small countries' foreign policy, which contributes to Indonesia's perception of China. The threat perception is also augmented by Indonesia's sense of leadership within the Southeast Asian region and a growing sense of its inability to influence other countries in the region due to China's presence.

### **3. China's Strong Response to External Intervention**

China's attitude in dealing with interference from external power on the South China Sea issue also added to the emergence of threat perception in Indonesia. China's claim to the South China Sea is unacceptable not only to states in the region but also to other external state-actors that have interests in the South China Sea, which is a trade route to and from the heart of Asia. The Chinese claim triggered power projection from the great and not so great power countries outside the region, such as the United States, Britain, Australia, and Japan. China's attitude, which strongly opposes the existence of outside forces in the South China Sea, raises an assertive and arrogant image because this kind of action is contrary to the applicable international law. UNCLOS does not recognize artificial islands as territory and regulates innocent passage. China violated the rule; on January 10, 2014, Beijing enacted a new fishing rule obligating foreign crews to acquire permission from China before operating in most areas of the South China Sea.<sup>132</sup> This new Chinese regulation is unlawful as is China's claim over the man-made islands.

The most influential external interventions were Freedom of Navigation Operations (FONOP), the U.S. and its allies' operation to oppose China's unlawful claims. Most of the scenarios involve navigating naval vessels within 12 nautical miles and conducting activities following the innocent passage rule. This operation tries to send a message that the states conducting the FONOPs do not recognize those artificial islands as territorial waters of a state.

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<sup>132</sup> Tania Branigan, "Beijing Brushes off US Criticism of Its Tough New Fishing Rules," *The Guardian*, January 10, 2014, <https://www.theguardian.com/world/2014/jan/10/beijing-criticism-fishing-rules>.

China's reaction to the FONOPs has been consistently strong. China did not hesitate to send its military power to intercept, warn, shadow, and even drive the ships conducting FONOPs or flyover aircraft away from the area that China considered as territory. In some cases, even though the outsiders' vessels sailed outside the limits of 12 nautical miles from a certain artificial island, but China still considered the voyage as a provocation. After each incident, China also made an official statement condemning the violation, issued official criticism, and sent a diplomatic protest, all to solidify its stance over the disputed waters. China's autocratic attitude in the South China Sea represented an aggressive image to Indonesia.

#### **4. Indonesian Elites' Perception of China**

Common views and wariness of China's threat are shared widely among various elites in Indonesia. In both the administrations, Beijing's increasingly aggressive stance produced reactions in different sectors that then led to a policy shift. Fairly dispersed elites, ranging from the executive and military, to political elites in the Indonesia House of Representatives, expressed their wariness.

In 2012, President Yudhoyono urged all parties in the dispute to negotiate and immediately form a binding code regulating the behavior of all claimant countries in the South China Sea.<sup>133</sup> He tried to include the COC of the South China Sea discussion to the agenda for discussion in the United Nations. In the regional forum, he also expressed his concern on China. His foreign minister, speaking at the meeting of the 24th ASEAN summit in Myanmar, urged ASEAN to transform itself from an association to a community in addressing the South China Sea conflict; furthermore, he said that this community could also potentially address the security challenges from territorial disputes in East Asia, which also involved China.<sup>134</sup> In regard to Indonesia's natural resources in its EEZ, which overlap in the southern tip of the nine-dash-line claim, Yudhoyono's defense minister,

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<sup>133</sup> "Indonesian Pitch for Disputed Seas," *The Diplomat*, September 29, 2012, <https://thediplomat.com/2012/09/indonesian-pitch-for-disputed-seas/>.

<sup>134</sup> "RI Considers ASEAN Community Solution to Security Concerns, Says SBY," *The Jakarta Post*, May 12, 2014, <https://www.thejakartapost.com/news/2014/05/12/ri-considers-asean-community-solution-security-concerns-says-sby.html>.

Purnomo Yusgiantoro, in 2014 said that “oil and gas production in the South China Sea is immense and we are about to develop the biggest gas field in Asia. We need to secure it as a national strategic object.”<sup>135</sup> In the beginning of 2014, Indonesia planned to reorganize its military structure by forming a new multi-service group (Kogabwilhan); one of them would have a base in Natuna. Regarding this new structure, on January 2014, Defense Ministry’s officials made a statement that also addressed China’s threat implicitly, saying “we’re always on alert over future threats from other countries, but our existing structure and command are not sufficient to promptly respond. The Kogabwilhan will patch the holes.”<sup>136</sup> The Chief of Indonesian Maritime Security Agency (Bakamla) who also served as the rector of Indonesia’s Defense University (UNHAN), Vice Admiral Desi albert Mamahit, in the opening of a discussion group in 2014 said that “the Indonesian waters around the Natuna Islands (Kepri) regency were not actually inside in the disputed territory, but they were very close to the area and China had not yet clarified whatever claims it would make regarding Indonesia’s exclusive economic zone (EEZ) around them. This is clearly a real threat for Indonesia.”<sup>137</sup> Indonesia’s parliament members also focused their concern on national security in Natuna’s surrounding EEZ. In commenting on the need to increase the Indonesian military capability in overcoming the threat escalation, a member of Commission 1 of the House of Representatives 2009–2014 period, Susaningtyas Kertopati, said “the biggest security threat and challenge in the Southeast Asia region is the heat of the South China Sea conflict, involving several countries in Southeast Asia such as the Philippines, Malaysia, Thailand, Vietnam, etc.”<sup>138</sup> This statement signifies not only

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<sup>135</sup> Fadli, “RI to Strengthen Defense in South China Sea,” *The Jakarta Post*, September 29, 2014, <https://www.thejakartapost.com/news/2014/09/29/ri-strengthen-defense-south-china-sea.html>.

<sup>136</sup> Rendi Witular, “TNI Gears Up, Sets Sights on Foreign Threats,” *The Jakarta Post*, January 22, 2014, <https://www.thejakartapost.com/news/2014/01/22/tni-gears-sets-sights-foreign-threats.html>.

<sup>137</sup> Fadli, “South China Sea Conflict a Real Threat to Indonesia,” *The Jakarta Post*, September 20, 2014, <https://www.thejakartapost.com/news/2014/09/20/south-china-sea-conflict-a-real-threat-indonesia.html>.

<sup>138</sup> Sri Wiyanti, “Konflik Laut China Selatan Jadi Ancaman Keamanan Asia Tenggara [South China Sea Conflict Becomes a Security Threat in Southeast Asian],” *Merdeka.com*, June 23, 2014, <https://www.merdeka.com/peristiwa/konflik-laut-china-selatan-jadi-ancaman-keamanan-asia-tenggara.html>.

the executive and military elites who paid attention to China but also the political elite who sit in the Indonesian House of Representatives.

Under the Jokowi administration, Indonesian elites' concern about China's threat became heightened. In a comment on Indonesia's planning to militarize the Natuna Islands and the surrounding waters on September 2015, Indonesia's defense minister said that "we are not in a war situation, but the South China Sea is very close to us. We have to be prepared. Our weaponry systems are good, but we need to add more (weapons), so that we don't need to worry all the time."<sup>139</sup> Indonesian Chief of Navy Admiral Ade Supandi also shared his concern a week before: "we should maintain security and stability in the South China Sea, especially with the recently increasing intensity of threats."<sup>140</sup> Indonesia's maritime affairs and fisheries minister, Susi Pudjiastuti, in expressing her displeasure to Chinese authorities' intervention into Indonesia's fight against illegal fishing in March 2016, called China's move as an arrogant intervention.<sup>141</sup> Furthermore, she said to the media that "it [China] should have not have behaved in a such way because a national government should not step in to support illegal, unreported or unregulated fishing."<sup>142</sup> President Jokowi once revealed his perceptions about China's claim near the Natuna Islands regarding that conflict as well. During his presidential campaign for a second term, on December 2018 he said "when Natuna was claimed, I was mad, I took a warship to Natuna."<sup>143</sup> He also stressed that "anyone who opposed it, the Indonesian Government was ready to face it," a straightforward view that would rarely be addressed in an official speech.<sup>144</sup> This perception focused on the size of China's capability, as well as that

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<sup>139</sup> Nani Afrida, "RI Anticipates Risk of Dispute in South China Sea," *The Jakarta Post*, September 7, 2015, <https://www.thejakartapost.com/news/2015/09/07/ri-anticipates-risk-dispute-south-china-sea.html>.

<sup>140</sup> Afrida.

<sup>141</sup> Haeril Halim, Anggi M Lubis, and Stefani Ribka, "RI Confronts China on Fishing," *The Jakarta Post*, March 21, 2016, <https://www.thejakartapost.com/news/2016/03/21/ri-confronts-china-fishing.html>.

<sup>142</sup> Halim, Lubis, and Ribka.

<sup>143</sup> "Jokowi: Natuna Diklaim, Saya Panas, Saya Bawa Kapal Perang [Jokowi: Natuna was Claimed, I was Mad, I Brought Warships]," News, Kompas.com, December 19, 2018, <https://nasional.kompas.com/read/2018/12/19/14064401/jokowi-natuna-diklaim-saya-panas-saya-bawa-kapal-perang>.

<sup>144</sup> "Jokowi: Natuna Diklaim, Saya Panas, Saya Bawa Kapal Perang."

country's expansionist mentality, arrogant behavior, and its stance as a geopolitical rival. Indonesian elites' growing threat perception of China created an ambivalent sense that shifted Indonesia's policy on China after 2009.

## **B. PRESIDENT SUSILO BAMBANG YUDHOYONO—SECOND TERM (2009–2014): ADOPTING DYNAMIC REGIONALISM**

On October 20, 2009, just several months after China's claim was submitted, President Susilo Bambang Yudhoyono was reelected for his second term. President Yudhoyono began his administration with more confidence about his foreign policy. Unlike in the previous period, this time he took an economic technocrat as his vice president, Vice President Budiono, and fewer ministers from coalition political parties. Thus, President Yudhoyono in this period had a more unified policy. In his speech at the parliament after Boediono was appointed as the President and the Vice President of 2009–2014 of that body, President Yudhoyono expressed his satisfaction that during his first term he had brought Indonesia to a respectable international position. Various achievements, such as what he considered significant economic growth, had made Indonesia one of the countries capable of anticipating the impact of the global economic crisis. With Indonesia's current position, President Yudhoyono said, Indonesia could conduct an all-direction foreign policy. Indonesia had also never felt enmity with any country so that it could expand. "Thus, we must create a million friends and zero enemy [policy]. We can work with anyone," the President said.<sup>145</sup> In the context of China's moves in South China Sea, he shifted Indonesia's foreign policy toward hedging, in which there was an increased defense caution along with economic pragmatism based on expanding the economic relationship with China in this second term.

### **1. Binding Engagement**

Yudhoyono's administration demonstrated the continuity its engagement towards China; Indonesia benefited by addressing its own ambivalence. The Yudhoyono's million friends-zero enemy policy highlighted Indonesia's intention to engage more deeply in

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<sup>145</sup> "SBY: Million Friends, Zero Enemy."

internationalism and regionalism. Binding engagement could help Indonesia mitigate the risk of China's rise in a way that would serve the million friends-zero enemy policy. The government could create a favorable climate for Indonesia's economy by maintaining the government-to-government contact, covering politics, the economy, and the development of military-to-military relations.

In this binding engagement, high-level communications were dominated by discussions on further advancing strategic partnerships, some of which resulted in multi-field agreements (Table 7). Since returning to office, President Yudhoyono first met with President Hu Jintao in November 2009 at the Asia-Pacific Economic Cooperation (APEC) summit forum; the two heads of state agreed to emphasize the importance of forming two-way trust in political affairs and exchanging ideas on major issues.<sup>146</sup> On January 21, 2010, the two governments signed an agreement for the Implementation of the Joint Declaration of Strategic Partnership that provides direction for the development of bilateral relations under three main pillars—political, economic, and social-cultural—as well as a roadmap for further activities of the two countries.<sup>147</sup> In October 2013, PRC's new president, Xi Jinping, met with President Yudhoyono, resulting in the decision to upgrade the status of Indonesia-China bilateral relations to a comprehensive strategic partnership.<sup>148</sup>

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<sup>146</sup> “Hu Jintao Meets with Indonesian President Susilo,” Official website, Ministry of Foreign Affairs of the People's Republic of China, November 13, 2009, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t627715.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t627715.shtml).

