



INDONESIA: BALANCING THE UNITED STATES AND CHINA, AIMING FOR INDEPENDENCE

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November 2015

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Acknowledgments

This paper is part of a wider research and outreach project on emerging US security partnerships in South-East Asia supported by a grant from the John D. and Catherine T. MacArthur Foundation.

The authors would like to thank the Center for Strategic and International Studies Jakarta for their assistance in organising an expert workshop to review and critique an earlier version of this study in May 2015. The authors would also like to thank the John D. and Catherine T. MacArthur Foundation for its generous support, and the United States Studies Centre at the University of Sydney for leading and organising the project on Emerging US Security Partnerships in South-East Asia.

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Executive summary

- **Indonesia maintains a strong commitment to the foundational principle that the country should adopt a “free and active” foreign policy. This commitment means that Indonesia will not enter into a formal alliance, but will actively pursue enhanced bilateral ties with both the United States and China.**
 - **Since independence, Indonesia has maintained a relatively cooperative and mutually supportive relationship with the United States. The current security partnership is limited by Indonesia’s current operating and strategic capacities, and a desire to maintain a diverse range of cooperative relationships.**
 - **Indonesia’s relationship with China has been subject to sharp shifts, and while Indonesia seeks to benefit from closer economic relations with an economically rising China, the rise also underscores a persistent wariness in Indonesia that is likely to remain a limiting factor in the bilateral relationship.**
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A country on the rise, Indonesia upholds a flexible foreign policy that allows it to productively engage with both the United States and China. Indonesian strategic thinking is dominated by the rise of China, the response to that rise, and how the rise will affect regional security architecture. Though Indonesia shares, and has historically shared, positive ties with the United States, Indonesia will avoid entering into an alliance and will continue to enmesh with both the United States and China. Indonesia places great importance on strong regional infrastructure, with ASEAN at the core, to maintain regional stability and to facilitate cooperation. By cementing regional institutions, Indonesia hopes to “engage and constrain” both China and the United States, especially in the face of increased Chinese assertiveness from 2010 onwards.

In a recent visit to the United States, Joko Widodo and Barack Obama committed to establishing a Strategic Partnership as well as an annual ministerial strategic dialogue — the next steps in the positive relationship between these two countries. Members of the Indonesian foreign policy community mostly view the United States as a fundamentally benign and trustworthy power, whereas Sino–Indonesian ties are tethered by an inherent wariness of Chinese intentions.

Indonesia will continue to enjoy its middle-power status and largely benign external strategic environment. Time will tell if the changing South-East Asian security environment will deliver Indonesia, as Jokowi describes, “big country” status.

This report may be cited as:

Natasha Hamilton-Hart and Dave McRae, “Indonesia: Balancing the United States and China, Aiming for Independence,” United States Studies Centre at the University of Sydney, November 2015.

Introduction

Indonesia's starting point in its relations with the United States and China is a "free and active" foreign policy, under which Indonesia avoids alliances with major powers and aims to play a constructive, pro-active role in international affairs.

In practice, Indonesia has had closer foreign policy relations with the United States than with China over a long period. At present, however, the calibration of Indonesia's ties with these two major powers is under renewed scrutiny, owing to the increased emphasis under the government of new president Joko Widodo on developing ties with China.

Against this background, this study provides an assessment of Indonesia's relations with the United States and China, with a particular focus on security-

related ties. After describing Indonesia's strategic context, the study assesses Indonesia's ties with China and the United States, showing that while China has become more important as an economic partner, the relationship with the United States is more substantive on security issues. We then examine how Indonesia has balanced ties with each nation and conclude with a discussion of the foreign policy changes unfolding under Jokowi.



Image: Rainer Lesniewski

1. The strategic context of Indonesia

Indonesia faces a largely benign, if worsening, external strategic environment.¹ Defence planners assessed the risk of an invasion or military aggression towards Indonesia to be small in each of the country's two most recent defence white papers, in 2008 and 2003.² That assessment is unaltered by the key emerging strategic risk Indonesia faces, namely increasing competition in South-East Asia between China and the United States. The absence of a direct threat helps explain Indonesia's decision not to invest heavily over the past decade to increase its limited defence capabilities. It also reduces Indonesia's incentive to significantly deepen security partnerships with other states. Indeed, its relatively benign strategic environment has made seeking international influence with limited capabilities a viable strategy for the Indonesian government, both to its domestic political audience³ and in security terms.⁴ In fact, new president Joko Widodo — also known as "Jokowi" — presents Asia's changing strategic environment to a domestic audience as an opportunity, saying during his election campaign that the global political and economic shift to Asia was Indonesia's chance to become a "big country."

Sukma identifies three main external challenges to Indonesia's security: growing rivalry between China and the United States, the South China Sea conflict, and territorial disputes with neighbouring countries. Of these, territorial disputes pose the least problem.⁵ Although Indonesia acknowledges unresolved sections of its maritime border with ten countries, and also has unresolved sections of land border with three of these countries⁶, the security threat posed by these border sections has been negligible. For at least the past decade, there have been no serious military confrontations over these border sections, nor has Indonesia been coerced into ceding territory. Sukma also cites the challenge of securing Indonesia's borders, noting the entry without permission of a US air force transport plane into Indonesian airspace in 2011.⁷ Similarly, Australian navy and customs vessels made six unauthorised entries into Indonesian waters in 2013 and 2014.⁸ In the near term, Indonesia is unlikely to have the capacity to forcibly prevent such entries.

Indonesia does have an additional maritime boundary dispute outside of these cases, caused by an overlap

between its Exclusive Economic Zone (EEZ) and China's nine-dashed line in the South China Sea. It is official Indonesian policy not to acknowledge this dispute; hence Indonesia is not generally considered to be one of the four South-East Asian South China Sea claimants. Although unacknowledged, this overlap has resulted in several incidents in which Chinese maritime security vessels have successfully demanded the return of detained Chinese fishermen from Indonesian patrol vessels within Indonesia's EEZ.⁹ Since the most recent of these incidents, Indonesia has started to increase its force deployment to the nearby Riau Islands. Indonesia's military commander General Moeldoko, retired as of July 2015, highlighted China's overlapping claim in an opinion piece in the *Wall Street Journal* in 2014, calling the claim the source of Indonesian "dismay."¹⁰ Moeldoko called on China and the United States to cooperate to maintain peace in the South China Sea, warning each power that their conduct in the dispute would shape regional perceptions of them.

Moeldoko's piece shows that the South China Sea is bound up in the third challenge that Sukma highlights, namely the "emerging reality" of US–China rivalry in South-East Asia. Beyond this rivalry's potential impacts on regional stability, Sukma sees a threat in its potential to polarise South-East Asia, thereby compromising "ASEAN's role as a 'manager of regional order'," a role that Indonesia strongly supports.¹¹ For Indonesia, at least the appearance of ASEAN unity is important, because of the way Indonesia uses ASEAN-centred forums as platforms for a broader regional and global role.¹² The importance of ASEAN unity to Indonesia famously saw then foreign minister Marty Natalegawa engage in shuttle diplomacy to obtain a joint statement from ASEAN countries on the South China Sea after the issue had left the Phnom Penh ASEAN summit deadlocked without a concluding statement in 2012. Nevertheless, a US–China conflict scenario that would force states to choose sides is much more likely in north-east Asia than in South-East Asia, where the likelihood of a serious military clash is lower.¹³

Indonesia's stance on US–China rivalry is a preference for no one preponderant power in South-East Asia, expressed through the concept of "dynamic equilibrium." This preference is consistent with

the core Indonesian principle of a “free and active” foreign policy, under which Indonesia cannot enter into alliances with major powers and aims to play a constructive pro-active role in international affairs. This position notwithstanding, a senior Indonesian foreign affairs official remarked in 2013 that Indonesia knows Pax Americana and has no complaints about it.¹⁴ Indeed, as the following pages demonstrate, although Indonesia remains formally non-aligned, its foreign policy community as a whole is much warier of China than the United States.

Indonesian leaders describe the geo-strategic shift to Asia that US–China rivalry reflects as an opportunity for Indonesia. This shift represents Jokowi’s government’s core foreign policy ambition to establish Indonesia as a “global maritime fulcrum” and rests on the increasing importance to global commerce of maritime traffic through Indonesia between the Pacific and Indian oceans. Cook also sees a “wealth of opportunities” for South-East Asian states in increasing major power attention to the region.¹⁵ With no need for South-East Asian States to side exclusively with the United States, China, India, or Japan, he argues states have the opportunity to increase access to major power markets and obtain a range of goods from any combination of these powers.

Indonesia’s foreign policy decision makers

Through four constitutional amendments between 1999 and 2002, Indonesia has adopted a presidential system of government, with the president nominated by political parties but directly elected for a maximum of two five-year terms. Either the president or the 560 member legislature (DPR) may propose legislation, which must then be jointly agreed upon to be enacted. The president must also obtain the agreement of the DPR to conclude international treaties. The minister for foreign affairs is one of three ministers mentioned in the constitution.

