Bilateral Relations Between Indonesia and China in The Era of President SBY’s Administration

Zulkarnain1 ✉ and Irma Indrayani2
12Universitas Nasional, Indonesia
Corresponding Author: Zulkarnain, E-mail: zulkarnain@civitas.unas.ac.id

ABSTRACT
This study discusses the effect of China’s economic revival on Indonesia’s foreign policy orientation. Historically, the relationship between China and Indonesia, which had been severed in 1965 due to ideological conflicts and Indonesia’s suspicion of China’s support for the Indonesian communist party (PKI), has now been re-establish since the 1990s, which began with China’s economic growth. Foreign policy is often caused by a combination of unexpected external forces with unfavorable structural factors. The continued stalemate in China-Indonesia bilateral relations has equally serious consequences for China. China’s diplomatic failure against Indonesia has cost China, and that loss cannot be offset by the diplomatic gains generated by the opening of new relations with other ASEAN countries. This study tries to discuss this situation in depth using several approaches to find two variables that become the topic of this thesis: the rise of the Chinese economy and its influence on Indonesia’s foreign policy. This research found that Indonesia’s bilateral relations with China under the leadership of President Susilo Bambang Yudhoyono ran normatively and without significant fluctuations.

KEYWORDS
Indonesia, China, SBY’s era, Bilateral relation

ARTICLE DOI: 10.32996/bjspsh.2022.2.1.1

1. Introduction
Relations between two of the world’s most populous nations, China and Indonesia, have developed steadily, promoting regional peace and prosperity. Indonesia and China have economic relations that do not always run smoothly. This condition occurs mainly due to political reasons. However, China’s increasing integration into world markets after joining the World Trade Organization (WTO) provides an opportunity for China’s economic relations with several countries to become more relaxed and detached from politics.

China and Indonesia established diplomatic relations on April 13, 1950, which was suspended on October 30, 1967. Moreover, it developed gradually since the resumption of diplomatic relations between the two countries. The improvement in China and Indonesia relations follows a long and checkered history of mistrust, suspicion, anger, and resentment since 1967. Diplomatic and trade relations between the two countries were severed then, after what the Suharto regime said was an attempted communist coup by the PKI (the Indonesian Communist Party). The renewal of diplomatic ties under President Abdurrahman Wahid in 1990 heralded a gradual improvement in bilateral relations that has continued since.

Among Indonesian leaders, there are divided views on the relationship between China and Indonesia. This division became even more striking after Deng Xiaoping, who came to power in 1977, pushed the PRC’s foreign policy to be much more moderate, namely cultivating friendship with third world countries.

The pro normalization group felt that normalizing Indonesia-China relations would boost Indonesian exports to the PRC, and this would help stimulate Indonesian businesses. Meanwhile, anti-normalization groups see that the PRC remains a threat because it will continue to support the left-wing movement in Indonesia after creating normal relations. This group also believes that if Indonesia continues to normalize, Indonesia will grant citizenship to overseas Chinese in Indonesia. Granting citizenship to Chinese citizens will strengthen the control of these Chinese minority groups in the Indonesian economy.

Copyright: © 2022 the Author(s). This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC-BY) 4.0 license (https://creativecommons.org/licenses/by/4.0/). Published by Al-Kindi Centre for Research and Development, London, United Kingdom.
Bilateral Relations Between Indonesia and China in The Era of President SBY's Administration

The Indonesian government’s firm stance on its policy not to normalize its relationship with the PRC is starting to become fragile. This situation is triggered when oil prices fall. Since oil accounts for 60% of state revenue, Indonesia needs to encourage non-oil and gas exports.

Due to this situation, the government of President Soeharto decided to expand its export market, especially for non-oil and gas commodities. Apart from Japan and Western countries, the government also wants Indonesian products to enter the markets of socialist countries, especially the Chinese market. Indonesian entrepreneurs are enthusiastic, especially Kadin (Indonesian Chamber of Commerce and Industry). Kadin is a semi-governmental organization that Sukamdani once led. Under his leadership, members of Kadin joined Golkar.