<sup>147</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2010* [Indonesian Diplomacy Book of 2010] (Jakarta: Ministry of Foreign Affairs of Republic of Indonesia, 2011), 23, <https://www.kemlu.go.id/Documents/Buku%20Diplomasi%20Indonesia%202010.pdf>.

<sup>148</sup> “President Xi Jinping Holds Talks with President Susilo Bambang Yudhoyono of Indonesia,” Official website, Ministry of Foreign Affairs of the People's Republic of China, October 2, 2013, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t1085022.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t1085022.shtml).

Table 7. Indonesia-China High-Level Contact under the Yudhoyono Second-Term Administration<sup>149</sup>

| Date              | Official                                                                                                        | Occasion                                                                    | Achievement                                                                                                                                                                                                                                                                                                                                                      |
|-------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November 13, 2009 | President Hu Jintao and President Yudhoyono                                                                     | Attending APEC meeting in Singapore                                         | China's four suggestions on further advancing bilateral relations: to increase bilateral trust, trade and economic collaborations, cooperation on resolving issues, and personnel exchanges.                                                                                                                                                                     |
| January 22, 2010  | President Yudhoyono and State Councilor Dai Bingguo                                                             | Official visit in Jakarta                                                   | The two sides held a discussion on bilateral strategic partnership and one-China policy.                                                                                                                                                                                                                                                                         |
| June 11, 2010     | Vice Foreign Minister Cui Tiankai, Foreign Minister Marty Natalegawa and Deputy Trade Minister Mahendra Siregar | Working consultations in Jakarta                                            | Indonesia's recommendation for China on the preparation for the next G20 event in Toronto and the related issues.                                                                                                                                                                                                                                                |
| July 21, 2010     | Foreign Minister Yang Jiechi and Foreign Minister Marty Natalegawa                                              | While attending the ASEAN Ministerial Meeting and related meetings in Hanoi | The agreement to maintain high-level visits, encourage ACFTA and maintain mutual cooperation in all areas, increase collaboration in the international and regional affairs.                                                                                                                                                                                     |
| October 20, 2010  | Premier Wen Jiabao and Vice President Boediono                                                                  | Official visit in Ziguangge                                                 | Both sides attended the celebration of the 60th anniversary of diplomatic ties and discussion related to the bilateral relations.                                                                                                                                                                                                                                |
| April 19, 2011    | Foreign Minister Yang Jiechi and Foreign Minister Marty Natalegawa                                              | Official visit in Ziguangge                                                 | Both shared common issues on regional and international affairs.                                                                                                                                                                                                                                                                                                 |
| April 19, 2011    | Premier Wen Jiabao and Foreign Minister Marty Natalegawa                                                        | Official visit in Ziguangge                                                 | The two sides discussed expanding cooperation in trade and investment and encourage the bilateral strategic partnership.                                                                                                                                                                                                                                         |
| April 29, 2011    | Premier Wen Jiabao and President Yudhoyono                                                                      | Official visit in Jakarta                                                   | The two sides signed the following documents: the MOU on Joint Action between the Ministry of Foreign Affairs, the MOU on Industrial and Technical Cooperation between the Ministry of Industry, the Cooperation Agreement on Chinese Language Teaching, the Agreement on increasing the economic and trade cooperation, revising the MOU on Marine Cooperation. |
| June 22, 2011     | Premier Wen Jiabao and Indonesian Coordinating Minister for                                                     | Official visit in Ziguangge                                                 | The two sides held a brief talk about the economic cooperation and China's investment on Indonesia's development.                                                                                                                                                                                                                                                |

<sup>149</sup> Adapted from articles in "Policies and Activities."

| <b>Date</b>       | <b>Official</b>                                                                                               | <b>Occasion</b>                                                                         | <b>Achievement</b>                                                                                                                                                                                                               |
|-------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | Economics Hatta Rajasa.                                                                                       |                                                                                         |                                                                                                                                                                                                                                  |
| November 10, 2011 | Chinese Foreign Minister Yang Jiechi, and Foreign Minister Marty Natalegawa                                   | Attending the 19th annual Economic Leaders Meeting of the APEC forum in Hawaii          | Both sides agreed to maintain coordination in preparation for the East Asia leader meetings to be held in Bali, Indonesia.                                                                                                       |
| November 17, 2011 | Premier Wen Jiabao and President Yudhoyono                                                                    | Official visit in Bali                                                                  | Both encouraged East Asian cooperation and bilateral relations.                                                                                                                                                                  |
| February 21, 2012 | Vice Premier Li Keqiang and Indonesian Defense Minister Purnomo Yusgiantoro                                   | Official visit in Ziguangge Zhongnanhai                                                 | Both agreed to increase defense cooperation to reach “win to win development”.                                                                                                                                                   |
| February 28, 2012 | Premier Wen Jiabao and Indonesian Coordinating Minister for Political, Law and Security Affairs Djoko Suyanto | Attending the bilateral dialogue mechanism at deputy prime ministerial level in Beijing | Both sides shared thoughts related to the bilateral relations and regional affair. Indonesia, according to Minister Djoko Suyanto, was ready to collaborate with China to create peace, stability, and prosperity in the region. |
| March 23, 2012    | President Hu Jintao and President Yudhoyono                                                                   | Official visit in Beijing                                                               | The two presidents witnessed the signing of agreements, including those on maritime cooperation, anti-drug cooperation, trade and tourism.                                                                                       |
| April 9, 2012     | Vice Premier Hui Liangyu and Indonesian Coordinating Minister for Economy Hatta Rajasa                        | Official visit in Jakarta                                                               | Both sides discussed on enhancing China-Indonesia strategic partnership and the two witnessed the signing of some agreements.                                                                                                    |
| April 10, 2012    | Vice Premier Hui Liangyu and Vice President Boediono                                                          | Official visit in Jakarta                                                               | Both held talks about bilateral relations.                                                                                                                                                                                       |
| July 11, 2012     | Foreign Minister Yang Jiechi and Foreign Minister Dr. Marty Natalegawa                                        | Attending ASEAN Foreign Ministers’ Meetings in Phnom Penh, Cambodia.                    | The discussion on bilateral relations led to a consensus to seriously implement the fruitful agreements.                                                                                                                         |
| August 10, 2012   | President Susilo Bambang Yudhoyono and Foreign Minister Yang Jiechi                                           | Official visit in Jakarta                                                               | Both shared thoughts about mutual relations and agreed on collaboration to promote peace, prosperity, and development in the region.                                                                                             |
| September 8, 2012 | President Hu Jintao and                                                                                       | Attending the 20th APEC Economic Leaders’ Meeting in                                    | Both sides shared thoughts on bilateral relations.                                                                                                                                                                               |

| Date             | Official                                                       | Occasion                                                                                              | Achievement                                                                                                                                             |
|------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  | President Yudhoyono                                            | Vladivostok, east Russia                                                                              |                                                                                                                                                         |
| May 1–5, 2013    | Chinese Foreign Minister Wang Yi                               | Official visit in Jakarta (as a tour of communication and cooperation in Southeast Asia)              | Both sides agreed to carry on the discussion on COC and encourage the implementation of DOC.                                                            |
| August 29, 2013  | Foreign Minister Wang Yi and Foreign Minister Marty Natalegawa | Attending the Special China-ASEAN Foreign Ministers' Meeting in Beijing                               | Both agreed to enhance the multi-dimensional cooperation and maintain regional peace and stability.                                                     |
| October 2, 2013  | President Xi Jinping and President Susilo Bambang Yudhoyono    | Official visit in Jakarta                                                                             | The two heads of state reached the consensus to increase their bilateral relations from strategic partnership into comprehensive strategic partnership. |
| January 22, 2014 | Foreign Minister Wang Yi and Foreign Minister Marty Natalegawa | Attending 2nd Meeting Geneva Conference on Syria In Montreux, Switzerland                             | Besides the bilateral relations, both sides shared views on international issues like Syria.                                                            |
| August 9, 2014   | Foreign Minister Wang Yi and Foreign Minister Marty Natalegawa | Attending the series of Foreign Ministers' meetings on East Asia cooperation in Nay Pyi Taw, Myanmar. | Both sides reached a consensus on the full implementation of the DOC and encourage the process toward COC.                                              |

Agreements in education cooperation were also well established. To improve collaboration in this field, on August 3, 2010, a MOU for education cooperation was signed in Guiyang, China.<sup>150</sup> On April 2011, Indonesia's Minister of National Education and the PRC's National Hanban signed a cooperation agreement on Chinese Language Teaching.<sup>151</sup> PRC's government committed to provide 1,000 scholarships to Indonesia's students within five years.<sup>152</sup> In the same event, several agreements were signed, such as the MOU of Joint Action in Foreign Affairs, the MOU on industrial and technical

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<sup>150</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2010* [Indonesian Diplomacy Book of 2010], 23.

<sup>151</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2011* [Indonesian Diplomacy Book of 2011] (Jakarta: Ministry of Foreign Affairs of Republic of Indonesia, 2012), 54, <https://www.kemlu.go.id/Documents/Buku%20Diplomasi%20Indonesia%202010.pdf>.

<sup>152</sup> Directorate of Information and Media, 54.

cooperation, the Agreement on Economic and Trade Cooperation, and the revising of the MOU on marine cooperation.<sup>153</sup>

Another binding engagement that greatly contributed to closer bilateral-relations has been defense and security cooperation. In order to achieve greater collaborations in this field, as well as in law and maritime cooperation, officials from both countries met in January 2010.<sup>154</sup> In March 22, 2011, both defense ministers signed agreements on defense industry cooperation and on the joint development of the C802 missile.<sup>155</sup> The cooperation mainly covered technology transfer, production, development, and joint marketing. Both militaries also conducted a joint anti-terrorism exercise, the Sharp Knife, in 2011, and held a second exercise in China in 2012. The last counterterrorism joint exercise under this administration was conducted in October 2014.<sup>156</sup>

## **2. Economic Pragmatism**

Indonesia's hedging strategy would demand the continuation of economic pragmatism with China. In the midst of political wariness toward Beijing's growing assertiveness, the Yudhoyono administration still sought an enduring atmosphere suitable for China's trade and investment in order to maintain the improving domestic economy. Indonesia also encouraged agreements that would also greatly contribute to Indonesia's economic development and simultaneously foster bilateral relations between the two countries.

The implementation of ACFTA in 2010 had immense consequences for Indonesia-China economic relations. The profile of Indonesia-China bilateral trade capacity increased during President Yudhoyono's second term. Based on data from the World Bank (shown

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<sup>153</sup> Directorate of Information and Media, 54.

<sup>154</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2010* [Indonesian Diplomacy Book of 2010], 24.

<sup>155</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2011* [Indonesian Diplomacy Book of 2011], 53.

<sup>156</sup> Bureau of Counterterrorism, "Country Reports on Terrorism 2014: East Asia and Pacific" (U.S. Department of State, 2014), <https://www.google.com/search?client=firefox-b-l-d&q=In+October+2014%2C+China+and+Indonesia+held+a+bilateral+counterterrorism+exercise>.

in Figure 2), in 2009, the starting point of President Yudhoyono's second term, Indonesia-China trade volume was at US\$29.3 billion. This number reached its peak in the end of 2013, as indicated at US\$57.2 billion, but then decreased to US\$37.8 billion in the following year, when he left his office. This increase led China to become Indonesia's main trading partner since 2011, surpassing Japan.

