

“The Dragon Looks South: China and Southeast Asia in the New Century” - The Indonesian Perspective

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Mr. Bronson Percival began with a brief overview of his book, *The Dragon Looks South: China and Southeast Asia in the New Century*, before delving into the Indonesian perspective on China’s rise. Previous studies on this subject have generally been done by Chinese specialists. He’s not one of those, Mr. Percival said, but he does know Southeast Asia.

The Chinese premier once recently described China as a “friendly elephant.” But how did the perception of China make this change from a threat to a partner? China’s strategy has changed to a wider effort to build stability around its periphery. The policy shift occurred in 1997 when China became a consistent supporter of the Southeast Asian status quo. In 2001 Beijing ended its direct criticism of US policy in the region, which was a necessary step in China’s policy of stability-building.

Most of the priorities of the region’s states are political stability and economic development. China has learned to parrot the language of ASEAN in its rhetoric. It is important to note that there are two different regions in Southeast Asia with two different Chinese policies: mainland and maritime.

Mainland Southeast Asia is China’s backyard, and there is a long history of trading and intervening. Burma, Cambodia, Laos and Vietnam are poor and authoritative countries, but they are also stable, friendly regimes to China. Maritime Southeast Asia is relatively wealthy with democratic governments. China

does not have a history of playing a major political and economic role. China’s role here is one based on trade. As it is, Indonesia sees itself as a leader of this region.

Trade between the U.S., China and Japan with Southeast Asia is roughly similar, with China’s trade increasing. A lot of the trade between China and the region is often double counted, so it is difficult to pinpoint a precise percentage of trade, and the value is probably exaggerated. Data suggests that about 80% of China’s trade is with maritime Southeast Asia, but this number isn’t broken down among Southeast Asia, China and Hong Kong. China’s investments flow to maritime Southeast Asia is minuscule, except in Burma, Laos and Cambodia. About 40% of China’s imported energy comes from the region.

What about the claim of Chinese “soft power”, of a “charm offensive?” It’s an inaccurate claim as China’s soft power is limited and often exaggerated, and limited to the following groups:

- National elites
- Ethnic Chinese (of which make up only 5% of the population in Southeast Asia)
- Mainland Southeast Asians, except the Vietnamese and Burmese, who have particular histories that dominate their relations with China.

There is no strong argument that China’s soft power has much influence with Muslims or democratic countries. China’s policy of non-interference is an attractive policy though. The tendency is to put contentious issues on the shelf

and for the Chinese to “parrot” the language of ASEAN. For its part, ASEAN is pursuing a “Gulliver strategy” of enmeshing China in a web of benign relationships that limit the potential for bad behavior.

China is almost in ASEAN, which undermines ASEAN’s cohesiveness. There was work done between China and ASEAN, like the avian flu response. But China has had little role in other transboundary issues. There was little reaction from China in response to the 2004 Indian Ocean tsunami, and little done has been with counterterrorism efforts.

What about powers outside the region? There is the assumption that the bilateral relationships are ultimately a zero-sum. But there is nothing to support this in Southeast Asia. There is tension between the actors, but it’s difficult to find the examples of an “either/or” scenario. The four external powers in Southeast Asia are the U.S., China, Japan and India, and maybe to an extent Australia. These four powers have different goals in different parts of Southeast Asia. Overall there is a “complicated dance” in great power relationships in Southeast Asia, but the “music and form” are distinctly Southeast Asian.

The conflicts between the U.S. and China are not due to security. China is incapable of militarily challenging the U.S. Economic competition between the two is not yet a concern in the region. Thus far, Chinese competition has yet to reduce the U.S. stake in Southeast Asia.

The Indonesia-China Relationship

The Indonesian-Chinese relationship is determined by Indonesian domestic politics. Diplomatic relations between the two countries were severed in 1967 through 1990. After 1998, Indonesia was “most persistently ambivalent” towards China. China wasn’t a high priority and there weren’t many China specialists in Indonesia.

As it is, Indonesia sees itself as “first among equals” in Southeast Asia. Jakarta was late to get into China-ASEAN trade, but it doesn’t want to

miss out on Chinese FDI. In the long run, Indonesia is going to be a focus of energy security.

In diplomatic matters, Indonesia can use China as a “soft balance” against the U.S., giving Jakarta more maneuvering capability. China began courting Indonesia in 2000, culminating in the Strategic Partnership Agreement in April 2005. Indonesia adheres to the One China policy, but it is the least amenable of the Southeast Asian countries to Chinese pressure on Taiwan.

Indonesia also opposed the Malaysia-Chinese effort to set rules for inviting delegates to the first East Asia summit, where the foreign ministry (Deplu) insisted on balancing China with the inclusion of Australia, New Zealand and India. There are also obvious differences in policy approaches toward Burma (Myanmar).