Muhammad Hadianto Wirajuda, son of former Indonesian foreign minister Hassan Wirajuda, provides an overview of the foreign policy actors in democratic

Indonesia.¹⁶ He describes the president and the foreign minister and foreign ministry, also known as “Kemlu” for short in Bahasa Indonesian, as the key policy actors, because of their authority to make decisions and the ministry’s technical expertise. The relative roles of these two actors has varied according to the priorities of each president: Megawati Sukarnoputri largely delegated foreign policy to Wirajuda’s father as foreign minister, whereas Susilo Bambang Yudhoyono formed his own special staff office to increase his autonomy from the ministry.¹⁷ Current president Jokowi is not expected to play a dominant role in foreign policy owing to his inexperience.

Beyond these decision makers, Wirajuda continues, a range of other actors vie for influence. The DPR is influential because of its constitutional mandate to provide oversight to the government, agree to treaties, and screen ambassadorial appointments. Whereas Wirajuda sees a quite limited role for the DPR in international affairs, Rüland concludes that the DPR has pushed the government towards a more nationalist and self-interested foreign policy.¹⁸ He cites a range of treaties that the DPR has either refused to ratify or delayed for years, including the ASEAN Charter (delayed and ratified with addendum), ASEAN transnational haze pollution agreement (rejected six years after the government signed), and the Indonesia–Singapore Defence Cooperation Agreement (rejected).¹⁹

Specific advisors may be influential under different presidents, based on personal connections. Wirajuda cites Dino Patti Djalal as particularly influential under Yudhoyono; Rizal Sukma (executive director of the Center for Strategic and International Studies in Jakarta;

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proposed by government in 2015 as Indonesian ambassador to the United Kingdom) and Luhut Panjaitan (formerly the president's chief of staff; since August 2015 coordinating minister for political, legal, and security affairs) are widely considered as influential advisors to Jokowi.²⁰ Wirajuda also credits Sukma with providing, from outside of government, the initial idea for the ASEAN Political Security Community.²¹

Other state agencies may have competing agendas to the president or the ministry of foreign affairs. A clear example is the military. In early 2014, for example,

then armed forces commander Moeldoko contradicted the government's position of rejecting Australia's practice of towing back asylum seeker boats, saying Australia's defence force chief had contacted him directly and he considered the

policy "reasonable."²² Moeldoko's *Wall Street Journal* opinion piece on the South China Sea also sparked debate among observers as to whether it contradicted government policy.

It remains to be seen whether Moeldoko's successor, General Gatot Nurmantyo, will also publicly outline policy positions at odds with the government. Another visible example is capital punishment, where pro-abolitionist statements made by the foreign minister in 2012 were directly contradicted by the coordinating minister for political, legal, and security affairs during the same press conference.

Public pressure can also affect Indonesian foreign policy on specific issues. A clear example is the Indonesian government's emphasis since 2011 on protecting its citizens from the death penalty abroad. Indonesia scaled up its advocacy after public outcry at the government's perceived inaction in assisting a female domestic worker who was executed in Saudi Arabia in 2011. Since then, the government has frequently announced tallies of Indonesians it claims to have saved from the death penalty. More generally,

public expectation for a strong Indonesia able to exert broad influence in international affairs was one of the factors that pushed both the Yudhoyono and Jokowi governments to adopt an active foreign policy stance. Democratic governments must respond to such pressure, which, in any case, dovetails with ambitions within the foreign policy community for a broader role. Indonesia's limited resources to prosecute this agenda have seen it adopt a "power of ideas" approach to the more expansive elements of its foreign policy agenda, however, such as its desire to influence conflict situations in Palestine and Syria.²³

Indonesia's outward looking focus of the past decade has also been enabled by improvements in domestic security. With the exception of Aceh, the large-scale conflicts that accompanied Indonesia's democratic transition in 1998 had halted or diminished by 2002. At their height, these simultaneous security crises left Indonesia with a shortage of troops to deploy.²⁴ Although the situation had improved, upon coming to power in 2004 then-president Susilo Bambang Yudhoyono nevertheless faced multiple security challenges. Uppermost was the seemingly intractable and hugely costly ethno-nationalist civil war in Aceh. Also important was the lower-intensity ethno-nationalist violence in Papua. A third priority was to terminate sporadic inter-religious violence in Poso and Maluku, in eastern Indonesia, that had persisted after larger-scale conflicts in each area diminished. On top of these conflicts, Yudhoyono also faced the task of overcoming jihadi terrorist networks, which were responsible for at least one large-scale national bombing attack each year between 2000 and 2005, and were also intertwined in the violence in Maluku and Poso.

Yudhoyono took no effective action on Papua, but he addressed each of the other security challenges within his first term in government. Latterly, Poso has suffered further sporadic violence as jihadi networks have partially regenerated there. The Syria conflict has also re-energised jihadi networks more broadly across Indonesia, raising concerns that returnees from combat in Syria could restore some of the diminished capacity of these networks to conduct large-scale terror attacks.²⁵

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Military capabilities

Although domestic security has improved markedly, Indonesia's security forces still have limited ability to defend Indonesia's territory, let alone to project force. According to Sebastian and Gindarsah:

Both scholars and military officers are in general agreement that the TNI's force structure is far below the "minimum essential force" requirements necessary to "defend state sovereignty and maintain territorial integrity," especially in its Exclusive Economic Zones and Indonesia's Archipelagic Sea lanes.²⁶

Partly due to funding problems, the military had been allowed to run down to very low levels of force readiness prior to enacting this minimum essential force concept. Defence experts also judge that Indonesia will fail to fund the minimum essential force-modernisation agenda. Yudhoyono set a defence spending target of 1.5 per cent of GDP, but expenditure remained below 1 per cent throughout his administration. Jokowi did not increase defence spending significantly in his amended 2015 budget. He proposed a 6 per cent cut in real terms to defence spending in the draft 2016 budget, although this cut remains under debate. By contrast, Schreer cites private estimates by TNI officials that Indonesia would need to spend at least 2 per cent of GDP on defence to meet the minimum essential force goals.²⁷

Although Indonesian defence spending levels are comparatively low, absolute spending levels are not the only obstacle the TNI faces in increasing its capabilities.²⁸ Defence experts also highlight questionable procurement and outdated strategic doctrine that means Indonesia does not maximise capability gains from its spending.²⁹

Part of the problem is inadequate civilian oversight, stemming from incomplete military reform. Although the military ceded its roles in politics and the bureaucracy after 1998, it retains control of the Ministry of Defence and has maintained its territorial command structure, whereby a proportion of forces are deployed in commands roughly parallel to the civilian administration structure, down to the subdistrict level.³⁰ Honna interprets these incomplete military

reforms as reflecting a grand bargain between civilian and military leaders, whereby "civilian leaders respect [the military's] institutional autonomy and overlook its lack of accountability" in return for the military's disengagement from politics.³¹ Without adequate civilian oversight, the military has continued to pressure for a role in domestic security matters, particularly in counter-terrorism — which is handled almost exclusively by the police — but also in Indonesia's anti-narcotics efforts, in securing local transportation hubs³², and providing military personnel to serve as supplementary prison wardens.³³

In short, Indonesia is likely to continue to possess only limited military capabilities in the short term. The Jokowi government's maritime fulcrum concept, may spur greater efforts to upgrade Indonesia's naval capacity. To succeed, however, such efforts would need to overcome the considerable obstacles outlined above.

2. Indonesia's relations with China

Indonesia's relationship with China has been subject to sharp shifts. In the early years of Indonesia's independence, links with China were important and Indonesia played a pivotal role in China's emergence as a third world country at the Bandung Conference in 1955.³⁴ As Indonesia's relationship with the United States worsened from the late 1950s, Indonesia's President Sukarno declared an "anti-imperialist axis" that included Peking in 1965.³⁵ Sukarno was toppled by the military and other anti-communist groups in 1966 and the successor New Order regime was quick to associate Indonesia's communist movement with China, and to accuse the Chinese of interference in Indonesia.³⁶ Those accused of an association with communism were either killed or imprisoned, and the new government severed diplomatic relations with China in 1967. The foreign policy elite in Indonesia still draws upon a deeply biased history of Chinese "interference" in generating beliefs about China as a foreign policy actor.³⁷ Coupled with popular resentment of Indonesia's ethnic Chinese minority, this creates a reservoir of anti-Chinese sentiment that at times affects the bilateral relationship, although much less so now than in the 1990s and earlier.

Diplomatic and military-to-military relations

The New Order's obsessive anti-communism meant that diplomatic ties with China were not restored until 1990.³⁸ The relationship gained momentum after the installation of President Abdurrahman Wahid at the end of 1999, when the Indonesian side declared a desire for elevated ties. In 2002, Megawati visited China, accompanied by a large Indonesian business delegation. A major step came in 2005, with the conclusion of a Strategic Partnership agreement, launched during a presidential visit by Hu Jintao to Indonesia. A meeting to develop a Plan of Action to develop the Partnership appears to have occurred in 2010.³⁹ In October 2013, the agreement was upgraded to a Comprehensive Strategic Partnership, with commitments to cooperate across a broad range of functional fields, from education to military activities.⁴⁰ An influential member of the foreign policy elite views the 2005 partnership

as "the basis for what is fundamentally a stable and mutually beneficial relationship."⁴¹ However, it remains one where substantive cooperation has lagged official declarations of intent.