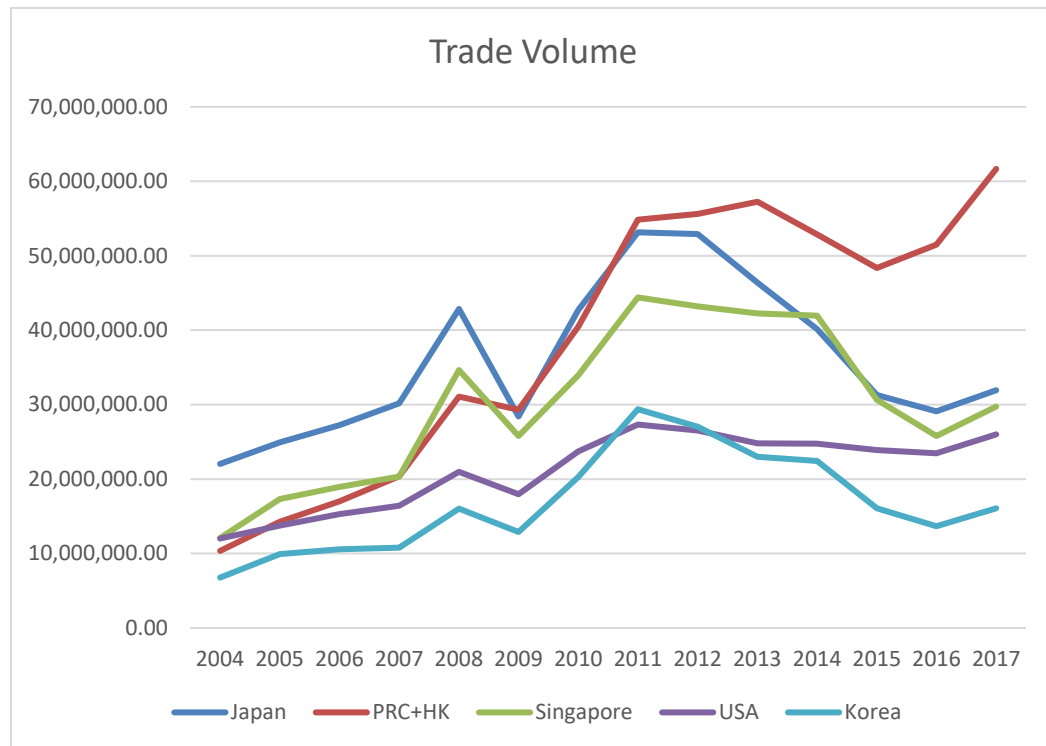


Figure 2. Bilateral Trade Volume of Indonesia's Top Trading Partners 2004–2017.<sup>157</sup>

Nevertheless, the bilateral trade balance was extremely volatile after a long period of stability; it began to enter the deficit territory in 2008 because of China's growing economy. Then it remained in deficit and even got worse following the introduction of ACFTA in 2010 (Figure 3).

<sup>157</sup> Adapted from World Bank, "Indonesia Export, Import, and Trade Balance by Country and Region," World Integrated Trade Solution, accessed February 17, 2019, <https://wits.worldbank.org/CountryProfile/en/Country/IDN/Year/LTST/TradeFlow/EXPIMP>.



Figure 3. Indonesia's Trade Balance with China 2004–2017<sup>158</sup>

The Indonesia-China trade deficit since right before the introduction of the ACFTA was a particular concern, not only for the government but also for the public. President Yudhoyono sent his Minister of Economy to visit China in June 2011. In addition to his primary task to encourage Chinese investment in the Masterplan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) project through the Public Private Partnership (PPP) scheme, the Minister of Economy was also sent to discuss the issue of imbalance in bilateral trade.<sup>159</sup>

Some high-level bilateral communications supported the continuum of economic pragmatism. The PRC Prime Minister Wen Jiabao made an official visit to Indonesia on April 29, 2011, to meet with President Yudhoyono.<sup>160</sup> In the meeting, the two government

<sup>158</sup> Adapted from World Bank.

<sup>159</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2011* [Indonesian Diplomacy Book of 2011], 54.

<sup>160</sup> Directorate of Information and Media, 53.

leaders set bilateral trade targets at US\$ 80 billion by 2015. Both also witnessed the signing of several economic cooperation agreements on expanding and deepening economic and trade cooperation, the MOU on industry and technology cooperation, and the protocol of amending of the MOU on marine cooperation.<sup>161</sup>

China appeared to benefit from the investment atmosphere created by the Indonesian government. The BKPM data on China's investment during this period showed that the number of projects was consistently increasing.<sup>162</sup> This period began with only 55 investment projects in 2009 but reached 698 investment projects by 2014. The value was surprisingly significant, growing from US\$82.1 million in 2009 to US\$1.46 billion in 2014.

### **3. Dominance Denial**

Indonesia's growing concern led to a stronger intention to bring the disputes to a peaceful resolution to mitigate China's dominance over the region. Indonesia's government was very determined to contain China through ASEAN. According to Carlyle Thayer, following Cambodia's refusal as chairman to include the South China Sea issue on the ASEAN agenda in 2012, Indonesia's Foreign Minister Marty Natalegawa attempted to unite ASEAN by initiating a common commitment over the South China Sea issue. Minister Natalegawa flew to Manila, Hanoi, Bangkok, Phnom Penh, and Singapore and officially got all of ASEAN foreign ministers' commitment to ASEAN's Six-Point Principles on the South China Sea. This commitment reiterated the implementation of the DOC, the continuum of processes toward the COC, and the peaceful resolution of the South China Sea dispute. Indonesia again showed its eagerness by setting up another diplomatic initiative. Thayer mentions that during the 45th ASEAN Foreign Minister Meeting, Indonesia promised to propose a "non-paper" on the COC with supplementary features in order to frame it as more pragmatic. This "non-paper" document was presented on September 27, 2012, to the ASEAN foreign ministers at the UN General Assembly, which

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<sup>161</sup> Directorate of Information and Media, 53.

<sup>162</sup> National Single Window Investment, "Perkembangan Investasi Asing [Foreign Investment Development]."

was then known as the “Zero Draft: A Regional Code of Conduct in the South China Sea.”<sup>163</sup>

Indonesia did not want the region to be dominated by one country. In September 2010, during an interview hosted by Lee Cullum, Marty Natalegawa stated, “Indonesia’s interest is a dynamic equilibrium for the region, not quite in a classic balance of power situation where not one country is preponderant in our region.”<sup>164</sup> Thus, Michael J. Green and Zack Cooper mention that Indonesia encouraged the United States to rebalance the region by maintaining its engagement with ASEAN.<sup>165</sup> Zhao Hong explains that in September 2010, through Minister Natalegawa, Indonesia rejected China’s perspective that the United States should stay away from the South China Sea disputes.<sup>166</sup>

In pursuit of a dynamic equilibrium, Indonesia’s defense ties with China’s potential rivals were well-established. The Joint Defense Cooperation Committee (JDCC) meetings were again conducted with India in 2010, 2012, and 2013.<sup>167</sup> Both collaborated twice a year in the India-Indonesia Coordinated Patrol (Indi-Indo Corpat).<sup>168</sup> Furthermore, both armies managed the first annual bilateral exercise, “Garuda Shakti,” in 2012.<sup>169</sup> Relations with Australia, which had deteriorated in 2013 due to the issue of wire-tapping of President Yudhoyono and several Indonesian officials by the Australian government, improved so that on August 28, 2014, both governments completed the Joint Understanding of the

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<sup>163</sup> Carlyle A. Thayer, “ASEAN, China and the Code of Conduct in the South China Sea,” *SAIS Review of International Affairs* 33, no. 2 (2013): 79, <https://doi.org/10.1353/sais.2013.0022>.

<sup>164</sup> “A Conversation with Marty Natalegawa,” Council on Foreign Relations, September 2010, <https://www.cfr.org/event/conversation-marty-natalegawa-0>.

<sup>165</sup> Michael J. Green and Zack Cooper, “Revitalizing the Rebalance: How to Keep U.S. Focus on Asia,” *The Washington Quarterly* 37, no. 3 (July 3, 2014): 34, <https://doi.org/10.1080/0163660X.2014.978434>.

<sup>166</sup> Zhao Hong, “The South China Sea Dispute and China-ASEAN Relations,” *Asian Affairs* 44, no. 1 (March 2013): 35–36, <https://doi.org/10.1080/03068374.2012.760785>.

<sup>167</sup> Marina Ika Sari, Leonard F. Hutabarat, and Amarulla Octavian, “Indonesia-India Defense Diplomacy in the Indian Ocean,” *Jurnal Pertahanan* 4, no. 2 (August 31, 2018): 84, <https://doi.org/10.33172/jp.v4i2.403>.

<sup>168</sup> Sari, Hutabarat, and Octavian, 86.

<sup>169</sup> Press Information Bureau of India, “Achievements of Ministry of Defence during the Year 2012,” Ministry of Defence Government of India, December 18, 2012, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=90913>.

Republic of Indonesia and Australia in implementation on the Framework for Security Cooperation (“The Lombok Treaty”).<sup>170</sup>

#### **4. The Emergence of Indirect Balancing**

Indonesia’s indirect balancing policy refers to all of its anticipating acts in coping with China’s unclear intentions toward bilateral relations by taking in mind the growing threat perception of China. Kuik defines indirect balancing as a form of the risk-contingency option where a state attempts to overcome “diffuse uncertainties (as opposed to specific threat in the case of pure-balancing).”<sup>171</sup> Indonesia and China have been able to build robust economic ties and broader cooperation in many ways. Although Indonesia’s negative impression of China in the South China Sea had grown, the other dimension of their bilateral relationship suggested a different view. The ambivalent relations between security and political economy stimulated Indonesia to take the contingency option by establishing defense cooperation and increasing the capability of its own traditional power, i.e., indirect balancing.<sup>172</sup>

Indonesia’s defense budget increased significantly after 2009 along with the formation of new perceived threats. It can also be observed, even under the same leadership, that the defense expenditure profile for the period 2010–2014 was very different from that of the period 2004–2009 (Figure 4). In the first term of Yudhoyono’s presidency, with GDP gradually improving, Indonesian defense spending tended to stagnate. This profile reflected a stable regional and global political atmosphere, where Indonesia was less threatened by foreign powers. China’s decision to submit its claim brought Indonesia back on alert; suspicion of China, which once had faded since the establishment of the DOC, grew back and increased Indonesia’s threat perception. In 2010,

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<sup>170</sup> Directorate of Information and Media, *Buku Diplomasi Indonesia 2014* [Indonesian Diplomacy Book of 2014] (Jakarta: Ministry of Foreign Affairs of Republic of Indonesia, 2015), 26, <https://www.kemlu.go.id/Buku/Buku%20Diplomasi%20Indonesia%202014.pdf>.

<sup>171</sup> Kuik, “The Essence of Hedging,” 170.

<sup>172</sup> Kuik differentiates indirect balancing policy from soft balancing, wherein a state will maintain its military alliance with an ally state via informal military ties for the purpose of balancing against the power of the threat source. Kuik also explains that “soft balancing” is used as a contrast to “hard balancing,” which refers to the formal and strict sense of military alliance. See Kuik, 170.

Indonesia boosted its defense budget to US\$4.371 billion, an increase of 17.5% from the previous year. At the end of Yudhoyono's leadership in 2014, the defense budget reached US\$6.816 billion. Although it had decreased by almost US\$1 billion from the previous year, the 2014 defense budget still could be considered remarkably high, particularly when compared with the one for 2009, the budget had increased by more than 83%. This growing trend in defense expenditure illustrated that Indonesia was consistently exposed to perceived threats.