This study will discuss the effect of China’s economic revival on Indonesia’s foreign policy orientation. The writer is interested in this topic because the relationship between China and Indonesia severed in 1965 due to ideological conflicts, and Indonesia’s suspicion of China’s support for the Indonesian communist party (PKI) has now begun to re-establish since 1990. It started with China’s economic growth, which was beyond previously thought. A country’s foreign policy is often caused by a combination of unexpected external forces with unfavorable structural factors (John Wong, 1987). The continuing stalemate in China-Indonesia bilateral relations has equally serious consequences for China. China’s diplomatic failure against Indonesia has cost China, and that loss cannot be covered by the diplomatic gains generated by the opening of new relations with other ASEAN countries.

Referring to history, when Indonesia opened bilateral relations with China, the national interest brought by Indonesia under Sukarno’s leadership was to carry out its economic and social revolution under guided democracy. In addition, the main factor that pushed Sukarno to open diplomatic relations with China was regarding the formation of Malaysia, which he saw as a neo-colonial creation and a game of imperialist power to hinder Indonesia’s hegemony against the Malayan states.

In launching an aggressive campaign to crush Malaysia, Sukarno also desperately needed diplomatic and material support from China. In addition, China’s national interest in fostering relations with Indonesia is to fend off the influence of the United States and the Soviet Union. In the early 1960s, China’s international position was deeply isolated due to its constant hostility to the United States and its political and ideological rift with the Soviet Union and border conflicts with India. Therefore, China urgently needs an alliance with Indonesia to forge NEFO (New Emerging Forces) as a “United Front,” and Indonesia in China’s perspective has its charm because China considers Indonesia as a country with revolutionary potential so that it can form a coalition with China to compete with the American and Soviet blocs (John Wong, 1987).

After the end of the cold war era with the changing international political arena marked by the fall of the ideology of communism and the growing establishment of liberal democratic ideology, it is a fascinating study to look closely at bilateral relations between countries. In particular, for China, after experiencing the success of its economic reforms under the leadership of Deng Xiaoping, who applied the concepts of a market economy and a centralized economy, it also affected China’s position in relation with other countries (Umar Bakry, 1996). Therefore, by looking at some of the phenomena that have occurred in China, it will be fascinating to examine in depth its relationship with Indonesia’s foreign policy, especially in the field of international trade. The study becomes more interesting considering that the current socio-political conditions were very different when Indonesia established its relationship with China in the 1960s, and the national interests, which are the foundation of foreign policy, are also very different. This study tries to discuss in-depth using several approaches to find two variables that are the topic of writing this thesis: the rise of the Chinese economy and its influence on Indonesia’s foreign policy.

2. Literature Reviews

Indonesia’s foreign policy protects national interests, especially development plans (Susilo Bambang Yudhoyono, 2004). Amid world developments marked by the fullness of the national interests of each country in the negotiation process at the bilateral, regional and multilateral levels, it will be necessary for Indonesia to determine its attitude and place a clear and precise position (Susilo Bambang Yudhoyono, 2004). In its implementation at the domestic level, there is "power, government, and law," while international politics "is a field of power, struggle, and accommodation" (Waltz, 1979). Targets in foreign policy, both short-term and long-term targets, must be clearly defined beforehand so that the costs and benefits can be more measurable and transparent. The main thing is how to link national development economic strategies and policies with the steps taken at the international level (Susilo Bambang Yudhoyono, 2004).

The international political system emphasizes the need for a framework for economic activity. Although economic forces are fundamental and have a profound effect on the distribution of wealth and power globally, they always operate in the context of political struggles between groups and nations. After the Cold War, the decline in political power raised hopes for a more stable, peaceful, and prosperous international climate. However, in reality, the development of the prosperity of nations is asymmetrical. In the current era of globalization, building relations with other countries to run the wheels of a country’s economy is the absolute need to be performed. Indonesia’s diplomacy has become an essential key in this increasingly globalized condition. It is our role to introduce Indonesia to the outside. An understanding of the global arena is needed so that we are not trapped in
revolutionary diplomacy and can still demonstrate the nationalism of a country amid increasingly intense pressures of internationalism (Robert Keohane, 1984).