Military links between the two countries developed from around 2000. Indonesian military delegations went to China in 2000 and 2001, organised by the ambassador in Beijing, a retired army general.⁴² In 2002, then defence minister, Matori Abdul Djilil asserted that Indonesia would broaden its military links with a wider range of countries, including China. A Defence Consultation Forum was agreed to in 2007 and high-level meetings of military and defence officials have increased since. Then Indonesian defence minister Purnomo Yusgiantoro met with counterpart Chang Wanquan in December 2013 in Jakarta in an explicit follow-up to the presidential announcement that the Comprehensive Partnership would include increased defence cooperation.⁴³

In 2011, the first joint exercises between the Indonesian army special forces, Kopassus, and PLA counterparts were held in Bandung, marking the start of a series of operational military-to-military contacts. Known as Sharp Knife 2011, the exercises took place over nearly a two-week time period and encompassed a range of anti-terrorism drills.⁴⁴ This exercise appears to be taking place on an annual basis, with Sharp Knife 2012 held in Shandong Province, led at the major general level on both sides.⁴⁵ In 2013, Sharp Knife Airborne expanded to include the Indonesian Air Force special forces and the PLA Air Force, in a week-long exercise involving about 200 personnel.⁴⁶ The two air forces repeated the exercise again in 2014, this time in China.⁴⁷

Military exercises have since expanded to include other air force units and the two countries' navies. At the end of 2013, Indonesia's defence minister announced that Indonesian and Chinese naval personnel would hold a joint exercise in the South China Sea and also that the Indonesian Air Force planned to send pilots to attend an aviation course in Beijing, to make use of simulator training for the Sukhoi 27 and Sukhoi 30 aircraft.⁴⁸ In February 2014, Indonesia's military chief Moeldoko, made a high profile visit to China and affirmed he expected increased military-to military contacts,

asserting Indonesia was ready to cooperate with “any country, including China, to maintain stability in the region.” According to the news reports at the time, Indonesia had invited China to take part in the major multinational Komodo exercise to be held in March in the South China Sea waters of Indonesia’s Natuna islands.⁴⁹ The PLA Navy sent an amphibious dock landing ship, two helicopters, one medical detachment, and one engineer detachment to the “humanitarian disaster relief” exercise that also involved the other ASEAN countries, Russia, South Korea, Japan, India, and the United States.⁵⁰

Following a 2011 agreement to pursue defence industrial cooperation, China and Indonesia were reported to be holding talks on local production of anti-ship missiles, the C-705, as part of the first substantive bilateral defence industry cooperation meeting in July 2012.⁵¹ Moves to increase defence industry cooperation and procure equipment from Chinese sources reflect an Indonesian desire to diversify sources of weapons and other military equipment after the US embargo in the 1990s. The diversification program has seen Indonesia now rely on a broad range of countries for its military supplies, with Chinese sources accounting for only 1 per cent of weapons systems.⁵²

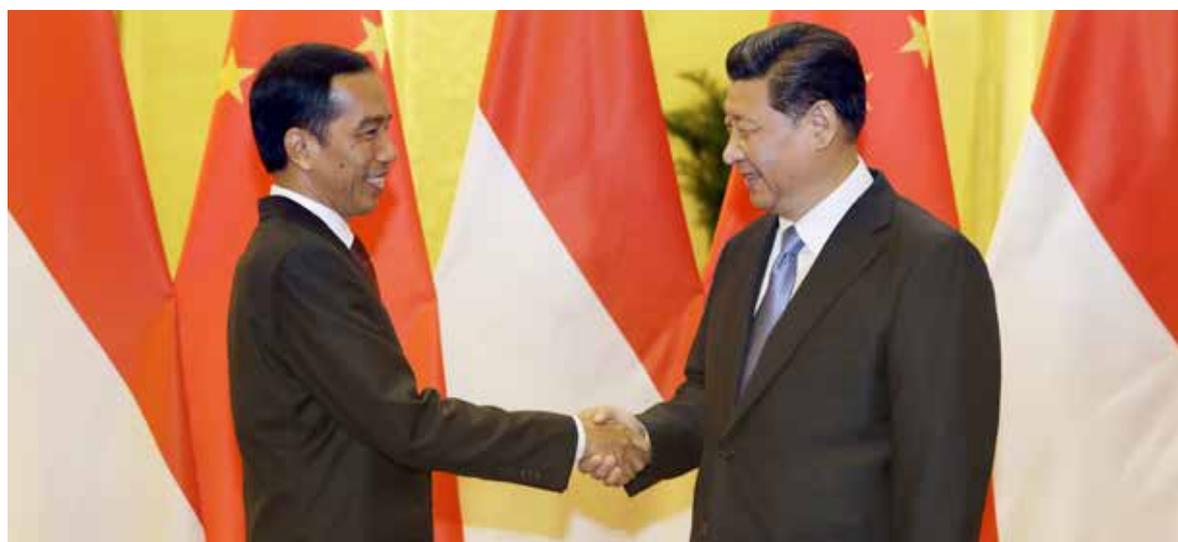
Indonesia allowed the passage of Chinese naval vessels through Indonesian waters near Australia in February 2014. The Chinese vessels, including submarines

and helicopter carriers, were returning to China from anti-piracy training in the Gulf of Aden.⁵³ A Chinese naval presence in Indonesian waters again occurred following the Air Asia civilian flight disappearance in late December 2014.⁵⁴

Overall, bilateral military cooperation has increased, but from a very low base. The almost complete absence of defence cooperation between China and Indonesia at the time the Strategic Partnership was launched in 2005 was anomalous in view of China’s extensive bilateral exchanges, military visits, and joint exercises with a wide range of other countries.⁵⁵

Economic relations

China’s economic growth has led to a rapid escalation of trade and investment links with Indonesia. Tables 1 and 2 capture the changing structure of the economic relationship. As late as 2006, the United States was still a larger export market for Indonesian goods than China and Hong Kong combined. In 2009, as a result of the US financial crisis and economic slump, China became Indonesia’s most important market even without including exports to Hong Kong. Since then, even though exports to the United States have picked up, the rate of growth in exports to China has outpaced growth in exports to the United States. China’s exports to Indonesia have exceeded those of the United States



Indonesian President Joko Widodo met with Chinese President Xi Jinping in November 2014
Photo: Ministry of Foreign Affairs, the People’s Republic of China

since the early 2000s. Indonesian exports to China are mostly of raw materials, which are less directly exposed to shifts in third country demand for goods re-exported from China. While Indonesia consistently exports substantially more to the United States than it imports from that country, its trade in goods with China shows a consistent and large deficit.⁵⁶

There is no bilateral free trade agreement (FTA) that provides for preferential trade between Indonesia and China. Trade barriers were reduced somewhat under the terms of the China–ASEAN FTA, signed in November 2002, with provisions for trade in goods coming into effect in 2005 and trade in services in 2007. Apprehension on the Indonesian side has seen significant areas carved out of the FTA, although

Chinese willingness to grant the ASEAN countries “early harvest” benefits did reduce resistance.⁵⁷

In the investment sphere, business links with China date as far back as the 1970s,

mediated by the personal connections of ethnic Chinese Indonesian businesspeople. By the 1990s, some of the wealthiest Indonesian tycoons had substantial interests in Hong Kong and China.⁵⁸ In the last two decades, however, the focus has been on the potential for Chinese investment in Indonesia. A Bilateral Investment Treaty signed in 1994 provides for a fairly standard set of investor legal rights. Official Indonesian sources record the first Chinese direct investment in Indonesia as a single project in 1995 with a value of US\$1.4 million in the chemical and pharmaceutical industry, although anecdotal evidence points to occasional Chinese investments before then. Through to 2003, Chinese foreign direct investment (FDI) in Indonesia remained minimal, with fewer than ten projects recorded yearly.⁵⁹ Since then, Chinese investment in Indonesia has picked up, with a raft of new agreements signed in the last three years.

Table 2 presents indicators of bilateral FDI flows and the stock of Chinese direct investment in Indonesia.

These figures should be interpreted cautiously. The use of informal channels and round tripping through offshore centres means that reported figures probably underestimate bilateral flows.⁶⁰ On the other hand, other sources almost certainly overstate Chinese investments in Indonesia. Large discrepancies as to the magnitude of flows are common across different sources, and Indonesia’s foreign investment coordinating agency (BKPM) does not record direct investment in mining service contracts, the oil and gas sector, or financial services.