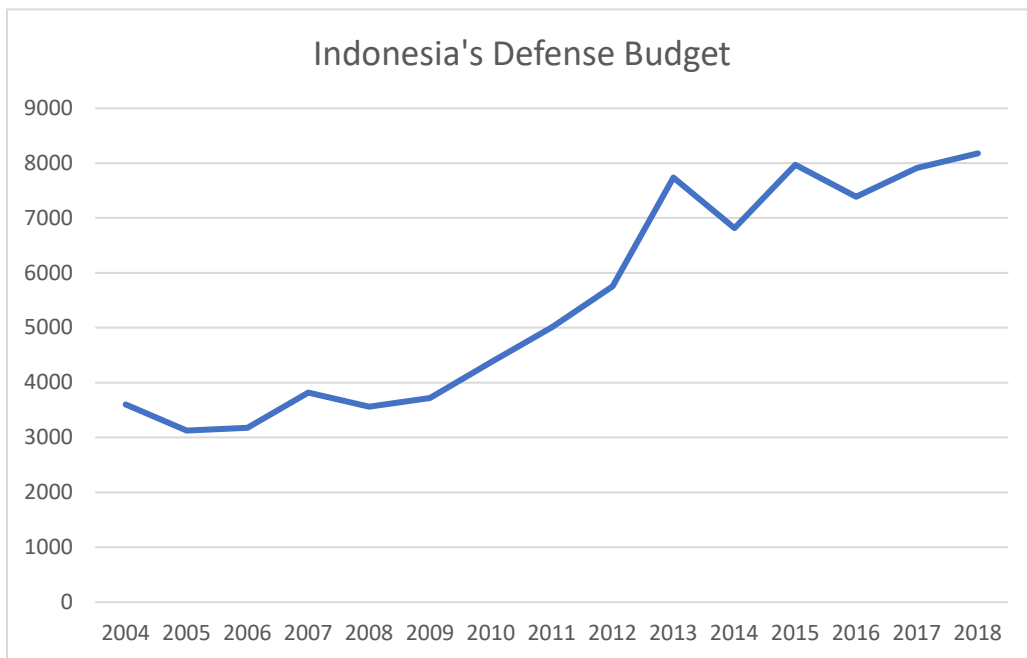


Figure 4. Indonesia's Defense Budget 2004–2018<sup>173</sup>

By increasing its military budget, Indonesia aimed to invest more in the defense system compared to the previous administration. Indonesian Defense Minister, Purnomo Yusgiantoro, during an event in September 2014 pointed out that “Indonesia's defense system had been extensive over the past five years larger than the investment during the 2005–2009 government administration and five times larger than the 2000–2004

<sup>173</sup> Adapted from “SIPRI Military Expenditure Database,” Independent Resource on Global Security, SIPRI (Stockholm International Peace Research Institute), accessed February 22, 2019, <https://www.sipri.org/databases/milex>.

administration.”<sup>174</sup> By looking at the arms orders made in the period of 2010–2014, it is obvious that Indonesia spent a large amount of its defense budget to build its military power.<sup>175</sup>

To balance the distribution of influence in the region, Indonesia moved to strengthen its relations with the United States. In November 2010, Indonesia and the United States declared a comprehensive partnership. According to the U.S. Department of State, President Yudhoyono and President Barack Obama committed to upgrade bilateral ties by intensifying talks and collaborative actions in bilateral, regional, and international theaters; both parties agreed to conduct annual Joint Commission Meetings.<sup>176</sup> In September 2012, the Security Working Group formulated “a wide range of defense, security, counter-terrorism, and non-traditional threat cooperation.”<sup>177</sup> Under the umbrella of defense and security, the United States agreed to “continue cooperation on assisting with Indonesia’s defense modernization efforts in order to enhance Indonesia’s active role in regional and global security, including the transfer of Excess Defense Article (EDA) F-16s, and the initiation of foreign military sales cases for Maverick missiles, Apache helicopters, and other essential equipment to meet Indonesian defense requirement.”<sup>178</sup> The United States would “continue the professionalization of the Indonesian Armed Forces through U.S. security assistance (FMF/IMET). Accomplishments included the completion of the C-130 Programmed Depot Maintenance, the operationalization of the Integrated Maritime Surveillance System (IMSS) and provision of US\$12 million support for upgrades, and

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<sup>174</sup> Fadli, “RI to Strengthen Defense in South China Sea.”

<sup>175</sup> Many arms orders were made during this period, including the 16 Super Tucano combat trainer aircraft surface-to-surface missiles, main battle tank, frigates, attack and transport helicopters, F-16 jet fighters, etc. For further information, see “SIPRI Arm Trade and Transfer,” Independent Resource on Global Security, SIPRI (Stockholm International Peace Research Institute), accessed March 31, 2019, [http://armstrade.sipri.org/armstrade/page/trade\\_register.php](http://armstrade.sipri.org/armstrade/page/trade_register.php).

<sup>176</sup> Office of the Spokesperson, “United States-Indonesia Comprehensive Partnership,” Official website, U.S. Department of State, July 24, 2011, <https://2009-2017.state.gov/r/pa/prs/ps/2011/07/169001.htm>.

<sup>177</sup> Office of the Spokesperson, “Indonesia-U.S. Third Joint Commission Meeting,” Official website, U.S. Department of State, September 20, 2012, <https://2009-2017.state.gov/r/pa/prs/ps/2012/09/197980.htm>.

<sup>178</sup> Office of the Spokesperson.

continuation of support for professional military education and training.”<sup>179</sup> As well, both parties agreed to promote the continuation of “maritime security cooperation through exercises and exchanges such as exercise CARAT, the first ever bilateral submarine exercise, and maritime security workshops/dialogues.”<sup>180</sup>

## **5. Policy Rationale**

Indirect balancing was what made President Yudhoyono’s second term different compared to his China policy in his previous term. Indonesia had long established close economic ties and diplomatic relations, but China’s 2009 claim brought about consequences. China’s aggressive efforts to defend its claims in the South China Sea made Indonesia more ambivalent about China. This stimulated the Indonesian government to apply the indirect balancing policy. The balance within the hedging spectrum then shifted; as the degree of resistance toward China increased, Indonesia’s hedging strategy leaned toward balancing. Indonesia’s risk-contingency policy was increasingly developed as compared to its return-maximizing option.

### **C. PRESIDENT JOKO WIDODO (2014–2019): COMING DOWN TO EARTH WITHOUT LEAVING THE SKY.**

As a contrast to his predecessor’s policy, which prioritized internationalism and regionalism, President Joko Widodo (Jokowi) implemented “bring [ing] diplomacy back to earth,” as Foreign Minister Retno Marsudi stated shortly after being appointed. The conceptualization of this foreign policy originated from the idea of prioritizing Indonesia’s interest (Indonesia first), which served the agenda of what has been described by Connelly as “domestic development.”<sup>181</sup> By literal definition, it was a turning back point. This policy has made the public and some scholars like Connelly speculate that the era of President Jokowi marked the end of the active political era of the million friends-zero enemy policy and mostly a withdrawal from the international and regional arena.

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<sup>179</sup> Office of the Spokesperson.

<sup>180</sup> Office of the Spokesperson.

<sup>181</sup> Aaron L. Connelly, “Sovereignty and the Sea: President Joko Widodo’s Foreign Policy Challenges,” *Contemporary Southeast Asia* 37, no. 1 (2015): 8, <https://doi.org/10.1355/cs37-1a>.

Deviating from the predictions, Jokowi has brought his down-to-earth policy without leaving the vast atmosphere of regionalism. Domestic priority, as a matter of fact, has made the government jump more deeply into the practice of regional and international affairs. Indonesia's urgent need of foreign investment to fund domestic infrastructure development demanded the government seek closer economic ties with global economic powers, including China. The need to protect its national resources required Indonesia's active engagement in the regional strategic environment. Indonesia's focus on national security interests and sovereignty drove the government to emphasize Indonesia's connectivity, integrating thousands of islands into one world-class maritime economic power, Indonesia as the Global Maritime Fulcrum (GMF).

### **1. Binding Engagement**

As well as most of his predecessors, Jokowi saw China as one of Indonesia's potential partners. The emerging China as a prominent actor of the global political and economic theater could become a new alternative axis to lean on amid the atmosphere of the great and middle power competition. Spurred by domestic interest, Jokowi's initial move was creating closer relations with China.

Strategic binding engagement in this period has also been characterized by communication and contact between elites, not merely in a dedicated visit or meeting, but also as a sideline occasion of some bigger international or regional events (Table 8). Some of the high-level contacts have also contained the exchange of views about bilateral relations or the current strategic multi-dimensional issue. Beijing makes good use of these moments of dialogue carried out to build trust with Jakarta. The cooperation agreements resulting from such meetings have been dominated by collaboration in the fields of economy, industry, and infrastructure, but the two countries have not ruled out the possibility to expand cooperation in other fields, including in the security sector.

Table 8. Indonesia-China High-Level Contact under the Jokowi Administration<sup>182</sup>

| Date               | Official                                                                                           | Purpose of Visit                                                                                                        | Achievement/Agreements                                                                                                                                                                                    |
|--------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November 3, 2014   | President Jokowi and Foreign Minister Wang Yi                                                      | Official visit in Jakarta                                                                                               | Indonesia introduced the establishment of GMF and China proposed the Belt and Road Initiative (BRI). Both sides sought for opportunities.                                                                 |
| November 3, 2014   | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                        | Official visit in Jakarta                                                                                               | The consensus to develop trade, investment, and multi-field cooperation, including in defense and security.                                                                                               |
| November 9, 2014   | Presiden Xi Jinping and President Jokowi                                                           | Official visit in Beijing                                                                                               | Both sides agreed to encourage multi-field cooperation.                                                                                                                                                   |
| January 26, 2015   | State Councilor Yang Jiechi and Coordinating Minister for Economic Affairs Sofyan Djalil           | Attending the first meeting of China-Indonesia high-level economic dialogue in Beijing                                  | The signing of the Minutes of the First Meeting of High-level Economic Dialogue Between the Government of the PRC and the Government of Indonesia and a document of intent for power station cooperation. |
| March 26, 2015     | President Xi Jinping and President Jokowi                                                          | Official visit in Beijing                                                                                               | The consensus to synergize the GMF and BRI and the signing of eight cooperation documents.                                                                                                                |
| March 27, 2015     | Premier Li Keqiang and President Jokowi                                                            | Attending the Boao Forum for Asia Annual Conference 2015 in Beijing                                                     | The sharing of views on bilateral relations.                                                                                                                                                              |
| April 20, 2015     | Foreign Minister Retno Marsudi and Vice Foreign Minister Liu Zhenmin                               | Attending the ministerial meeting of the Asian-African Summit                                                           | The sharing of views on bilateral relations.                                                                                                                                                              |
| April 22, 2015     | President Xi Jinping and President Jokowi                                                          | Official visit in Jakarta                                                                                               | The signing of documents on the High-Speed Rail (HSR) project.                                                                                                                                            |
| April 24, 2015     | President Xi Jinping and President Jokowi                                                          | Attending the Asian-African Summit in Bandung                                                                           | President Jokowi, President XI Jinping, and King Mswati III of the Kingdom of Swaziland signed the Bandung Communiqué 2015.                                                                               |
| May 27, 2015       | Vice Premier Liu Yandong and Coordinating Minister for Human Development and Culture Puan Maharani | Attending the first meeting on people-to-people exchange mechanism between China and Indonesia in Jakarta               | The signing of the agreements on people-to-people exchanges in multi-sectors such as culture, science and technology, education, etc.                                                                     |
| September 30, 2015 | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                        | Attending the Foreign Ministers' meeting of the five permanent members of the UNSC and UN Secretary-General in New York | The sharing views on bilateral relations and regional affairs.                                                                                                                                            |

<sup>182</sup> Adapted from articles in "Policies and Activities."

|                      |                                                                                                                  |                                                                                                 |                                                                                                                                                                      |
|----------------------|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November 15, 2015    | President Xi Jinping and President Jokowi                                                                        | Attending G-20 Summit in Turkey                                                                 | The consensus to increase economic and trade cooperation, expand infrastructure construction and other areas, and extend the scale of currency swap.                 |
| November 29–30, 2015 | Vice Foreign Minister Cheng Guoping and Head of the National Counterterrorism Agency (BNPT) Saud Usman Nasution  | Attending the 4th China-Indonesia counterterrorism consultation.                                | The exchange of thoughts on bilateral relations and counterterrorism related issues.                                                                                 |
| April 26, 2016       | State Councilor Yang Jiechi and Coordinating Minister for Political, Legal and Security Affairs Luhut Panjaitan. | Attending the 5 <sup>th</sup> meeting of China-Indonesia dialogue mechanism in Beijing          | The signing of relevant agreements' documents                                                                                                                        |
| May 9, 2016          | State Councilor Yang Jiechi and Coordinating Minister for Economic Affairs Darmin Nasution                       | Attending the 2nd meeting of China-Indonesia High-level Economic Dialogue in Jakarta.           | The signing of relevant agreements' documents on bilateral cooperation, including the minutes of the meeting.                                                        |
| May 9, 2016          | President Jokowi and State Councilor Yang Jiechi.                                                                | Official visit in Jakarta                                                                       | The sharing of thoughts on bilateral relations and regional affairs.                                                                                                 |
| June 3, 2016         | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi.                                                     | Attending Middle East Peace Initiative Ministerial Conference in Paris                          | The consensus to maintain communication and encourage cooperation at bilateral and regional level, including through ASEAN.                                          |
| July 26, 2016        | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                                      | Attending a series of Foreign Ministers' meetings on East Asian cooperation in Vientiane, Laos. | The sharing of thoughts on bilateral relations and regional affairs.                                                                                                 |
| September 2, 2016    | President Xi Jinping and President Jokowi                                                                        | Attending the G20 Hangzhou Summit in Hangzhou                                                   | The discussion on GMF-BRI and the consensus on encouraging the development of economic cooperation.                                                                  |
| May 13, 2017         | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                                      | Attending the Belt and Road Forum for International Cooperation in Beijing.                     | The sharing of thoughts on the integration of GMF and BRI and the consensus to maintain the contributions to regional and global peace, stability, and prosperity.   |
| May 14, 2017         | President Xi Jinping and President Jokowi                                                                        | Attending the Belt and Road Forum for International Cooperation in Beijing.                     | The signing of the documents related to the implementation of the comprehensive strategic partnership and cooperation on the other fields, including infrastructure. |
| August 6, 2017       | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                                      | Attending Foreign Ministers' meetings on East Asia Cooperation in Manila, the Philippines.      | The sharing of views on bilateral affairs.                                                                                                                           |