Economics is at the heart of the Indonesian-Chinese relationship. There was \$17 billion in trade between the two in 2005. The problem is that Indonesia is an exporter of raw materials and imports machinery, electronics and household goods. The Chinese are taking a large cut out of Indonesian domestic industry like footwear and textiles.

Overseas Development Assistance from China to Indonesia is small, and a substantial amount is in the form of loans, primarily for infrastructure. It’s difficult to get an accurate number, but the amount ranges from \$0.5 billion to \$2 billion. There is an often a lot of press about Chinese investment, but it is difficult to know how many ventures have materialized. Chinese investment in Indonesia is not more than \$3 billion. Indonesia is also important to China because it sits astride the maritime choke points, and Chinese leaders worry about energy security. The promotion of Chinese language and culture in Indonesia has been encouraged by Beijing, although apparently not with a great flow of resources.

Discussion

Q: What are the institutions? Is there a regional architectural framework that is a vehicle for advancing China's influence?

A: Any time the U.S. is not involved, it's advantageous to China, but there are U.S. allies in the regional organizations, including Japan and Australia. It is probably worth the effort for the U.S. to participate in the East Asian Summit. Should the U.S. signal to agree to sign the Treaty of Amity and Cooperation? There appears to be little cost, so why not?

Q: Was Taiwan recognized during the period of severed diplomatic relations?

A: No. There is little or no political content in Indonesian-Taiwan relations that mainly consist of trade.

Q: With the deterioration of Sino-Vietnamese relations, have you seen a different Chinese strategy on maritime disputes with Vietnam and ASEAN?

A: The seismic research agreement between China, Vietnam and the Philippines is seen as positive. I haven't seen anything that indicates a shift. The current maritime contentions are bilateral in nature and do not necessarily represent a policy shift on China's part.

Q: Regarding U.S. soft power in the area. Are there any countries in Southeast Asia, excluding Burma, Cambodia and Laos, that would prefer Chinese hegemony to the U.S.?

A: It's no longer seen in this way, a view of "either/or." Countries can pick and choose aspects of the four countries involved in the region. But of these, the U.S. is the least distrusted external power.

Q: Can you comment briefly on four aspects of the Chinese relationship with Southeast Asia: economic, cultural (such as the Confucius Institutes to teach Chinese), military, and the War on Terror?

A: China is increasing its FDI in the region, but this is still small in comparison to other investment flows. There are statements of new investments, but these are incredibly vague and there is evidently little action.

With regard to the cultural aspect, the Confucius Institutes have garnered a lot of press, but the worldwide budget for these institutions is \$20 million. They usually hire local ethnic Chinese to teach. The University of Indonesia has a Sinology department. The Chinese cultural influence is there, but there's not a lot of it.

The Chinese do offer military hardware, and can provide an alternative to the U.S., but Chinese success in selling arms to Southeast Asia is unimpressive. Indonesia recently bought supplies from Russia, and recently concluded a \$1 billion loan agreement for arms purchases. If the Southeast Asian militaries have a choice, they'll likely go elsewhere than China

The U.S. discussed terrorism at the Bangkok APEC Summit, and China talked about trade. The Summit did bring up U.S. security interests in Asia.

Q: Chinese soft power is coming at a time when U.S. has closed several consulates, reduced bilateral assistance and reduced its public diplomacy effort. Is the perceived Chinese success due to the perceived U.S. inadequacies? And on energy, if pipelines are constructed through Burma, how will that affect Chinese-Indonesian relations?

A: Soft power refers to everything but military force. It's become a mantra, but what is it? My examples are diplomacy and networking. Chinese, U.S., and Japan's soft power are different and I get nervous trying to compare them. We've done miserably with public diplomacy in Southeast Asia. American policy in the Middle East has very little to do with the U.S. presence in Southeast Asia, but the Middle East policy is disliked in Indonesia and elsewhere in the region. I'm not sure it would make a dent with a higher budget and more consulates.

Regarding energy, China wants to develop its southwest provinces and one way to do this is by building infrastructure that runs through mainland Southeast Asia. One project is an oil pipeline through southern Thailand, but this is now out of the question with the unrest there. But this infrastructure idea has been around for hundreds of years. The second pipeline project is a gas pipeline that would run through Burma. This wouldn't be as difficult as an oil pipeline and would be less controversial, but the Chinese feel nervous about the cost and what Burma would want in exchange.

Q: China and Japan play a zero-sum game. Where do they fit in?

A: The Japanese are “getting slaughtered” in the region. They haven't done anything right since 1995, according to one Singaporean diplomat. They've stovepiped EPAs (expanded economic and trade relations agreements) and are trying to follow the Chinese example, but one or two years later. Japan has huge resources, and all want the Japanese influence, but Japan is not successfully promoting its interests.