Indonesia has actively courted Chinese investment since the early 2000s, a feature of successive high-level visits to China since 2002. During Vice President Jusuf Kalla’s visit to China in 2007, a loan of US\$800 million was announced, to support investments in infrastructure and resource extraction.⁶¹ According to one source, a large number of Chinese investments came with the visit of some 1,000 Chinese businesspeople in 2008.⁶² According to the Chinese embassy in Jakarta, the visit yielded agreements for US\$1.859 billion in investment projects.⁶³

The realisation of these projects has been slow. Although Chinese state-owned enterprises (SOEs) have pledged large investments in Indonesia’s resources and infrastructure sectors, many announced deals have been delayed.⁶⁴ Chinese FDI is still relatively insignificant compared to Indonesia’s largest sources of FDI; total Chinese FDI reported by BKPM over the period from 2010 to 2014 was just 4 per cent of the amount invested from Singapore and equivalent to about 14 per cent of that from the United States. The agency reported that of the \$18.4 billion in Chinese investment announced over the preceding five years, only 6 per cent had materialised, although an official claimed large increases in Chinese investment were forthcoming.⁶⁵

Several sources report frustrations and difficulties faced by Chinese companies operating in Indonesia, although several projects have been significant.⁶⁶ One vehicle for Chinese investment has been the China–ASEAN Investment Cooperation Fund, known as CAF. Although CAF has a mandate for ASEAN-wide investments, the composition of its advisory board

There is no bilateral free trade agreement that provides for preferential trade between Indonesia and China.

suggests a strong Indonesia focus.⁶⁷ According to the World Bank Group's International Finance Corporation (IFC), which is a shareholder, the CAF target size is \$1 billion.⁶⁸ Another Chinese sovereign wealth fund investing in Indonesia is China Investment Corporation, CIC, which has waded into the convoluted and contested business dealings of Aburizal Bakrie's Bumi Resources, with a \$1.3 billion debt-for-equity swap on the table.⁶⁹

In late 2013, alongside the signing of the expanded Comprehensive Strategic Partnership, a raft of investment deals were announced. The reported value of these deals ranged between \$28 billion and \$33 billion, and included projects from commodity and minerals processing to infrastructure and air transport.⁷⁰ Again, an impressive number of projected business investments and financing agreements were announced at the end of 2014, along with twelve separate investment agreements.⁷¹ At the urging of Chinese business groups, BKPM agreed to establish a China desk to facilitate Chinese investments in Indonesia and help overcome numerous regulatory and other obstacles to business operations.⁷²

Overall, there has been significant development in the bilateral economic relationship, driven by China's rapid growth, demand for resources, and diplomatic objectives.⁷³ Chinese government-owned banks, SOEs, and sovereign wealth funds, operating alongside private Chinese investors, appear to be the pivotally instrumental actors in actually implementing deals announced at the presidential level.

Social, cultural and educational ties

After the resumption of diplomatic relations in 1990, the two sides moved slowly to develop a range of people-to-people links. Bilateral tourism agreements in the early 2000s helped boost travel between the two countries, with Chinese visitors now accounting for 11 per cent of all foreign tourists in Indonesia.⁷⁴ A November 2014 government decision grants Chinese citizens visa-free entry to Indonesia, which will further increase the numbers of Chinese visitors.

The Comprehensive Partnership agenda includes a range of scientific and cultural initiatives, but these are either very modest or do not seem to include concrete pathways to realisation. Educational links have risen sharply and the Chinese side has sponsored a number of scholarship and exchange programs.⁷⁵ Indonesian interest in Chinese education has developed over the last 15 years, with a rapidly growing number of Indonesian students studying in China, from an estimated 1,000 in 1998 to 15,000 at present.⁷⁶

Language remains a barrier to people-to-people links, especially when compared with connections with the United States, which are fostered by the much more widespread use of English compared to Mandarin in Indonesia. Indonesia's ethnic Chinese are still potentially the target of anti-Chinese sentiment and hence relatively marginalised as cultural bridges outside of the business sphere. Only two Indonesian universities were reported as offering programs in Chinese literature as of 2010.⁷⁷ People-to-people contacts have increased markedly in the last decade, and Beijing has initiated efforts to develop contacts with individuals outside of government.⁷⁸ In comparison with the depth and breadth of links between Indonesia and the United States, however, people-to-people ties with China have a long way to go.

3. Indonesia's relations with the United States

For most of the period since its independence in 1949, Indonesia has maintained a cooperative and mutually supportive relationship with the United States. One of the most notable exceptions to this overall point was the hostility triggered by American support for separatist rebellions in the late 1950s.⁷⁹ But even at the worst point of relations with Indonesian President Sukarno, American officials and military personnel developed close connections with Indonesian military officers and others opposed to Sukarno.⁸⁰ Despite its declaratory commitment to a “free and active” foreign policy that eschewed formal alliances, Indonesia was clearly aligned with the US side during the Cold War.⁸¹ Members of the Indonesian foreign policy community mostly view the United States as a fundamentally benign and trustworthy power.⁸² A 2013 report on the bilateral relationship, co-authored by a former US deputy ambassador to Indonesia, testifies to the depth and breadth of the relationship, not only in the substantive cooperation it describes, but also in the line-up of senior Indonesian executives, ministers, and opinion-makers consulted in its preparation.⁸³

Indonesia's democratisation and America's need for allies in support of its “war on terror” from 2001 saw the resumption of security cooperation and the shelving of human rights concerns raised by the United States in the 1990s.⁸⁴ Washington made significant overtures to enhance the bilateral relationship during the George W. Bush presidency, despite the Indonesian public's strong opposition to US-led wars in Afghanistan and Iraq, as well as American support for Israel. The US image was significantly improved by its highly supportive response to the devastating tsunami that hit Indonesia at the end of 2004. The Bush administration enjoyed good relations with the Megawati and Yudhoyono governments, offered both leaders formal state visits to the United States, and supported the inclusion of Indonesia in the G-20. Warmth in the relationship developed with the election of President Barack Obama. As put by a senior member of the foreign policy community, “On the Indonesian side, the hope for a more benign United States — after years of a belligerent America under President Bush — is widespread.”⁸⁵

Diplomatic relations

Yudhoyono first proposed that Jakarta and Washington sign a “comprehensive partnership to broaden and deepen relations between the two countries” in November 2008.⁸⁶ When Hillary Clinton made her first visit to Asia upon becoming secretary of state, her decision to include Indonesia — second on the itinerary after Japan but before China and South Korea — was widely interpreted as portending a new emphasis on developing the bilateral relationship.⁸⁷ Some commentators were quick to pick up on Clinton's passing reference to Indonesia as an emerging power with which the administration would be aiming to create a “multi-partner world.”⁸⁸ Shortly afterwards, Clinton signed the ASEAN Treaty of Amity and Cooperation (TAC).⁸⁹ Although not making the headlines, diplomatic cooperation in 2009 also included an agreement on capacity building for Indonesia's diplomats.⁹⁰

The Comprehensive Partnership between the two countries was officially inaugurated during Obama's visit to Indonesia in November 2010.⁹¹ A senior Indonesian diplomat at the time — now Indonesia's foreign minister — described the comprehensive partnership as an attempt “to frame the structure of the relationship, agree on the priorities and how to achieve the target” so that “the relation[ship] becomes more predictable and measurable.”⁹² The Indonesian side also saw it as a strategic asset, both to develop Indonesia's global role and as something that would contribute to regional security. The US–Indonesia partnership held its inaugural Joint Commission meeting at the foreign minister level in September 2010, even before it was officially launched, and announced six functional working groups. These Joint Commission meetings have been held more or less annually since.⁹³ In 2015, Jokowi and Obama committed to establishing a Strategic Partnership between the two countries, as well as an annual ministerial strategic dialogue.⁹⁴

Indonesia has consistently supported the inclusion of the United States in regional institutions, including in the East Asia Summit (EAS). Indeed, the US inclusion in the EAS came at Indonesia's invitation, and was most likely motivated by a wish in Jakarta to avoid Chinese dominance of the EAS. On the American side,

the decision to make a “strategic turn” towards the region was first outlined by Clinton in 2011, in an article that sets out an assertive bid for regional leadership aimed at “harnessing Asia’s growth and dynamism.” The article explicitly identifies Indonesia as a priority cooperation partner, noting it is “the world’s third-largest democracy, the world’s most populous Muslim nation.”⁹⁵

The decision to join the EAS, which required signing ASEAN’s Treaty of Amity and Cooperation as a prerequisite, was largely welcomed in Indonesia, which also worked closely with the United States over the Nuclear Non-Proliferation Treaty.⁹⁶ One commentator pointed out that “some in Indonesia have raised concerns that Washington has placed too much emphasis on the military dimension of this strategy.”⁹⁷ In 2013, the United States updated the “pivot” imagery with a statement on “rebalancing” that set out an agenda that included stationing 60 per cent of its naval force in the region by 2020 and keeping four vessels rotated through Singapore, as well as an annual rotation of US Marines through an Australian Defence Force base near Darwin.⁹⁸ Indonesia’s then minister of defence, Purnomo Yusgiantoro, gave a fairly typical comment, with the view, “We welcome the US rebalancing in Asia. It is necessary for regional stability, dynamic equilibrium, and maintaining the balance of power in Asia. If it is for mutual benefit and brings new synergy to the region, why not?”⁹⁹

Security and military cooperation

There was a partial hiatus in military contacts in the 1990s, with the International Military Education and Training (IMET) program cancelled after the Indonesian military shootings of protestors in East Timor in 1991. But an Expanded IMET from 1993 enabled some training for management capacity. Military sales were restricted from 1994 over human rights concerns, leading to long-term declines in operational readiness in several units. Since the 2001 terrorist attacks in the United States, however, the relationship has been increasingly close and cooperative in the security sphere.¹⁰⁰

From 2002 the Pentagon included Indonesia in its new Regional Defense Counterterrorism Fellowship Program and annual meetings on defence and security issues have been held since. In material terms, the United States has provided funding for Detachment 88, a special counter-terror unit of the Indonesian National Police since the Bali bombing of 2002. In response to the Aceh tsunami at the end of 2004 and the Aceh peace accords in 2005, military-to-military ties resumed along with reduced restrictions on IMET, Foreign Military Financing (FMF), and Foreign Military Sales (FMS).