|                    |                                                                                                                     |                                                                                |                                                                                                                                                                          |
|--------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| August 21, 2017    | State Councilor Yang Jiechi and Coordinating Minister for Political, Legal and Security Affairs Wiranto             | Attending the sixth meeting of China-Indonesia dialogue mechanism in Beijing   | The consensus to maintain intensive high-level communication and to develop cooperation in security and technology.                                                      |
| September 19, 2017 | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                                         | Attending the UN General Assembly in New York                                  | The sharing of views on bilateral relations and regional affairs such as the issue of Rakhine State of Myanmar.                                                          |
| February 9, 2018   | Premier Li Keqiang and Foreign Minister Retno Marsudi                                                               | Official visit in China                                                        | The sharing of views on bilateral relations.                                                                                                                             |
| February 9, 2018   | Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                                         | The third meeting of the Joint Commission on Bilateral Cooperation in Beijing. | To encourage the development of the GMF-BRI integration including to promote the HSR and three economic corridors (North Sulawesi, North Sumatra, and North Kalimantan). |
| April 12, 2018     | State Councilor and Foreign Minister Wang Yi and Coordinating Minister for Maritime Affairs Luhut Binsar Pandjaitan | Official visit in Beijing                                                      | The sharing of thoughts on bilateral relations.                                                                                                                          |
| May 6, 2018        | President Jokowi and Premier Li Keqiang                                                                             | Official visit in Jakarta                                                      | The signing of seven major cooperation's documents.                                                                                                                      |
| May 7, 2018        | Premier Li Keqiang and Vice President Jusuf Kalla                                                                   | Attending the China-Indonesia Business Summit in Jakarta                       | The sharing of thoughts on bilateral relations.                                                                                                                          |
| August 3, 2018     | State Councilor and Foreign Minister Wang Yi and Foreign Minister Retno Marsudi                                     | the Foreign Ministers' Meetings on East Asia Cooperation in Singapore.         | The sharing of thoughts on bilateral relations.                                                                                                                          |
| November 17, 2018  | President Xi Jinping and President Jokowi                                                                           | Attending APEC Economic Leaders' Meeting in Port Moresby.                      | The sharing of thoughts on bilateral relations.                                                                                                                          |

Security-related talks with China under President Jokowi's leadership have been carried out since the beginning of his administration. Several consultation-level collaborations have been held between both sides' military institutions and defense ministries, such as navy-to-navy talks and a defense ministry meeting forum, but no more tangible action in the field has occurred on a notable scale, even though intense talks toward it have been held frequently. Foreign Minister Wang Yi made an official visit to Jakarta in November 2014, just days after President Jokowi's inauguration. In addition to meeting

with the president, Foreign Minister Wang Yi also held a dialogue with the new Indonesian Foreign Minister, Retno Marsudi.<sup>183</sup> At the moment both are discussing the possibility of cooperation in various fields, including in the areas of defense and security. In November 2015, Deputy Foreign Minister Cheng Guoping met Saud Usman Nasution, Head of the National Counterterrorism Agency (BNPT) to share views on current counterterrorism issues and explore the possibility of cooperation in this field.<sup>184</sup> State Councilor Yang Jiechi met Indonesian Coordinating Minister for Political, Legal, and Security Affairs Wiranto in August 2017 and discussed bilateral cooperation in “defense, law enforcement, anti-terrorism, drug control, cyberspace, maritime affairs, and aerospace.”<sup>185</sup> A consensus was achieved in May 2018, according to the documents of the joint statement, in which both parties agreed to promoting advance collaboration in defense and security and in concluding the Agreement on Cooperation in Preventing, Combating Transnational Crime and Capacity Building.<sup>186</sup>

Jakarta and Beijing also extended cooperation to other fields such as education, culture, tourism, communication, sports, and youth. The agreement to enhance cooperation in this field can also be found in the Indonesia-China joint statement May 6, 2018, which was witnessed and signed by President Jokowi and Premier Li Keqiang.<sup>187</sup> In the joint statement, the two governments agreed to encourage people also to develop cultural and people-to-people collaboration. Beijing also agreed to assist Indonesia in organizing the

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<sup>183</sup> “Wang Yi Holds Talks with Foreign Minister Retno Marsudi of Indonesia,” Official website, Ministry of Foreign Affairs of the People’s Republic of China, November 4, 2014, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t1207493.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t1207493.shtml).

<sup>184</sup> “Vice Foreign Minister Cheng Guoping Chairs the 4th China-Indonesia Counterterrorism Consultation,” Official website, Ministry of Foreign Affairs of the People’s Republic of China, December 3, 2015, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t1321795.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t1321795.shtml).

<sup>185</sup> “China and Indonesia Hold the Sixth Meeting of Dialogue Mechanism at Deputy Prime Minister Level,” Official website, Ministry of Foreign Affairs of the People’s Republic of China, August 22, 2017, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t1487070.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t1487070.shtml).

<sup>186</sup> “Full Text of China-Indonesia Joint Statement,” Xinhuanet, May 8, 2018, [http://www.xinhuanet.com/english/2018-05/08/c\\_137163660.htm](http://www.xinhuanet.com/english/2018-05/08/c_137163660.htm).

<sup>187</sup> “China-Indonesia Joint Statement.”

18th Asian Games and expressed its desire to share its knowledge on how to organize similar events.

## **2. Economic Pragmatism**

Jakarta believed that Indonesia's vision in the GMF could work in synergy with China's 21st Century Maritime Silk Road Initiative, better known as the BRI. In this period, Jakarta saw a golden opportunity in the BRI. Therefore, on his first occasion to communicate directly with Beijing, President Jokowi introduced the GMF vision to Foreign Minister Wang Yi who was carrying out an official visit in Jakarta at the beginning of November 2014.<sup>188</sup> This introduction of the GMF occurred even before President Jokowi published this vision to the international community at the East Asia Summit in the same month.<sup>189</sup> The maritime doctrine rests on five pillars; one of the main pillars is maritime connectivity, infrastructure, and industry, which has the potential to become a bridge to the synergy of GMF and BRI. Jokowi has estimated that the investment required to develop Indonesia's maritime infrastructure would reach US\$6 billion.<sup>190</sup> Sure enough, the realization of cooperation in the infrastructure development has developed a brighter future when the heads of state of the two countries, President Jokowi and President Xi Jinping, reached consensus on the GMF's synergy with BRI in March 2015.<sup>191</sup> This agreement was also followed by witnessing the signing of eight large-scale cooperation documents including in infrastructure development, such as the Jakarta-Bandung fast train and other transportation facilities, in the economic and financial fields, such as double

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<sup>188</sup> "President Joko Widodo of Indonesia Meets with Wang Yi," Official website, Ministry of Foreign Affairs of the People's Republic of China, November 3, 2014, [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t1207492.shtml](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t1207492.shtml).

<sup>189</sup> Rendi Witular, "Jokowi Launches Maritime Doctrine to the World," *The Jakarta Post*, November 13, 2014, <https://www.thejakartapost.com/news/2014/11/13/jokowi-launches-maritime-doctrine-world.html>.

<sup>190</sup> Sheldon Simon, "Diplomatic Gambits," E-Journal of Bilateral Relations in the Indo-Pacific, Comparative Connections, January 15, 2015, <http://cc.pacforum.org/2015/01/diplomatic-gambits/>.

<sup>191</sup> "Disaksikan Presiden Jokowi dan Presiden Xi Jinping, RI – RRT Tandatangani 8 Kerjasama [Witnessed by President Jokowi and President Xi Jinping, Indonesia-China Signed Eight Agreement]," Official website, Sekretariat Kabinet Republik Indonesia [Cabinet Secretariat of the Republic of Indonesia], March 25, 2015, <https://setkab.go.id/presiden-rrt-xi-jinping-sambut-presiden-jokowi-dengan-upacara-kenegaraan/>.

taxation prevention and in banking cooperation, and in technology, such as the national space program.

China is increasingly strong as Indonesia's main trading partner (Figure 2). Even though it declined at the start of President Jokowi's administration, the trade volume profile again showed new investors' enthusiasm after 2015. In 2017, which is the last recorded data in 2017, the trade volume reached US\$61.7 billion, surpassing the record achieved by the previous government in 2013. This achievement was also significant if compared to Indonesia's trade volume profile with other major trading partners since 2015, which was relatively stagnant, or if there was an increase, only a slightly upward movement. From the profile shown in Figure 2, China seems to have begun to take other countries' trade portion with Indonesia. What needs to be noted was that although Indonesia has experienced tensions with China over the conflict in the waters of the North Natuna Sea in 2016, it seems that this did not affect Indonesia's desire to continue to build strong trade with China. Yet, Indonesia's bilateral trade balance with China was still experiencing extreme deficits. Even though there was an upward trend after 2015, the trade balance condition was too extreme to quickly return to surpluses as it had about a decade earlier (Figure 3).

Investments also contributed to Indonesia's continuation of the hedging strategy. Despite the tension that emerged after several conflicts in 2016, Indonesia's investment atmosphere was increasingly in favor of China with the existence of the synergy between Indonesia's GMF and China's BRI. BKPM recorded the early year of Jokowi's administration as the year when China's investment was the lowest throughout Jokowi's government until 2018. The value of China's investment in 2015 was recorded at US\$1.55 billion, before it increased in 2016 and 2017 to US\$4.9 and US\$5.5 billion, respectively, almost four times as much. In 2018, the value of the investment had declined to US\$4.3 billion, but it was not as significant a drop when compared to the prior upward trend because it was still nearly triple to what was recorded in 2015.<sup>192</sup> China's most prominent investment as a collaboration in realizing infrastructure development and connectivity

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<sup>192</sup> National Single Window Investment, "Perkembangan Investasi Asing [Foreign Investment Development]."

programs in Indonesia was the construction of the Jakarta-Bandung High-Speed Railway (HSR), a controversial victory by China over Japan.<sup>193</sup> This project was built under the BRI framework and Indonesia's GMF. Indonesia seemed satisfied with the cooperation that has been established so that in the 2018 joint statement, Indonesia agreed with China to continue to encourage collaboration in various essential fields in "trade, infrastructure, production capacity, investment, industry, and financing, as well as in emerging areas like e-commerce and internet economy."<sup>194</sup>

### **3. Dominance Denial**

For Indonesia, stemming China's aggressiveness is very important to continue to protect Indonesia's interests in domestic, and regional level. Domestically, in addition to the wealth contained in the EEZ of the Natuna North Sea area, issues related to state sovereignty are also important trigger factors to deny China's dominance. Indonesian Coordinating Minister of Maritime Affairs, Luhut Pandjaitan, said that "Indonesia would maintain good relations with China but without sacrificing Indonesia's sovereignty."<sup>195</sup> At regional level, the South China Sea disputes helped to keep Indonesia's foreign policy under President Jokowi's administration to stay align with regionalism. If some direct maritime tensions have not been able to stop Indonesia from establishing good relations through cooperation and economic pragmatism, China's potential to endanger regional security and stability would make Indonesia come to action. Therefore, in this administration period, Indonesia's dominance denial toward China was not only a domestic effort but was ongoing also through regional affairs.