Morgenthau defines national interest as a concept that must be interpreted as power. Therefore, Morgenthau points to the national interest based on the definition of power, meaning that the position of power that the state must own is the primary consideration that gives shape to the national interest. The consequence of this thinking is that a national situation or goal must be evaluated and measured using the state's power position benchmark. Meanwhile, according to Frankel, the essence of national interest is a fundamental value to be upheld by a nation. Frankel further said that the national interest could describe the aspirations of the state, and the national interest can be used operationally, which can be seen in its application to actual policies and intended plans (Frankel, 1988). Thus, both the policy and the intended plan are oriented to the national interest. In actual practice, the national interest is not only created by a statesman but can also be created by other statesmen who believe that the state is merely a tool to meet the needs of its citizens. Both may make the same interpretation of the national interest, as long as the state is genuinely responsible for the welfare and meeting the national needs of its citizens.

International trade is a trade carried out by residents of a particular country with residents of other countries based on mutual agreement. The population in question can be between individuals (individuals and individuals), between individuals and the government of a country, or a country's government with another country's government. Another limitation regarding international trade is the process of exchanging goods and services between two or more countries with different laws and sovereignty by complying with internationally accepted regulations. International trade provides some advantages for the participating countries because the state can sell its goods abroad, increasing the wealth and welfare of its population.

National interest is the fundamental value for and defended in international forums. Therefore, it can be said that the national interest is the key to foreign policy. According to Couloumbis and Wolfe, foreign policy is a synthesis of national goals or interests with power and capabilities (Thomas Couloumbis and John Wolfe, 1990). Government officials carry out the implementation of foreign policy. Therefore, government officials influence foreign policy. Besides government officials, socio-political forces influence a country's foreign policy, better known as pressure groups. The purpose of foreign policy is to embody the national interest the country's desire for the future is set in their objectives. The government of a country determines various means sought to be achieved by taking various actions that indicate the existence of needs and goals.

The implementation of foreign policy is preceded by determining policies and decisions. Apart from that, some considerations accompanied by national factors as internal factors and international factors as external factors have to be noted. In addition, in the implementation of foreign policy, appropriate techniques and instruments must be chosen to achieve the goals that have been set.

3. Research Methods
The research method used by the author in this study is the qualitative descriptive method. This method is used because this study is a process of describing the framework of foreign policy. The methodology is not just a collection of research methods or techniques, but a whole foundation of values (especially those concerning the philosophy of science), assumptions, ethics, and norms that become the rules used to interpret and conclude research data, including criteria to assess the quality of the results of the study (Moh. Nazir, 1988). In collecting data, the researcher used a literature study. Data analysis was carried out simultaneously with the data collection process (ongoing analysis) using data analysis techniques commonly applied in qualitative research. Qualitative data were analyzed using inductive and logical analysis methods (Marshall & Rossman, 1989).

4. Results and Discussions
It is essential to pay attention to China because this most populous country has awakened from its slumber during World War II. China's influence on the world seems so great—that it is paradoxically tricky for those tasked with seeing the big picture to understand. By all measures, China's economy is overgrowing. For all countries, annual economic progress reports are made in gross domestic product, which is the sum of the values of all goods and services traded in a country's economy (Ali Alatas, 2006).

In 2003, China's GDP reached 41.4 trillion. By this measure, China is the seventh-largest economy in the world. The United States economy is by far the largest globally; with a 2003 GDP of 410.1 trillion, the country's economy is seven times larger than China's. Since China began reforming its economy a generation ago, the country has grown by an official rate of 9.5 percent. In the early stages of its economic reform, any country often rises rapidly, but not as rapidly as China. The country is approaching its 30-year journey, and during that time, its economy has nearly tripled. The rise is second to none in modern history.

China's growth has played an essential role as a customer and a supplier for other countries. Japan and Germany have recently enjoyed a large trade surplus with the country because China is now the world's largest buyer of factory machinery, and it needs pieces of equipment made by Germany and Japan to produce machinery and electronics made by them. These resourceful countries sell China the raw materials that will be reshaped in its factories and the energy resources to run them. In 2003, according to calculations by Stephen Roach, principal economist at Morgan Stanley, The Chinese bought 7% of the world's oil, 25% of all
Bilateral Relations Between Indonesia and China in The Era of President SBY's Administration

aluminium steel, about 30% of the world's iron ore and coal, and 40 percent of the world's cement. There is a tendency that the number will increase in the future.