Two high-level American visits to Indonesia in 2008 improved the atmospherics. In February, defense secretary Robert Gates publicly recognised the military’s reform efforts and endorsed the record of maritime cooperation between the two countries. Then in April, Pacific Command chief Admiral Timothy J. Keating met with Indonesian defence minister Juwono Sudarsono. Keating expressed a wish to “develop, maintain, and even improve the military-to-military relations we have enjoyed for many years ... And I promise you, we will do everything we can to enhance them in the future.”¹⁰¹ The prohibition of engagement with the Indonesian Army special forces, Kopassus, remained until 2010.¹⁰²

In 2011, the two countries agreed to cooperation between the FBI and Indonesia’s National Police aimed at eradicating terrorism.¹⁰³ Indonesian and American anti-narcotics agencies also cooperate, with the US Drug Enforcement Administration formally opening a country office in Indonesia in 2011, building on an earlier record of bilateral cooperation.¹⁰⁴ In October that year, US Defense Secretary Leon Panetta noted more than 150 “activities, exchanges, and visits with the Indonesian military” across three key areas: humanitarian assistance and disaster relief, maritime security and free sea access, and peacekeeping operations; in 2012, a US source referred to “more than 170 bilateral mil-to-mil engagements each year.”¹⁰⁵ Such exercises include relatively large-scale ones — Garuda Shield 2012, for example — an exercise conducted since 2007 — involved 456 TNI and 104 United States Army Pacific personnel. According to a senior Army Strategic Reserve Command officer, “These exercises

are important because the Indonesian Army is often involved in peacekeeping operations, therefore it needs to strengthen its peacekeeping capabilities ... Apart from that, this operation will also strengthen the bonds between the two militaries."¹⁰⁶

The United States has provided over \$2 million of heavy construction equipment to enhance training at a newly formed Indonesia Peacekeeping Centre and a number of joint exercises have featured humanitarian relief simulations. The US Embassy in Jakarta also reports on a range of initiatives involving civil law enforcement and judicial organisations. In 2013, Indonesia and the United States co-chaired a regional counterterrorism initiative, including an exercise involving 1,800 special forces. On the anti-terrorism front, Moeldoko, the recently retired head of Indonesia's defence forces, was on record during his tenure as saying that he had personally requested that senior Indonesian officers

be allowed to participate as observers in an anti-Islamic State task force in Washington.¹⁰⁷

Cooperation on weapons procurement and other military equipment has also developed. In 2011, major defence

purchases included progress on a planned Indonesian acquisition of 30 F-16 aircraft, including spares. Pilot training was also included.¹⁰⁸ In August 2013, Indonesia agreed to buy US Apache helicopters worth \$720m.¹⁰⁹ In response to concerns that the United States might cut off support in the future, as with its earlier sales and parts embargo against Indonesia, a US official said "It's hard for me to imagine the United States placing such an embargo that would affect Indonesia, which is a strong partner."¹¹⁰

Although Indonesia's security partnership with the United States is larger and more longstanding than with China, the depth of the partnership should not be overstated. The Indonesian side lacks the strategic imperative to greatly deepen cooperation or to upgrade its own capacities to become a more capable partner,

and Indonesia continues to keep its options open and wishes to maintain a diversity of cooperative relationships. The dominant theme in statements from senior Indonesians is that they welcome the US rebalance to Asia and military cooperation with Indonesia.¹¹¹ At times, however, a note of caution is sounded. Moeldoko, for example, in commenting on the tension between the United States and China, opined that, "Both are responsible for provoking each other," adding that the Obama administration's strategic rebalancing within the Asia-Pacific comes with the risk of creating instability.¹¹²

Economic relations

Tables 1 and 2 suggest the United States has become a relatively less important economic partner to Indonesia. However, the United States remains among the most significant sources of FDI into Indonesia. In cumulative terms from 2010 to 2014, the United States was the third largest source of inward FDI, after Singapore and Japan. The United States also remains a significant source of official development aid, with the US Agency for International Development (USAID) running a large mission in Indonesia.¹¹³ In 2008, Indonesia was again chosen to receive a Millennium Challenge Corporation grant from the United States for the five years to 2013.¹¹⁴ In 2010, the US Peace Corps returned to Indonesia after a 45-year hiatus, having been exploring the feasibility of a return since 2006.¹¹⁵ Implementing agreements were signed with the ministries of religious affairs and education and culture in June 2011.¹¹⁶

A number of agreements on market access, infrastructure, and investment have been signed. The general framework agreement is the US-Indonesia Trade and Investment Framework Agreement (TIFA), signed in 1996. In April 2010, an investment-facilitation agreement was signed. In October that year, there were moves to develop an Indonesia-US Agricultural Technology and Investment Forum and, in 2011, the two countries launched the US-Indonesia Commercial Dialogue.¹¹⁷ In the same year, several events were organised as part of the bilateral Energy Dialogue. In 2012, the two countries signed an agreement on infrastructure development.¹¹⁸

In 2013, Indonesia and the United States co-chaired a regional counterterrorism initiative, including an exercise involving 1,800 special forces.

Overall, the economic relationship is a mixture of friction together with longstanding familiarity and intimacy. The United States has often pushed for more liberalisation and freer market access for US companies, an agenda that meets substantial opposition from groups within Indonesia. American investors focus their concerns on unfair discrimination against foreign investors, regulatory restrictions and corruption. There are also trade disputes between the two countries.¹¹⁹ Until shortly before Jokowi's visit to the United States in October 2015, Indonesia also appeared unlikely to join the US-led Trans-Pacific Partnership (TPP). During the visit, however, Jokowi conveyed that Indonesia intended to join the TPP, after his trade minister Thomas Lembong had signalled that Indonesia could join within two years.¹²⁰ It remains to be seen whether Jokowi can muster the requisite political support within Indonesia to join the trade pact.

Cultural, social, and educational

People-to-people ties between Indonesians and Americans are dense and longstanding. Indonesians have a high degree of cultural familiarity with the United States. Middle-class Indonesians have made the United States a priority destination for education, English is the most widely-spoken second language in the country and the array of social and non-governmental links between the two countries are second only to those linking Indonesia to its nearest neighbours. Although popular opinion in particular is often critical of the United States, the American cultural presence in Indonesia is unmatched.

Alongside the Comprehensive Partnership signed in 2010, a wide range of social, scientific and educational agreements were concluded. These have included an interfaith dialogue, agreements on fisheries and maritime partnerships, and a renewed agreement on science and technology.¹²¹ There have also been agreements on environmental protection, including a debt-for-nature swap in 2011, and a cooperation agreement on climate change.¹²²

Educational links between the two countries have been renewed, after a downturn due to Indonesia's

financial crisis in 1997–98 and US visa restrictions after 2001. Indonesian students studying in US higher education institutions peaked around 1997, at over 13,000 students, but the number dropped below 7,000 in 2010. Reversing this trend was listed as a goal of the Comprehensive Partnership in 2010, when Obama announced a five-year \$165 million program to support educational links.¹²³ USAID describes its educational program, known as Participant Training, as the “most successful of all USAID programs,” with more than 11,000 students having gained higher degrees at American universities since the 1960s. USAID-funded scholarships continue, although the numbers are comparatively modest.¹²⁴ The Fulbright program has since 1952 “awarded grants for more than 2,400 Indonesian students and scholars to teach or study in the United States, and for more than 850 Americans to teach or conduct research in Indonesia.” Since 1992, it has been administered by the bi-national American Indonesian Exchange Foundation (AMINEF), which funds around 100 Indonesians annually.¹²⁵

In 2011, the US Department of Commerce led the largest-ever education mission to Indonesia, made up of 56 American universities.¹²⁶ Increasing the number of Indonesians studying in the United States has also been a public goal of the US embassy in Jakarta.¹²⁷ To date, however, the number of Indonesian students studying in the United States has increased only modestly, with the United States well behind Australia (7,500 students, compared to 10,500).¹²⁸

Taken together, the different facets of the bilateral relationship include a number of difficult issues where perceptions and interests diverge. In many respects, these differences are the inverse of the pattern in Sino–Indonesian relations. Between the United States and Indonesia, most of the friction is in the “low politics” areas of trade, market access, and, at times, human rights. Despite different positions on some global issues such as Palestine, the Indonesian foreign policy elite appears largely comfortable in dealing with its American counterparts and there is often — although not always — a warmth and trust that is lacking in relations with China.

4. Balancing the United States and China



US President Barack Obama met with Chinese Premier Wen Jiabao in Indonesia, November 2011
Official White House Photo by Pete Souza

The strategic landscape facing regional countries like Indonesia is dominated by the rising power of China and the response to that rise. Most observers detect a competitive dynamic in the relationship between the United States and China, even as there is no consensus as to the underlying motives and goals of either country. The position taken by a senior Indonesian foreign policy advisor appears to resonate widely in Jakarta:

China's rise is not conceived in terms of "military threat," but more in terms of China's future role and place in the region, and how it will affect the regional security architecture. While China has consistently demonstrated its commitment to a peaceful rise and played a positive role for the stability and security of the region, the uncertainty surrounding China's rise remains a strategic challenge for regional states. Indonesia therefore remains anxious about how China is going to use its newly acquired wealth and military power.¹²⁹

There is an entrenched wish to avoid entering into any alliance or taking sides. Instead, Indonesia has led moves to "enmesh" both the United States and China in a strengthened regional architecture with ASEAN at its centre.¹³⁰ Until 2010, Indonesian analysts viewed the United States as lagging behind China in terms of willingness to engage the region, citing China's attention positively in contrast to "neglect" by the

United States.¹³¹ Against this background, Indonesia sought the involvement of the United States in the EAS. Indonesian observers see the move to bring the United States into the EAS as aimed at offsetting Chinese power.¹³² The aim is not to "balance" either power, but to draw in and tie down both countries.