With respect to Indonesia-China direct conflicts, as reported by Reuters, Indonesia sent a clear message by renaming its northern sea of Natuna's EEZ as the North Natuna

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<sup>193</sup> Stephen Harner, "Japan's Rail Project Loss to China: Why It Matters for Abe's Economic Diplomacy and for China's," *Forbes*, October 1, 2015, <https://www.forbes.com/sites/stephenharner/2015/10/01/japans-rail-project-loss-to-china-why-it-matters-for-abes-economic-diplomacy-and-for-chinas/>.

<sup>194</sup> "China-Indonesia Joint Statement."

<sup>195</sup> "China, Indonesia to Boost Security Ties Despite South China Sea Spat," Reuters, April 26, 2016, <https://www.reuters.com/article/us-china-indonesia-idUSKCN0XN20R>.

Sea on July 14, 2017. Indonesia was not the first; it seemed inspired by the strong step taken by the Philippines under the Aquino administration on September 5, 2012. Immediately after the renaming, the Indonesian Minister of Maritime Affairs and Fisheries highlighted Indonesia's rights in doing so by saying, "The North Natuna Sea falls within our territory, not within the South China Sea. We have the rights [to rename the waters], the North Natuna Sea is ours."<sup>196</sup> A deputy of Indonesia's Ministry of Maritime Affairs, Arif Havas Oegroseno, said to the media, "we want to update the naming of the sea and we gave a new name in line with the usual practice, the North Natuna Sea."<sup>197</sup> Oegroseno also highlighted that the area is in Indonesia's EEZ with oil and gas sites. China declared its position on Indonesia's move by sending an official note on August 25, 2017, to the Indonesian embassy in Beijing, which expressed its objection. The Chinese Foreign Ministry stated that "Indonesia's move to change an 'internationally accepted name' resulted in the complication and expansion of the dispute, and affects peace and stability."<sup>198</sup> Furthermore, the Chinese Foreign Ministry stressed that Indonesia's current move could potentially jeopardize the robust and stable Indonesia-China bilateral relations and the good progress on resolution of the South China Sea disputes.

Indonesia's bilateral meetings with China have not always contained communication and consultation on cooperation (Table 8), but Indonesia's efforts to contain China were included, especially after China's aggressiveness in the South China Sea began to offend state sovereignty. After the efforts of Indonesian maritime and territorial law enforcement faced opposition from Chinese authorities, the discussions regarding the conflicts became the focus of the bilateral agenda. During the Indonesia-China meeting in May 2018, Indonesia brought this issue to the negotiating table. Indonesia felt it was very necessary to make China agree on the issue so that in the joint statement,

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<sup>196</sup> "China Demands Indonesia Drop New Name for Natuna Waters," *The Jakarta Post*, September 3, 2017, <https://www.thejakartapost.com/news/2017/09/03/china-demands-indonesia-drop-new-name-for-natuna-waters.html>.

<sup>197</sup> Tom Allard and Bernadette Christina Munthe, "Asserting Sovereignty, Indonesia Renames Part of South China Sea," Reuters, July 14, 2017, <https://www.reuters.com/article/us-indonesia-politics-map-idUSKBN19Z0YQ>.

<sup>198</sup> "China Demands Indonesia Drop New Name for Natuna Waters."

Jakarta made Beijing recognize and respect Indonesia's "independence, sovereignty, and territorial integrity and agree to keep mutual understanding other's core interests and major concerns."<sup>199</sup> In return, Indonesia reiterated its support for the One-China Policy.<sup>200</sup>

Indonesia also included regional issues related to the South China Sea in its bilateral agenda. At the same bilateral event in May 2018, South China Sea dispute and China's efforts to illegally build facilities and arms also received substantial attention. In the discussion, Indonesia tried to bind and limit aggressive Chinese expansionism. Indonesia believes that security, stability, and peace in the region can create a favorable situation for the climate of bilateral cooperation. Thus, China needs to commit to ensuring a stable atmosphere. In the joint statement, Indonesia made China agree upon fulfillment of its commitment to the "full and effective implementation of the Declaration of Conduct in Parties in the South China Sea (DOC)."<sup>201</sup> Both Indonesia and China also reached a consensus to "support the positive progress made in the consultation of COC, and agree to make joint efforts with other ASEAN member states towards the conclusion of the COC on the basis of consensus at an early date."<sup>202</sup>

Indonesia continued to use ASEAN as a regional measure for diplomacy to engage China. Through the forums organized by ASEAN, Indonesia has continuously encouraged China and Southeast Asian countries to negotiate a settlement of the dispute immediately. Minister Retno Marsudi would encourage the conclusion of the South China Sea's COC, which has been under discussion between China and ASEAN for many years.<sup>203</sup> In January 2018 during her speech, Minister Marsudi pointed out one of the significant achievements in 2017, the consensus on the Framework of the Code of Conduct in the South China Sea between China and ASEAN, and the agreement on the commencement of

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<sup>199</sup> "China-Indonesia Joint Statement."

<sup>200</sup> "China-Indonesia Joint Statement."

<sup>201</sup> "China-Indonesia Joint Statement."

<sup>202</sup> "China-Indonesia Joint Statement."

<sup>203</sup> Simon, "Diplomatic Gambits."

negotiations of a COC.<sup>204</sup> She said, “Indonesia hopes that these negotiations can be concluded as soon as possible.”<sup>205</sup> A clear future intention has been declared, as President Jokowi won the Indonesia’s presidential election in 2019, Indonesia will likely to continuously encourage the conclusion, and eventually the implementation, of the COC for the South China Sea.

Indonesia’s initiative to deny China’s dominance in the South China Sea has led Indonesia closer to the United States for support. Though far from a so-called alliance or affiliation in its relations with the United States, Indonesia has slightly shifted the balancing stance against China’s dominance in the region. On January 2018, the visiting United States Defense Secretary James Mattis stated U.S. recognition of the renaming of what once considered as a part of the South China Sea and to praise Indonesia as “a maritime fulcrum of the Indo-Pacific.”<sup>206</sup> At the regional level, Sheldon Simon mentions that the United States would unquestionably back Indonesia’s initiative to encourage ASEAN to conclude the continuing negotiations toward the binding code (COC) that eventually will halt any unlawful move in the South China Sea, such as China’s reclamation and militarization efforts.<sup>207</sup>

#### **4. Stronger Indirect Balancing Acts**

The Jokowi administration has been concerned about the China conundrum in the South China Sea since its inception, and which grew increasingly stronger after the maritime face off in 2016. The presence of such concern since the start of Jokowi’s administration means that the perception of threats and lack of clarity about China’s intentions seems to have been transmitted from the previous administration or to have become the common view among Indonesian elites. Even though economic and diplomatic

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<sup>204</sup> Retno LP Marsudi, “Indonesia: Partner for Peace, Security, Prosperity,” *The Jakarta Post*, January 11, 2018, <https://www.thejakartapost.com/academia/2018/01/10/full-text-indonesia-partner-for-peace-security-prosperity.html>.

<sup>205</sup> “China-Indonesia Joint Statement.”

<sup>206</sup> “Mattis Accepts Indonesia Renaming What Was Once Part of S China Sea,” *Today Online*, January 23, 2018, <https://www.todayonline.com/world/Mattis-accepts-Indonesia-renaming-of-North-Natuna-Sea>.

<sup>207</sup> Simon, “Diplomatic Gambits.”

relations were well established, the initial security concern seemed to drive the new administration to prepare for the uncertainty while still benefiting from its economic relations with China. As Simon noted in an article from January 2015, the newly appointed Coordinating Minister for Politics, Law, and Security, Tedjo Edy Purdijatno had stated early in his term that he would organize an integrated maritime authority considering China's ambiguous intention with its nine-dash line that overlaps Indonesia's gas and oil rich EEZ.<sup>208</sup> Simon also mentioned in the same article that early in his administration President Jokowi talked about "increasing Indonesia's defense budget from 0.8 to 1.5 percent of GDP within five years, concentrating on the Navy."<sup>209</sup>

In fact, there was no significant increase in the defense budget after 2016 (Figure 4) when the direct conflict occurred. The defense spending reached US\$8 billion in 2015, an almost US\$1.2 billion increase as compared to the previous year, but it had dropped again to US\$7.4 billion in 2016. The budget only increased by around a half billion dollars in 2017 to US\$7.9 billion, which was not significant enough considering the threat posed by China from the direct conflict in 2016. In the next year, the budget was almost US\$8.2 billion, another slight increase. Indonesia's annual GDP was steadily growing from 2015 until 2018 at the average rate of 5.05% per year, but Indonesia only made a 2.5% total increase from 2015 to 2018 in its defense budget.<sup>210</sup>

Nonetheless, some recognizable balancing acts existed within Indonesia's policy on China, even stronger than in the previous administration. First, Indonesia continued to spend its funds on military modernization. The spending included a significant purchase of Russian-made generation 4.5 fighter jets, which according to the initial estimate, the first of which Indonesia would receive in 2019. The acquisition was a US\$1.1 billion deal with a payment mechanism of US\$570 million in commodities. However, it seemed that the counter-trade mechanism has become an obstacle. At the beginning of 2019, the notion

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<sup>208</sup> Simon.

<sup>209</sup> Simon.

<sup>210</sup> For the evolution of Indonesia's annual GDP and the growth percentage, see "Indonesia GDP (Gross Domestic Product) 2018," *countryeconomy.com*, accessed April 16, 2019, <https://countryeconomy.com/gdp/indonesia>.

about rescheduling the purchase of Sukhoi-35 aircraft from Russia to Indonesia began to be widely heard. Indonesian Ambassador to Russia, Wahid Supriyadi, explained that this delay was only a technical matter on the counter-trade system.<sup>211</sup> Indonesia also seemed to strengthen its navy by completing the weapons of its combatant ships, both old and the newly built warships from the previous government.<sup>212</sup>

In the 2015–2016 period, defense cooperation with China, viewed from the arms orders made, appeared to be still well established but significantly declined after 2016. Orders made after 2016 recorded only one type of weapon with a minimum number, which was made in 2017. After 2017, Indonesia made no arms orders from China.<sup>213</sup>

Shortly after a series of skirmishes in the North Natuna Sea, President Jokowi sent a significantly strong signal to the threatening power by visiting the waters.<sup>214</sup> This was not a usual visit; the president held a cabinet meeting on an Indonesian Navy warship. Accompanying the president were the Coordinating Minister of Political and Security Affairs Luhut Pandjaitan, Foreign Minister Retno Marsudi, and Minister of Maritime Affairs and Fisheries Susi Pudjiastuti. The armed forces chief General Gatot Nurmantyo also attended the meeting. President Jokowi made his intention clear by saying, “I want the military and our coast guard to have improved radar technology as well as better patrol capability.”<sup>215</sup> Minister Pandjaitan confirmed that the visit was meant to signal Indonesia’s decisive stance on defending the state’s sovereignty. By noting that the last incident occurred less than a week before the visit, he emphasized that “we remain friendly but Indonesia’s territory and sovereignty remain Indonesia’s. This is non-negotiable.”<sup>216</sup> The

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<sup>211</sup> Verryana Novita Ningrum, “Tunda Beli Sukhoi-35, Dubes RI di Rusia: Ini Masalah Teknis Saja [Delaying the Purchase of Sukhoi-35, Indonesian Ambassador to Russia: This is only a Technical Problem],” *Jawa Pos*, February 28, 2019, <https://www.jawapos.com/internasional/28/02/2019/tunda-beli-sukhoi-35-dubes-ri-di-rusia-ini-masalah-teknis-saja/>.

<sup>212</sup> “SIPRI Arms Trade and Transfer.”

<sup>213</sup> For detailed information, see “SIPRI Arms Trade and Transfer.”

<sup>214</sup> Wahyudi Soeriaatmadja, “Jokowi Visits Natunas on Warship in Clear Signal about Indonesia’s Sovereignty,” *The Straits Times*, June 24, 2016, <https://www.straitstimes.com/asia/se-asia/jokowi-visits-natunas-on-warship-in-clear-signal-about-indonesias-sovereignty>.

<sup>215</sup> Soeriaatmadja.