It is essential to refer to the opinion of economist Jeffrey Sachs from Columbia University, an advisor to various countries. He stated that it is inevitable that if there is a country that will replace the United States in the world market, it would only be China, suggesting that nations should take positive steps to build significant cooperative relations with China because, by 2050, the Chinese economy can reach 75 percent larger than the previous economy. Indonesia is currently experiencing an endless storm. The high level of inflation, poverty, unfavorable investment conditions, and insufficient political maneuvers by the government add to this country's record list.

A nation is said to be honorable if its people have a decent standard of living, free from extreme poverty because it would be very dishonorable if the majority of Indonesia's population is poor and even reaches absolute poverty. The President of the Republic of Indonesia, Susilo Bambang Yudhoyono, said that there are ten steps to take in order to make Indonesia a respectable nation. One of the steps mentions that Indonesia must play an active role in international relations by considering the conditions of its own country and thinking about the conditions of other countries that have the potential to establish bilateral cooperation (Susilo Bambang Yudhoyono, 2006). Under the leadership of President Susilo Bambang Yudhoyono and Vice President Jusuf Kalla, the new Indonesian government has the mandate to make challenging changes to get the government back on track. Foreign policy needs to be focused on bilateral cooperation with East Asian countries, ASEAN+3 (Japan, South Korea, and China), East Asia Community and APEC at the regional level, and other groups-specific groups on a global level. It is crucial to restoring the national economy during this wave of globalization,

China is a trade partner and primary market for Indonesian products as an emerging country. It provides various raw materials needed and is an essential source for providing small and medium-sized technology. Former President Abdurrahman Wahid emphasized the importance of Indonesia-China relations in the future, as reflected in his idea of an alliance of Indonesia, China, India, Singapore, and Japan (Smith, 2001). In the SBY administration, cooperation between Indonesia and China is expected to increase in real terms with the declaration of a strategic partnership between Indonesia and China. China is expected to be a potential market for our local product and a crucial source for small and medium technology, including technology in weaponry.

Based on the data obtained from the Ministry of Economy, there are several significant cooperation frameworks built between the Chinese government and the Indonesian government, including:

A. Political and Security Cooperation
1. Increase the intensity of normal bilateral relations and interactions to improve communication and enhance dialogue on bilateral, regional, and international topics of mutual interest and concern.

2. Continue to promote mutual understanding and support regarding our commitment to the principles of mutual respect for the independence, sovereignty, and territorial integrity of the two countries. China supports the Government of the Republic of Indonesia in its efforts to maintain national unity and territorial integrity. Indonesia reiterates its determination to continue adhering to the one-China policy and its recognition that the Government of the People's Republic of China as the sole official government representing all of China and Taiwan is an inseparable part of China and supports China's peaceful reunification process.

3. Support efforts towards effective reform and broader democratization of the United Nations system, to enhance multilateralism, strengthen the role of the United Nations in maintaining and promoting international peace and security and sustainable development, as well as ensuring broader participation and sharing of roles in between developing countries in the decision-making process.

4. Strengthening cooperation with Asian and African countries through the New Strategic Partnership for Asia-Africa (NAASP) as well as with the Non-Aligned Movement (NAM) and Group of 77 countries in facing the challenges of globalization and the changing world environment and in ensuring that developing countries take full benefit from globalization.

5. Reaffirming ASEAN's role in building regional cooperation through the declaration of the ASEAN Community and China's role in supporting ASEAN's efforts through programs such as BIMP-EAGA.

6. Take part in pushing all nuclear-armed countries to sign the Southeast Asia Nuclear-Weapon-Free Zone Treaty Protocol. China will sign the protocol soon. This condition will happen as soon as a solution to the unanswered question regarding the protocol is reached. This condition will then be accepted by all parties concerned.