The wish to cement regional institutions that will engage and constrain both the United States and China has grown as a result of increased Chinese assertiveness since around 2010. China's initial success in allaying South-East Asian concerns about its rising power was due to an adroit diplomatic "charm offensive" and strategic restraint, backed up by a willingness to offer relatively generous terms in its economic dealings with the region.¹³³ This diplomatic success has been offset by moves since 2010 that many South-East Asian states regard as provocative. They have been more willing to embrace a growing economic role for China in the region. Two examples here illustrate these dynamics: Indonesia's response to China's actions in the South China Sea and its response to China's initiative to launch a new regional development bank.

South China Sea

After nearly a decade in which China took a conciliatory approach to competing territorial claims in the South China Sea, it has since around 2010 taken a much more antagonistic position. This has raised concerns among the South-East Asian states.¹³⁴ In July 2012, for the first time ever, ASEAN failed to issue a joint communiqué at its annual summit meeting due to divisions over how to refer to behaviour relating to the South China Sea.¹³⁵ South-East Asian states have, in this context, welcomed the American strategic turn to the region, with the South China Sea dispute becoming something of "a bellwether in South-East Asia for how a more powerful China would act."¹³⁶

Indonesia is not a claimant to the disputed territory, but it has played a brokering role in attempting to forge a code of conduct among the claimants since the 1990s. Recently, it has developed a more direct concern, as a result of China's assertion of its so-called "9-dashed line" setting out an expanded claim. Indonesia's Natuna

Islands border on the area claimed by China within the 9-dash line. Although the islands themselves are not claimed by China, the Chinese claim overlaps with water Indonesia considers part of its EEZ. The issue is sensitive for Jakarta, given the resources at stake and area's vast size and distance from Jakarta.¹³⁷

The official Indonesian position is that there is no dispute with China because China's overlapping claim with Indonesia's EEZ has no basis in law. Clearly, however, Kemlu would like further assurances. In one account Beijing has simply refused to respond consistently or clearly to Jakarta's multiple requests for clarification:

Speaking in February [2014] after the implementation of China's Air Defense Identification Zone (ADIZ) over the East China Sea, Indonesian Foreign Minister Marty Natalegawa warned, "we have firmly told China we will not accept a similar zone if it is adopted in the South China Sea."¹³⁸

Throughout 2014, issues relating to the South China Sea dispute escalated and took on a new level of visibility, following spats involving foreign, including Chinese, fishing vessels in Indonesian waters in the area.¹³⁹ The Indonesian armed forces announced plans to expand their presence in the area to counter instability in the South China Sea, including upgrading air force assets.¹⁴⁰ Controversially, then TNI commander Moeldoko made public statements about the potential for instability created by China, apparently without consultation with the foreign ministry.¹⁴¹ Moeldoko asserted a much stronger Indonesian line on the dispute and foreshadowed a reorientation of Indonesian military assets to enhance its ability to protect the area around the Natunas. The move is widely interpreted as explicitly aimed at China. As put by two Indonesian observers, "China's intensifying move to assert claims over the South China Sea has given fresh impetus to a military build-up in Indonesia that will see its forces deployed with greater focus on external risks."¹⁴²

In October 2014, Moeldoko stated that, "China is a great economic superpower, however we don't want this great force to create instability in the region.¹⁴³ Just a small disturbance within this maritime zone will

give a big impact," and create turbulence in the region. Land reclamation by China and continued incursions by fishing vessels kept the issue prominently visible.¹⁴⁴ Tensions were not eased by the public remarks of a presidential advisor that Jakarta might sink Chinese vessels caught fishing illegally in Indonesian waters, with at least one Chinese vessel being subsequently scuttled.¹⁴⁵ In February 2015, the military announced a new command to be known as Kogabwilhan, with Moeldoko commenting that, "In the future, we expect that the South China Sea will be a flash point. So, a task force, such as the Kogabwilhan, will be very important."¹⁴⁶ According to press reports, Jokowi had approved the plan and called for swift implementation by TNI.

Indonesia's response to China over the South China Sea is not fully consistent. There is clearly concern about the more assertive Chinese policy in the region, but at the same time many are equivocal about the military element to the US rebalance to Asia. The moves to reorient Indonesian armed forces towards potential flashpoints such as the South China Sea hold out an appealing solution, one that builds on Indonesian aspirations for independence. However, Indonesia faces sharp limits in terms of military capacity — even with a new task force and some upgraded air force facilities, it does not realistically have the capacity to project and sustain force in the area.

Asian Infrastructure Investment Bank

China first announced plans for a new Asian Infrastructure Investment Bank (AIIB) at the APEC meeting in Bali in 2013. As well as responding to a genuine need for massive spending on infrastructure across the region, the initiative also fits well with Chinese economic diplomacy and its aim to project greater influence in multilateral settings. According to *The Economist*, the Chinese initiative:

set off a heated diplomatic battle. America has lobbied allies not to join the AIIB, while Jin Liqun, the Chinese official who will head the bank, has shuttled between countries to persuade them to

*sign up ... But the real, unstated tension stems from a deeper shift: China will use the new bank to expand its influence at the expense of America and Japan, Asia's established powers.*¹⁴⁷

The bank would be unprecedented as an Asian regional institution in giving a single member, China, 50 per cent of its shareholding and projected capital of \$50 billion. In one rather alarmist account, the AIIB is “just one of many Beijing-led initiatives intended to weaken US involvement in Asia, part of a strategy that seeks to bring countries being courted by Washington under China’s wing.”¹⁴⁸

Despite rumoured American opposition, the AIIB was launched at the Beijing APEC meeting in October 2014. The United States has denied pressuring others to withhold support for the bank.¹⁴⁹ However, Australian news media reported that John Kerry had personally asked the Australian Prime Minister to keep Australia out of the bank. Neither Australia nor South Korea was among the 21 countries that attended the ceremony to launch the AIIB as prospective members. Formally, the Australian government stood aside out of concerns over the bank’s governance structure and processes.¹⁵⁰

Indonesia was also notably absent from the launch ceremony in Beijing, generating a flurry of speculation. The most likely interpretation of the Indonesian absence was, however, simply disarray associated with the changeover to a new administration.¹⁵¹ Shortly after Indonesia’s absence at the Beijing launch was noted, the finance minister was reported as saying that, “God willing we will join. The president has given signs [of

approval].”¹⁵² Later in November, Indonesia officially confirmed its involvement, with the finance ministry stating that Indonesia would be “involved in the AIIB’s operational preparations and formulation of the draft of Articles of Agreement as well as to provide technical support.”¹⁵³

Officially, Indonesia’s stance is one of seeking “dynamic equilibrium” among the major powers. However, references to “balancing” the United States and China are common in Jakarta. This most often refers to a wish in avoiding becoming overly close to, or dependent on, one side.

Jokowi is clearly supportive of a greater Chinese economic role in the region. He is reported to have asked the Chinese president Xi Jinping for a greater role for Chinese state-owned enterprises in developing Indonesian infrastructure. On the AIIB, he apparently proposed a greater Indonesian role and suggested the bank be headquartered in Indonesia. According to an Indonesian commentator and University of Indonesia lecturer, “By getting closer to China, Indonesia is inviting balancing acts by the United States and its allies. By doing so, Jakarta is hoping to broaden its options in various policy arenas.”¹⁵⁴ The direct need for access to finance is a motive in itself, but some Indonesian commentators remain suspicious of Chinese influence along with the funding, noting it could be politically risky.¹⁵⁵

Balancing democracy and difference

Jakarta’s strategy to deal with the changing regional power balance remains relatively undeveloped. The touchstones of foreign policy that are beyond question — the nonaligned, “free and active” identity foremost — do not provide much direction, having in the past been consistent with diametrically opposing foreign policy alignments. All foreign policy actors are of necessity nationalist, and there is a widely shared commitment to retaining independence, developing greater self-sufficiency, and protecting sovereignty and territorial integrity. None of these commitments dictate a particular foreign policy strategy when it comes to managing relations with the major powers.

Officially, Indonesia’s stance is one of seeking “dynamic equilibrium” among the major powers. However, references to “balancing” the United States and China are common in Jakarta. This most often refers to a wish in avoiding becoming overly close to, or dependent on, one side. In conversation, Indonesian officials are scrupulous in emphasising their even-handedness in this respect. In some quarters, however, “balance” is used to invoke a strategic play, by which a move to draw closer to one side can be used to extract favour from the other. For example, a senior defence ministry official in an interview with an

American claimed that, "Our office is now very close to China as a result of America's bad behaviour. Many good opportunities have gone to China instead."¹⁵⁶

The extent to which Indonesia should employ this tactic appears to represent a line of division within Jakarta's security and foreign policy establishment. It is a division that corresponds with different beliefs about the centrality of democracy as a defining element of Indonesian identity. This identity manifests, for example, in the homage paid to shared democracy in the US–Indonesia Comprehensive Partnership, which explicitly invokes "shared values of freedom, pluralism, tolerance, democracy, and respect for human rights." This resonates with a senior advisor's view that, "First, and foremost, Indonesia expects that the partnership with the United States would help the country's democratic transformation, both in political and economic terms." This assessment was reflected by Minister Natalegawa, saying that "Indonesia would want to be sure that our foreign policy reflects our own domestic internal preoccupation with matters to do with democratisation and human rights."¹⁵⁷ For Indonesians who espouse this identity, it marks a clear point of differentiation with China.