<sup>216</sup> Soeriaatmadja.

government faced a growing pressure to take a stronger opposing stance against China. Laksmana wrote that Indonesia's leadership should consider moving from the neutral stance as a non-claimant state to the front line.<sup>217</sup>

Indonesia built its military base in Natuna. Because the need for more sophisticated bases in one of Indonesia's outermost islands increased following a series of incidents that Indonesia considered sovereignty violations, the government planned to develop TNI bases in Natuna. As quoted by *Antara News*, the Minister of Defense at the time, Ryamizard Ryacudu, explained that the actual planning had begun in September 2015 not only for Natuna, but also for Indonesia's outer military bases such as Morotai, Biak, and Saumlaki-Selaru.<sup>218</sup> Ryacudu also stated that the TNI would build its military base in the Natuna Islands to defend national interests, especially for the importance of Indonesia's law and sovereignty enforcement.<sup>219</sup> General Nurmantyo added that Natuna needs the presence of strategic elements such as fighter aircraft, complete with ground support.<sup>220</sup> According to him as well, existing docks and ports needed to be built so that larger warships could visit to maintain security and monitor maritime activities in the surrounding waters of the Natuna Islands. In December 18, 2018, General Nurmantyo's successor as the Chief of Armed Forces, Air Chief Marshal Hadi Tjahjanto inaugurated an integrated military unit in the Natuna Islands.<sup>221</sup> Supported by the ongoing development of the bases, this move will increase military presence to deter against a range of threats, including that posed by China.

Indonesia sent another strong message by holding military exercises in Natuna waters. Starting in 2016, the TNI organized large-scale drills in the region. The series began

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<sup>217</sup> Evan A. Laksmana, "A Post-Non-Claimant South China Sea Policy," *The Jakarta Post*, June 20, 2016, <https://www.thejakartapost.com/news/2016/06/20/a-post-non-claimant-south-china-sea-policy.html>.

<sup>218</sup> Yashinta Difa, "Pangkalan Militer Di Natuna Akan Dibangun Oleh TNI [TNI Will Develop Its Military Bases in Natuna]," *Antara News*, July 1, 2016, <https://www.antaranews.com/berita/571015/pangkalan-militer-di-natuna-akan-dibangun-oleh-tni>.

<sup>219</sup> Difa.

<sup>220</sup> Difa.

<sup>221</sup> Prashanth Parameswaran, "What's in the New Indonesia South China Sea Base Hype?," *The Diplomat*, January 4, 2019, <https://thediplomat.com/2019/01/whats-in-the-new-indonesia-south-china-sea-base-hype/>.

with the celebration of TNI's anniversary, which was the first national commemoration to be held in the area. In this celebration, Indonesia expressed its commitment to maintain neutrality and promote stability, peace, and security in the South China Sea by not holding joint exercises with other countries in the region.<sup>222</sup> Even so, internal TNI exercises carried out the next day could be translated as Indonesia's strong message to whoever endangers Indonesia's sovereignty in the area. The TNI began the Angkasa Yudha exercise, which was the top-level drill for the Indonesian Air Force, involving thousands of troops, including paratroopers, and the F-16 and Su-27 fighter jets.<sup>223</sup> The presence of President Jokowi in Natuna to witness and observe the exercise added strategic value to the move and strengthened the message signal. Indonesia held another massive-scaled exercise in May 2017 that President Jokowi also observed. The drill was an integrated TNI exercise and scaled three times larger than the last Natuna exercise conducted in October 2016.<sup>224</sup> The event emphasized President Jokowi's approach in increasing Indonesian authorities' presence in the outermost area as a safeguard of Indonesia's maritime interest and sovereignty. The approach was due to the excessive and uncontrolled illegal fishing and smuggling in the area, which had historically caused skirmishes between Indonesia and China.

Indonesia's and the United States' close defense relations endured during President Jokowi's period. Preserving this kind of relationship with potential Chinese rivals is one of the main features of Indonesia's hedging strategies to manage the balance of influence and to protect itself from the consequences of uncertainty. Strategic engagements have been held by both sides' high-level state officials in defense affairs. From May 7 to 15, 2015, the Indonesian Defense Minister Ryacudu carried out an official visit to the United

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<sup>222</sup> Wahyudi Soeriaatmadja, "No Joint War Games in South China Sea to Enhance Neutrality: Indonesia Military Chief," *The Straits Times*, October 6, 2016, <https://www.straitstimes.com/asia/no-joint-war-games-in-south-china-sea>.

<sup>223</sup> Soeriaatmadja.

<sup>224</sup> Fadli and Moses Ompusunggu, "Jokowi Observes Massive TNI Exercise near S. China Sea," *The Jakarta Post*, May 20, 2017, <https://www.thejakartapost.com/news/2017/05/20/jokowi-observes-massive-tni-exercise-near-s-china-sea.html>.

States intending to increase defense cooperation between the two countries.<sup>225</sup> The agenda discussed the possible solution to strategic and multi-dimensional issues in regional and international spheres, including the threat of domestic and global terrorism such as the Islamic State of Iraq and Syria (ISIS) and foreign fighters. The talk revealed that the defense cooperation between Indonesia and the United States had been well established; more than 200 kinds of joint exercises had been successfully conducted, and the TNI sent 300 personnel annually to attend military training.<sup>226</sup> In January 23, 2018, the United States defense secretary met his Indonesian counterpart for the third time. The visiting Secretary of Defense, James N. Mattis, as quoted by the department's chief spokesperson, "noted the importance of the U.S.-Indonesia partnership, recognizing that the two are like-minded partners with diverse populations who share a commitment to democracy, peace, and prosperity."<sup>227</sup> The talk also included the possibility to lift the sanctions against Kopassus (the Indonesian Army special force).<sup>228</sup> In August 28, 2018, Minister Ryacudu paid a visit to the Pentagon. Besides the continuous pragmatic defense cooperation such as joint exercises, military training and education, and funding, which then became routine, these engagements have had more value in characterizing the close defense ties between both sides.

## **5. Policy Rationale**

While preserving its return-maximizing policy (binding engagement and economic pragmatism), Jokowi's administration strengthened the risk-contingency option (dominance denial and indirect balancing) in engaging China compared to the previous

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<sup>225</sup> "Ke Amerika Serikat, Menhan Tingkatkan Kerjasama Pertahanan [Visit the United States, the Defense Minister Increases Defense Cooperation]," Official website, Kementrian Pertahanan Republik Indonesia, May 7, 2015, <https://www.kemhan.go.id/2015/05/07/ke-amerika-serikat-menhan-tingkatkan-kerjasama-pertahanan.html>.

<sup>226</sup> "Visit the United States, The Defense Minister Increases Defense Cooperation."

<sup>227</sup> "Defense Secretary Meets with Indonesian Counterpart," Official website, U.S. Department of Defense, January 24, 2018, <https://dod.defense.gov/News/Article/Article/1422168/defense-secretary-meets-with-indonesian-counterpart/>.

<sup>228</sup> Phil Stewart and Agustinus Beo Da Costa, "Indonesia Looks to U.S. to Relax Limits on Its Special Forces," Reuters, January 23, 2018, <https://www.reuters.com/article/us-indonesia-usa-mattis-idUSKBN1FC0WG>.

administration. The South China Sea became one of the most significant factors that triggered Indonesia's active involvement in the regional geo-politics arena vis-à-vis China. On the other side, China's presence as a potential economic partner has offered Indonesia more economic power to fulfill its national interest, primarily infrastructure development to support Jokowi's GMF. The administration has had to play both sides of the coin to address the challenges and opportunities of the relationships. Yet, the complexity of the South China Sea issues has concerned Indonesia's multi-dimensional interests ranging from natural resources and national security to territorial sovereignty. Thus, within this period, the challenges of the relationship have dominated the opportunities and led to stronger risk-contingency policies.

#### **D. CONCLUSION**

China's actions to defend its claim in the South China Sea were the leading cause of Indonesia's shifting policy on China. A big question mark appeared in the mind of the Southeast Asian countries regarding Beijing's long-term intentions with such a gesture. China's actions ranging from how its claim was conveyed and to how it opposed claims made by other countries, its actions and reactions that created tension with not only claimant states but also other countries outside the first circle of disputes, and Beijing's development and militarization of geographical features in the disputed region have raised the anxiety of various parties. The strategic uncertainty that Beijing caused have increased Indonesia's threat perception of China.

The strengthening of the denial dominance and the emergence of indirect balancing against China characterized the second term of President Yudhoyono (Table 9), during which the administration launched a million friends-zero enemy policy. Encouraged by a sense of leadership among ASEAN member states, Jakarta allowed its million friends-zero enemy policy to drive Indonesia's more active regionalism. Faced with the challenges in the South China Sea posed by China and involving several ASEAN state members, the Yudhoyono administration's regionalism led to a stronger dominance against China. Although Jakarta had declared itself a non-claimant in the dispute, it also raised concerns about China's activities, which has led to the emergence of an indirect balancing policy.

Table 9. Indonesia's Response towards China after 2009

| Adminis-<br>tration | Balancing<br>Strategy<br><br>(Pure<br>form) | HEDGING STRATEGY         |                     |                                            |                           |                          | Band-<br>wagoning<br>Strategy<br><br>(Pure form) |
|---------------------|---------------------------------------------|--------------------------|---------------------|--------------------------------------------|---------------------------|--------------------------|--------------------------------------------------|
|                     |                                             | Risk-Contingency Options |                     |                                            | Return-Maximizing Options |                          |                                                  |
|                     |                                             | Indirect<br>Balancing    | Dominance<br>Denial | Economic<br>Pragmatism/<br>Diversification | Binding-<br>Engagement    | Limited Band<br>wagoning |                                                  |
| Yudhoyono 2         |                                             |                          |                     |                                            |                           |                          |                                                  |
| Jokowi              |                                             |                          |                     |                                            |                           |                          |                                                  |

DEGREE OF POWER  
REJECTION

DEGREE OF POWER  
ACCEPTANCE

NEUTRALITY

Note: 1. The difference in color shows the intensity of the policy.  
 2. Yudhoyono 2 represents the second term of the Yudhoyono administration (2009–2014).

Indonesia-China relations were increasingly closer at the beginning of President Jokowi's administration; but eventually, Jakarta implemented a stronger indirect balancing policy than before. In 2014–2015, the indirect balancing policy that emerged during the previous administration was weakened, overshadowed by economic pragmatism. But the tensions that occurred in the South China Sea shifted Indonesia's hedging strategy to lean toward balancing. After the incident that heated up in the first half of 2016, Indonesia took concrete steps to secure itself in anticipation of a strategic uncertainty posed by China, without having to sacrifice the positive achievements of diplomatic engagements and economic pragmatism.

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## **IV. CONCLUSION**

The main purpose of this thesis is to show how Indonesia's China policy shifted after 2009 when China submitted its nine-dash line map to the United Nations. The thesis defines each presidential administration's China policy by using Kuik's framework to identify the presence of dichotomized options: specifically, risk-contingency and returns-maximizing options. Both of these options were represented by policies on China taken by each Indonesian presidential administration examined. The analysis applies to the decade before and the decade after 2009, when China submitted its South China Sea claim to the Commission on the Limits of the Continental Shelf in opposition to Malaysia and Vietnam's claim.

Indonesia and China have a dynamic relationship. In retrospect, after the fall of President Suharto's regime, Indonesia has preferred to row between two reefs in the new era of the great power competition between China and the United States. Not wanting to be trapped in the conflict between China and the United States, Indonesia has consistently maintained a hedging strategy, but this continued strategy does not mean stagnation. Indonesia's hedging preference with China has moved dynamically along the hedging spectrum defined by its degree of acceptance and resistance toward engagement with China. Each administration has had its own form of China policy, shaped by the development of the national, regional, and global strategic environment. Over time, Indonesia's policy gradually adopted more components of the risk-contingency option and therefore shifted in the direction of balancing.

### **A. INDONESIA'S CHINA POLICY BEFORE 2009**

In the decade before 2009, Indonesia's China policy was characterized by expanding political and economic engagement. Various bilateral communication efforts enhanced the increasingly intensified diplomatic ties. From these contacts, many collaboration initiatives emerged in various fields. Indonesia began to welcome more economic cooperation with China. The research found that there was increasing trade and investment from China in Indonesia, which showed Indonesia's acceptance of China's

economic engagement. Indonesia was maximizing benefits from these relations while exercising a contingency option by maintaining good political and defense relations with China's potential rivals.