7. Increase the implementation of the declaration on the Conduct of Parties in the South China Sea to make the South China Sea a basis for cooperation and a bridge of friendship.
8. Promote mutual trust and confidence in the defense and military fields to build up each other’s defense industries and actively investigate the possibility of establishing defense and security consultation mechanisms.

9. Encourage cooperation between law enforcement and intelligence agencies in dealing with non-traditional security issues. They are such as terrorism, drug smuggling, human trafficking, money laundering, cybercrime, and other transnational organized crimes through the implementation of existing cooperation agreements; actively explore the possibility of establishing a consultation mechanism; and promote other areas of cooperation that are appropriate and following the national laws of each country.

10. Cooperate closely on maritime issues by improving the capacity of human resources and establishing a mechanism for maritime consultation and cooperation.

11. Strengthening cooperation to eradicate terrorism in all its forms and manifestations. Both countries rejected the idea of linking terrorism with religions or ethnic groups and emphasized that the campaign against terrorism must be carried out thoroughly following the purposes and principles of the United Nations Charter and comply with universally recognized international legal norms.

B. Economic Cooperation and Development
1. Promote greater cooperation at the bilateral, regional, and international levels in supporting economic growth based on the principles of equality, mutual benefit, complementarity, and diversity to enhance economic partnerships and, at the same time, establish economic independence.

2. Strengthen cooperation in international organizations to ensure that developing countries fully benefit from the multilateral trading system and the free trade process in a fair and balanced manner. Both countries need to stress the importance of strengthening cooperation to meet the goals of the United Nations Millennium and the target of international development.

In addition, according to Citizenship Law 12 of 2006, the distinction between Indonesian natives and non-natives was abolished, and only the distinction between Indonesian national and foreign national remained. During Chinese New Year celebrations in 2007, President Susilo Bambang Yudhoyono reaffirmed his commitment to replacing the term Cina with Tionghoa peoples of Chinese descent and Tiongkok to describe the People’s Republic of China in order to avoid the term’s negative connotations.

Since China and Indonesia agreed to a strategic partnership in 2005, significant political, security, economic, and socio-cultural affairs engagements have been significant. In politics, both countries have signed cooperation (agreements) in various fields, such as exchanging officers and information, people-to-people contact, such as exchange of students, for better understanding. Moreover, China has plans to provide Indonesia with military equipment. With the signing of an agreement between the two defense ministers, detailed action plans are to follow. Indonesia is also looking forward to the signing of an extradition treaty.

Indonesia has consistently exercised the ‘one-China policy, meaning that Indonesia has only recognized the People’s Republic of China (PRC) and developed and maintained diplomatic relations with Beijing. Indonesia fully respects the PRC’s territorial integrity and national sovereignty over Taiwan.

5. Conclusion
Indonesia’s bilateral relations with China under the leadership of President Susilo Bambang Yudhoyono ran normatively and without significant fluctuations. Although the pro-American sentiment is still powerful, President SBY maintains economic relations with China quite safely. The development of the situation and global cooperation, which also involves the two countries, dramatically helps Indonesia’s bilateral relations with China. This condition is more favorable to the Chinese side because Indonesia is less prepared for economic capital when dealing with China. This situation causes Indonesia to lose its bargaining value compared to China. In principle, Indonesia’s foreign policy protects national interests, particularly development plans. Amid world developments marked by the increasing national interests of each country in the negotiation process at the bilateral, regional and multilateral levels, Indonesia must determine its place in the proper position. In other words, we must recognize the impact of the sustainability of international regimes on the ability of states with shared interests to cooperate.

Since the New Order government, Indonesia’s foreign policy has adhered to the concentric circle theory (concentric circle formula). The first concentric circle is ASEAN, considered the “foundation” of Indonesia’s foreign policy. Outside this circle, Indonesia needs to strengthen cooperation with member countries of the Pacific Island Forum, the Southwest Pacific Dialogue, and tripartite consultations between Indonesia, Australia, and Timor Leste, covering concentric circle II. The countries included in the ASEAN+3 cooperation (Japan, China, and Korea) are included in the second concentric circle.