In contrast, other groups in Indonesia do not hold democracy as a defining feature of national identity. A sense of this outlook and its implications for relations with the United States and China surfaces in a 2014 book published by the Indonesian State Intelligence agency.¹⁵⁸ The book appears to favour relationships that offer tangible gains rather than purported shared values. As one reviewer noted, "Between the rhetoric about democratisation and real material benefits such as foreign investment, the authors seem more inclined towards the latter, and note that China's investments in Asia and Africa have led to tangible material results."¹⁵⁹

The difference between these two viewpoints should not be overstated. Most players are wary of an increased US military presence in the region. In response to the announcement that the United States would station 2,500 military personnel at Darwin, Marty Natalegawa cautioned, "What I would hate to see is for the agreement to provoke a reaction and counter-reaction that would create a vicious cycle

of tensions and mistrust ... ASEAN will not let the region become a competition arena for countries who consider themselves as big powers, whoever or whenever they may be." In the same report, another politician criticised the move by the United States and Australia, claiming it would create tensions.¹⁶⁰ Two commentators, a former diplomat and a senior news editor, presented an unflattering picture of US foreign policy and urged the United States to pursue diplomatic rather than military routes to engagement.¹⁶¹ Among the military, the predominant view values military-to-military relations with the United States as a route to developing capacity, not as a pathway for a greater US strategic influence in the region.¹⁶²

5. Unfolding changes under Joko Widodo

In October 2014, Indonesia's newly elected president Joko Widodo was inaugurated as successor to two-term president Susilo Bambang Yudhoyono. Jokowi comes to the presidency with no national level political experience, having made a meteoric rise from small town mayor to the presidency in just two years.¹⁶³ His election marks the return to the governing coalition of the Indonesian Democratic Struggle Party (PDI-P), which for ten years had resisted all overtures to contribute ministers to Yudhoyono's cabinet.

Although foreign policy is unlikely to have been a personal priority for Jokowi, circumstances have required him to lay down a foreign policy agenda swiftly. Indonesia's presidential campaign format

requires each candidate to submit a written campaign statement, typically including at least some elucidation of their foreign policy; one of the five candidate debates was also devoted to foreign policy. Moreover, the

annual APEC, ASEAN, East Asia Summit, and G20 meetings all fell within the first month of Jokowi's presidency. Jokowi also made bilateral visits to Japan and China in March 2015, and made a visit to the United States in late October 2015.

Jokowi's early foreign policy agenda exhibits much continuity with that of his predecessor Yudhoyono. His written campaign statement included various familiar elements of Indonesian foreign policy: a commitment to ASEAN centrality and, more broadly, to multilateralism; an Indo-Pacific concept of Indonesia's regional neighbourhood; and a commitment to protect Indonesian citizens abroad.¹⁶⁴ His statement also retained Yudhoyono's ambition for Indonesia to increase its international role, albeit restated specifically in middle power terms: "We will increase [Indonesia's] global role through middle-power diplomacy, positioning Indonesia as a regional power with selective global involvement, prioritising issues directly connected to Indonesia's people and interests."¹⁶⁵

Jokowi also maintained his predecessor's practice of appointing a career diplomat as foreign minister, choosing Retno Marsudi for the role. A former director-general for America and Europe (2008–2012) and ambassador to the Netherlands at the time of her appointment, Retno has much in common with her predecessor Marty Natalegawa, with both being among the young diplomats who had their careers fast-tracked by Yudhoyono's first-term foreign minister, Hassan Wirajuda.¹⁶⁶ She has named the ministry's priorities to be guarding Indonesia's sovereignty (including addressing separatism, defining borders, combating illegal fishing and people smuggling), protecting Indonesian citizens and legal entities abroad, economic diplomacy, and increasing Indonesia's role regionally and globally.¹⁶⁷

Significant continuities notwithstanding, the final sections of this paper set out three distinct features of Indonesia's early foreign policy under Jokowi: the global maritime fulcrum concept, an emergent populist nationalism, and a newly explicit description of Indonesia's foreign policy in self-interested terms. Together, these new features have placed an increased emphasis on Indonesia's relations with China. As one simple measure of this new emphasis, Jokowi has already held nine bilateral meetings with his counterpart Xi in just his first year in office, well in excess of his meetings with Obama.¹⁶⁸ It is important to recall, however, that this new emphasis comes at a point when the substance of existing ties with the United States greatly outweighs those with China. And, while Indonesia seeks to benefit from closer economic relations with an economically rising China, China's growing power at the same time underscores a persistent wariness in Indonesia which is likely to remain a limiting factor in the bilateral relationship.

A global maritime fulcrum

Jokowi's core strategy to promote a greater international role for Indonesia is his "global maritime fulcrum" concept, which he discussed during his address to the annual ASEAN leaders' summit in Naypyidaw in November 2014. The plan is one key point of difference with Yudhoyono's foreign policy. The concept argues

Jokowi comes to the presidency with no national level political experience, having made a meteoric rise from small town mayor to the presidency in just two years.

that Indonesia's sea lanes enabling global maritime traffic between the Pacific and Indian oceans places the country squarely at the centre of the shift from the West to East Asia.¹⁶⁹ He set out a five-point agenda to transform Indonesia into such a fulcrum: re-establishing a maritime culture, securing and managing maritime resources, prioritising maritime infrastructure and connectivity, maritime diplomacy, and developing Indonesia's maritime defence capacity.

The maritime fulcrum policy potentially provides a new coherence to Indonesian foreign policy. There are at least two significant uncertainties regarding the policy, however. The first is whether the fulcrum's proponents can manage competing interests to maintain its centrality and coherence. One of the policy's initial architects, Rizal Sukma, admitted in a speech in Singapore in March 2015 that the policy was announced before details had been sorted across different ministries.¹⁷⁰ Illustrative of the diverse interests that may come into play, the policy will presumably require a new prioritisation of defence expenditure for the navy, at a time when Jokowi has appointed a retired army chief of staff as defence minister and an army chief of staff as TNI commander. The long timelines required for the proposed transformation of infrastructure and defence capabilities also contribute uncertainty. These timelines are likely to stretch well beyond Jokowi's current term of office, meaning they will rely on his re-election or support from a successor.

The second uncertainty is whether Indonesia will be able to fund the maritime fulcrum concept. Both the infrastructure and the maritime defence components of the policy will require massive investment. A member of Jokowi's transition team estimated the sea toll concept alone would require an investment of Rp 2,000 trillion — roughly equal to Indonesia's entire annual budget — over five years.¹⁷¹ Sukma mentioned in his Singapore speech that the upgrade of the navy would be supported by expenditure of 1.5 per cent of GDP on defence. Yudhoyono also set this target but never achieved it; some of the mentions Jokowi has made of this spending target have been conditional on Indonesia achieving levels of economic growth well beyond Indonesia's average economic growth over the past decade. Jokowi's first amended budget

included no significant increase in defence spending, even though a reduction in Indonesia's fuel subsidy expenditure freed up funds, whereas the initial draft of the 2016 budget decreases defence spending.¹⁷²

How might the global maritime fulcrum affect Indonesia's relations with the United States and China? It is not immediately obvious that the policy will strongly affect relations with the United States. The few available public comments on the policy by US officials have been bland, detail-poor statements of the potential for defence cooperation that the maritime fulcrum creates. The United States and Indonesia also entered into a Memorandum of Understanding (MoU) on Maritime Cooperation immediately prior to Jokowi's visit to the United States in October 2015, but the full implications of this agreement will only become evident over time.