President Gus Dur's administration had a role in instilling a strong foundation for bilateral relations, both government-to-government and people-to-people connectivity. The reopening of diplomatic relations occurred in the early 1990s, but China did not gain a better place in the eyes of Indonesia until Gus Dur's administration came into office. President Gus Dur helped China's "rebranding" by separating China from its associated communist ideologies. President Gus Dur also helped reduce anti-Chinese sentiments in Indonesia with several policies. These included making Confucianism one of the philosophical faiths permitted, permitting Chinese cultural celebrations and holidays, and prohibiting the use of the word "Cina," previously used by Indonesians to refer to people of Chinese descent, and replacing it with "Tionggok."

Under President Megawati, the continuation of the strategic and economic agendas was well established. Jakarta's strategic engagement helped to build pillars for bilateral relations and resulted in increasing cooperation, trust, and mutual benefits. Still struggling from the political and economic slump of democratization processes and the 1998 economic crisis, the Megawati administration encouraged trade and investment, including from China. The administration supported and signed the ACFTA, which has contributed to the development of bilateral trade. The first energy forum was established; as the result of the event, China awarded a massive project to Indonesia's oil company. Megawati's administration, along with those of the other Southeast Asian countries, encouraged the peaceful resolution of the South China Sea problems and supported the conclusion of the DOC in 2002.

Indonesia was increasingly confident in embracing China during Yudhoyono's first term. As Indonesia's economic power was starting to recover, and its domestic political situation and security became more stable, the Yudhoyono administration began to seek regional balance and increase Indonesia's internationalism. Supported by the well-established relationship from the previous administration, Jakarta managed to bolster its relationship with Beijing and leveled it up into a strategic partnership. Both countries

initiated a new chapter of defense cooperation. Bilateral trade and Chinese investment in Indonesia increased. The first Yudhoyono administration successfully maintained its diplomatic and economic relations with China. Nevertheless, the combination of China's growing economic power and increasing military capability raised some concerns at the regional level. Indonesia shared a wariness with the other Southeast Asian countries regarding the lack of clarity surrounding China's long-term intentions. Thus, Indonesia was hedging by maintaining its relationship with the potential rivals of China, such as the United States, Japan, Australia, and India.

## **B. THE SOUTH CHINA SEA FACTOR**

China's assertiveness in the South China Sea to defend its 2009 claim triggered a shift in Indonesia's China policy. China's actions stimulated the growth of threat perception among Indonesian elites, which influenced its foreign policy on China.

Although Jakarta repeatedly stated that it is not a claimant, Indonesia's strategic position in regional affairs brought it into the arena of geopolitical affairs. At the geostrategic level, China's expansive actions in the South China Sea constituted a challenge for ASEAN member states as well as Indonesia. China's unlawful reclamation campaign and militarization of the South China Sea violated several states' sovereignty; some ended up in conflicts with China. Moreover, China's expansion in the South China Sea also stimulated opposing actions and intervention from other external powers.

To solidify its stance amid disputed claims, China has developed infrastructure on the major disputed geographic features. Backed by its authorities, China began its efforts with the reclamation campaign and the encouragement of illegal fishing activities. Despite conflicts with several Southeast Asian countries, China asserted itself aggressively in defending its unlawful claim in the South China Sea. China continued to develop its actions, from the illegal reclamation campaign to militarization and from traditional fishing to resources harvesting. After observing Chinese activity, concerns arose in the minds of Indonesia's political elites about China's interests and intentions. Moreover, in 2016 Indonesia experienced direct conflict with China north of the Natuna Islands in Indonesia's EEZ.

### **C. INDONESIA'S CHINA POLICY AFTER 2009**

Indonesia increasingly balanced against China after 2009, following Beijing's forceful actions in the South China Sea. After witnessing and experiencing China's assertiveness, Indonesia shifted its policy from solely returns-maximizing to one that included elements of risk-contingency. In other words, Indonesia's policy began to lean slightly toward balancing. Although diplomatic engagement and economic activities between both countries intensified, Indonesia's risk-contingency policy revived and progressively developed. Jakarta was increasingly determined to bring the South China Sea issue to the regional level, against China's intention to deal bilaterally with each country. Jakarta was also keen to develop its military capability as a form of indirect balancing against China.

Indonesia's more dynamic foreign policy under the Yudhoyono administration led to Jakarta's active role in encouraging a resolution to the South China Sea dispute. The introduction of the million friends-zero enemy policy significantly contributed to determining the direction of Indonesia's China policy. Indonesia initiated an all-directions foreign policy in order to reach dynamic equilibrium in the region. On the issue of the South China Sea, Indonesia chose to be the middle force that coordinated ASEAN countries that have overlapping interests in these waters. Indonesia aimed to ease the growing regional tension by attempting to bind the four ASEAN countries that were also the South China Sea claimants, in a commitment to the ASEAN Six-Point Principles. This brought the issue to the table of regional discussion, which could also be recognized as Indonesia's dominance denial endeavor against China. This initiative went against the Chinese strategy that intended to engage the claimant states bilaterally.<sup>229</sup> Even though China recognized that the initiative mostly came from Indonesia, it did not necessarily create an atmosphere of hostility between Indonesia and China. The million friends-zero enemy policy also succeed in encouraging intense high-level contacts, which simultaneously benefited bilateral political and economic relations. In managing the risk

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<sup>229</sup> Thayer, "ASEAN, China and the Code of Conduct in the South China Sea," 75.

contingency options, Indonesia increased its defense expenditure to build its military capability as a part of the indirect balancing scenario.

A stronger indirect balancing strategy characterized Indonesia's policy on China under the Jokowi administration. Initially, recognizing the potential and benefits of the bilateral economic relations, Jokowi's administration moved closer to China and sought opportunities to build deeper economic cooperation. The synergy between the GMF and the BRI brought Indonesia-China economic ties to the next level. The quality of diplomatic relations was getting better. Despite these close relations, Indonesia engaged in direct skirmishes with China in 2016, which stimulated the growth of Indonesia's risk-contingency strategy. Furthermore, Indonesia's indirect balancing policy, which emerged during the previous administration, became stronger after the conflicts. The pressure to take the hard course rose from military leadership and the Ministry of Maritime Affairs and Fisheries,<sup>230</sup> but some were still reluctant, such as the elites from the Ministry of Foreign Affairs who encouraged Jakarta not to overreact.<sup>231</sup> Indonesia's balancing tendency could be recognized from its continuous military building, including the development of the military base in Natuna. At the same time, Indonesia's arms order from China decreased drastically, and Jakarta made no order in 2017, the year after the skirmishes occurred. Jakarta also tried to send a strong message by increasing its military activity in Natuna's waters. Moreover, Indonesia's defense ties with the United States were well-maintained by the increasing communication between defense leaders and expanding pragmatic defense cooperation such as joint exercises, military training and education, and defense funding. Nevertheless, Indonesia executed these balancing policies without sacrificing its bilateral relations with China. Jakarta has increased its risk-contingency option while still pursuing economic pragmatism and diplomatic engagements.

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<sup>230</sup> Devina Heriyanto, "Q&A: Illegal Fishing in Natuna and the South China Sea Dispute," *The Jakarta Post*, April 15, 2016, <https://www.thejakartapost.com/academia/2016/04/15/qa-illegal-fishing-in-natuna-and-the-south-china-sea-dispute.html>.

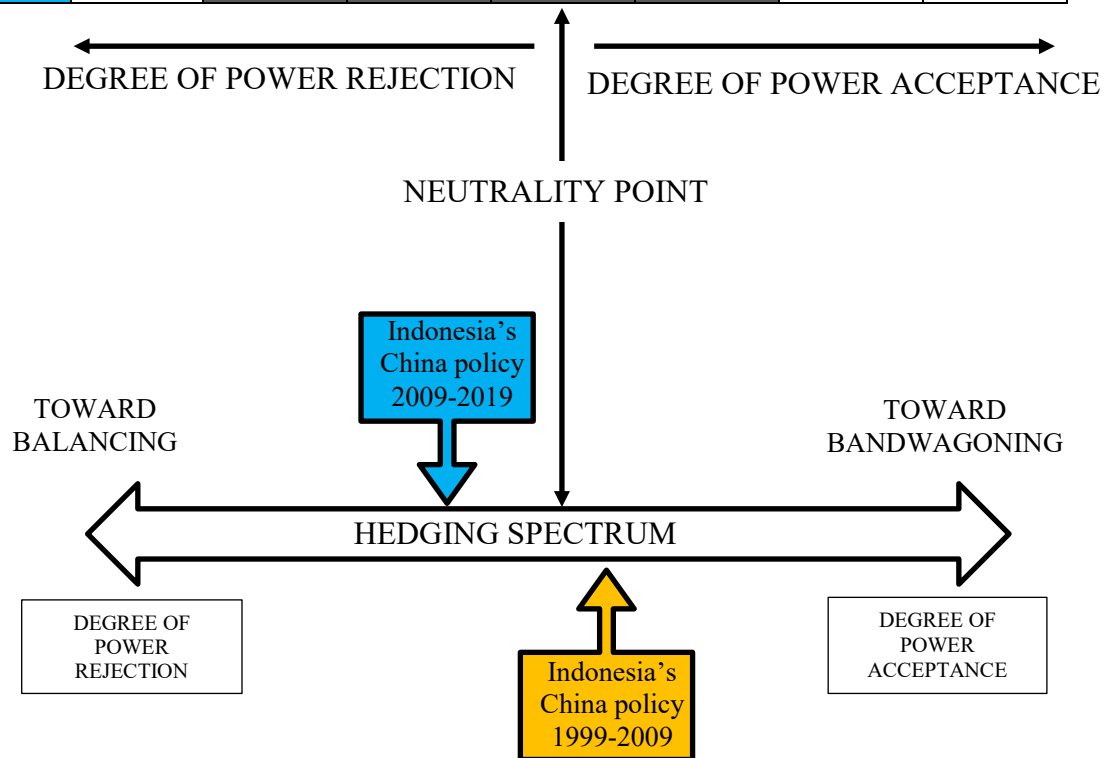
<sup>231</sup> Heriyanto.

#### **D. CONCLUSION**

After applying Kuik's framework to assess and differentiate Indonesia's China policy during the decades before and after 2009, the research has shown that Indonesia shifted its China policy since 2009, when China began to conduct assertive actions to advance its claim over the South China Sea (Figure 5). Beijing's actions stimulated the emergence and growth of the Indonesian elites' perception of China as a threat, as well as a change in policy. After 2009, Indonesia's degree of power rejection vis-à-vis China was increasingly greater than its power acceptance. It showed a growing tendency to balance against China by intensifying its risk-contingency policy. Thus, Indonesia's China policy slightly shifted in the direction of balancing.

Table 10. Indonesia's Hedging Stance toward China

| Indonesian<br>Policy<br>Toward<br>China | Balancing<br>Strategy<br><br>(Pure<br>form) | HEDGING STRATEGY         |                     |                                            |                           |                           | Band-<br>wagoning<br>Strategy<br>(Pure form) |
|-----------------------------------------|---------------------------------------------|--------------------------|---------------------|--------------------------------------------|---------------------------|---------------------------|----------------------------------------------|
|                                         |                                             | Risk-Contingency Options |                     |                                            | Return-Maximizing Options |                           |                                              |
|                                         |                                             | Indirect<br>Balancing    | Dominance<br>Denial | Economic<br>Pragmatism/<br>Diversification | Binding-<br>Engagement    | Limited Band-<br>wagoning |                                              |
| Gus Dur                                 |                                             |                          |                     |                                            |                           |                           |                                              |
| Megawati                                |                                             |                          |                     |                                            |                           |                           |                                              |
| Yudhoyono 1                             |                                             |                          |                     |                                            |                           |                           |                                              |
| Yudhoyono 2                             |                                             |                          |                     |                                            |                           |                           |                                              |
| Jokowi                                  |                                             |                          |                     |                                            |                           |                           |                                              |



Indonesia will likely to continue to hedge with China and the other big power countries. Indonesia's adoption of the hedging strategy toward China arises from its long-term security dilemma against the benefit of economic pragmatism and binding diplomatic engagement associated with China's rise. As long as the strategic environments and domestic circumstances allow, Indonesia's maneuver in modifying its China policy will

stay between the two dichotomizing options, balancing and bandwagoning, although the balance will tend to be dynamic along the hedging spectrum. Given that recently China are increasingly accepting the acceleration of the conclusion of the COC recently, Indonesia's China policy might shift again.

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