By contrast, there has been significant discussion of the implications the global maritime fulcrum bears for relations with China, focusing on potential synergies between the global maritime fulcrum and China's own "maritime silk road" policy. The latter policy aims to establish maritime highways from China through the South China Sea and the Indian Ocean to Europe, and through the South China Sea to the South Pacific.¹⁷³ The joint statement between China and Indonesia issued after Jokowi's visit to China in March 2015 declared the two policies to be "highly complementary to each other," and declared the two sides had agreed to explore synergies between the two plans in developing a maritime partnership together.¹⁷⁴ In line with this statement, reports of the bilateral meeting between Jokowi and Xi at the Asia–Africa Conference in Bandung in April 2015 suggested the two countries had agreed to significant Chinese involvement in the construction of 24 new seaports in Indonesia, as well as other infrastructure.¹⁷⁵

The maritime fulcrum also carries a distinct potential for conflict with China as opposed to the United States. In particular, Indonesia's determination to increase protection of its maritime resources, particularly its fisheries, could conflict with China's assertive support for its fishermen operating in disputed waters. Indonesia has already scuttled at least one Chinese



Indonesia's President Joko Widodo and wife Iriana Widodo
Photo: G20 Australia

vessel as part of the highly publicised assertion of Indonesian control over its fisheries. Indonesia's new fisheries minister Susi Pudjiastuti cancelled a 2013 fisheries MoU with China. Enhanced law enforcement by Indonesian authorities raises the possibility of further confrontations with armed Chinese vessels, which may be harder to de-escalate quietly in the midst of the Indonesian government's high-profile enforcement efforts.¹⁷⁶

Emergent populist nationalism

Comparing Jokowi's foreign policy with that of his predecessor during a speech in Singapore in 2015, Sukma told his audience:

*Indonesia's foreign policy under a Jokowi administration will not be too different from Indonesia under previous governments, it is still an Indonesia that is aware of its limitations and strengths, the only difference perhaps is that Indonesia under President Jokowi is no longer an Indonesia shy to speak its mind and defends its own interests vigorously.*¹⁷⁷

His comments reflect a stream of thinking in Indonesia that Yudhoyono too readily accommodated the interests of Indonesia's international partners. A streak of populist nationalism in Indonesia's foreign policy is one way to redress this perceived deficiency. This

nationalist streak has included both a pronounced sensitivity to the respect shown to the president in international forums, as well as a series of populist gestures that appear as much intended to convince a domestic audience that Jokowi's government is exercising firm leadership as to achieve foreign policy outcomes.

Much of the sensitivity to the treatment of Jokowi or Indonesia internationally has come from outside government. For example, the prominent academic Hikmahanto Juwana has publicly advised Jokowi to use Bahasa Indonesia in all international meetings to ensure Indonesia receives appropriate respect.¹⁷⁸ Similarly, the short-lived kerfuffle over the depiction of Jokowi as a barbecue chef on the cover of the Australian newspaper *The Courier-Mail* during the G20 arose from outside government circles. But Jokowi has also encouraged such thinking in requesting that Indonesia be seated with major countries at international meetings to promote Indonesia's standing.¹⁷⁹

More substantively, the Jokowi government's policies on the execution of narcotics traffickers and sinking illegal fishing vessels are clear examples of populist gestures. Jokowi has made a show within Indonesia of rejecting clemency for all narcotics prisoners on death row, while intensifying Indonesia's use of executions.¹⁸⁰ His government executed six narcotics prisoners in January 2015 and a further eight in April 2015. These steps have become a foreign policy issue under Jokowi because the majority of people on death row in Indonesia for narcotics are foreigners, and more than 90 per cent of people executed for narcotics offences under democratic rule have been foreigners.¹⁸¹ International criticism of the executions has been intense. Although corrosive of Indonesia's relations with countries whose citizens are on death row, the executions have created the opportunity for Jokowi to present himself domestically as a firm leader in the face of international pressure.

On fishing, Jokowi's fisheries minister has shot to popularity within Indonesia by offering to lend her airline's aircraft to bomb vessels fishing illegally in Indonesian waters,¹⁸² and by presiding over the widely publicised scuttling of illegal fishing vessels using

explosives detonated by the military.¹⁸³ More than 60 vessels have been scuttled since late 2014, according to tallies provided in various Indonesian media reports.¹⁸⁴

Although these policies have the potential to damage Indonesia's relations with a range of nations, China and the United States may be at least partially exempt from these trends. Each has citizens on Indonesia's death row, and there has been no suggestion that these individuals will be exempt from Indonesia's push to execute persons convicted on narcotics charges. No Chinese vessels were scuttled during the initial rounds of boat sinking, but a Chinese vessel was reportedly amongst 41 boats scuttled on 20 May 2015.¹⁸⁵

A self-interested foreign policy

A final difference under Jokowi has been a consistent and explicit assertion that Indonesia's diplomacy must benefit the country's own interests. Jokowi's campaign statement established that Indonesia's diplomacy would "prioritise issues directly related to the interests of the Indonesian nation and people."¹⁸⁶ In January 2015, according to Indonesia's deputy foreign minister, Jokowi called on all Indonesian heads of diplomatic missions to assure that Indonesia's friendship with other countries must bring discernible benefits for the Indonesian people.¹⁸⁷ At one level, such statements are unremarkable. But these two statements do mark a contrast with Jokowi's predecessor. Yudhoyono placed few limits on Indonesia's international involvement and he was criticised by some Indonesian observers for being too accommodating of other countries' interests.¹⁸⁸ Underlining the contrast, Yudhoyono's close advisor and deputy foreign minister Dino Patti Djalal warned in a recent opinion piece in *The Jakarta Post* of the risk that Indonesia could create "a 'me, me, me' foreign policy that does not measure up to a country that has built a credible reputation as a regional leader with global responsibility."¹⁸⁹

Conclusions

Indonesia's foreign policy is marked by confidence and ambition. The confidence reflects a relatively benign external security environment and the ambition reflects a longstanding desire to exercise regional and international leadership. Although circumscribed by limited material resources, Indonesia maintains a strong commitment to the foundational principle that the country should adopt a "free and active" foreign policy. This commitment means that Indonesia will not enter into a formal alliance, but it has actively pursued enhanced bilateral ties with other countries, in particular the United States and China.

Tensions and rivalry in US–China relations, not least involving the South China Sea, creates concern among Indonesian foreign policymakers who in turn seek to enmesh both countries in a variety of regional institutions as well as deepened bilateral engagements. Indonesia's stance on US–China relations is a preference for no single preponderant power in South-East Asia, expressed through the concept of "dynamic equilibrium." Nonetheless, historically, the Sino–Indonesian relationship has been more troubled and lacks the warmth and familiarity that exists between the United States and Indonesia. Indonesia's foreign policy establishment also tends to be warier of China than the United States.

Considered against this background, the particular emphasis on the relationship with China under Jokowi thus far reflects a degree of catch-up, rather than overtaking the US–Indonesia relationship. Indonesia's deepened bilateral relationship with China in recent years also reflects a pragmatic self-interest, boosted by China's economic rise and the prospects that Chinese prosperity can serve Indonesian interests in securing foreign investment and increasing exports.

Looking to the future, an inclination under Jokowi to weigh Indonesia's international relations in terms of their tangible benefits could drive a further increase in emphasis on ties with China. If China is more responsive to Indonesia's needs for financing to support infrastructure development and defence upgrades, this may develop support for those seeking a pragmatic and materialistic approach to Indonesian foreign policy. Although there are no symbolic touchstones or

inspirational references to shared democratic values in the Indonesia–China relationship, those groups wishing to emphasise pragmatic and unsentimental moorings for Indonesian foreign policy explicitly downplay such values as a metric for foreign policy. Foreign policy actors who emphasise shared democratic values with the United States may see this commonality recede from Indonesia's core foreign policy agenda should American largesse diminish.

Nevertheless, at least two important constraints weigh against a substantial shift in how Indonesia balances its ties with the United States. A China sufficiently powerful to substitute much of what Indonesia obtains through its security partnership with the United States would likely spur the very wariness in Indonesia that has limited Sino–Indonesian ties to date. An Indonesian government seeking to substantially deepen ties with China also faces the risk of stern public criticism arising from the persistent reservoir of anti-Chinese sentiment in Indonesian society. Already, Chinese infrastructure projects have provoked overtly anti-Chinese coverage in the Indonesian media critical of poor government regulation of a "flood" of Chinese workers. If the Indonesian government seeks a prolonged shift towards China based on economic pragmatism, it would need to successfully manage such sentiments.

Tables

Table 1: Indonesia, trade in goods with China and the United States

Year	Exports to			Imports from		
	China	Hong Kong	United States	China	Hong Kong	United States
2000	2,768	1,554	8,489	2,022	342	3,393
2005	6,662	1,492	9,889	5,843	291	3,886
2006	8,344	1,703	11,259	6,637	346	4,066
2007	9,676	1,687	11,644	8,558	442	4,797
2008	11,636	1,809	13,080	15,429	2,368	7,898
2009	11,499	2,112	10,889	14,002	1,698	7,094
2010	15,693	2,501	14,302	20,424	1,860	9,416
2011	22,941	3,215	16,498	26,212	2,465	10,834
2012	21,659	2,634	14,910	29,387	1,930	11,614
2013	22,601	2,693	15,741	29,849	2,092	9,082

Note: figures in US\$ millions

Source: IMF data, "Merchandise trade by country" at <http://data.imf.org>

Table 2: Indonesia, investment links with China and the United States

Year	FDI flows, inward			FDI flows, outward			FDI stocks, inward		
	China	Hong Kong	United States	China	Hong Kong	United States	China	Hong Kong	United States
2004	295	66	-523	105		-9			
2005	299	52	3,441	87		16			
2006	124	118	-549	101		..			
2007	117	115	1,093	134		33			
2008	531	45	1,040	167		-18			
2009	359	59	159	112		160	3,450	598	8,615
2010	354 (174)	84 (566)	572 (931)	..		-133	3,379	924	14,121
2011	215 (128)	210 (135)	-438 (1,488)	-46		119	5,112	997	10,189
2012	335 (141)	212 (310)	830 (1,238)	4,772	2,282	10,160
2013	(297)	(376)	(2,436)						

Note: figures in US\$ millions

Sources: 2004-2012: UNCTAD, "FDI flows in the host economy, by geographical origin," "FDI flows abroad, by geographical destination" and "FDI stock in the host country, by geographical origin" <http://unctad.org>

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