

FUTURE PROSPECTS OF INDONESIA- CHINA RELATIONS

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Abstract

Indonesia and China share friendly relations since 9/11, 2001 although Indonesia remained the long time ally of the US and since the US policy of Rapprochement towards China the Republic of Indonesia has developed its relations. The relations became stronger at the end of the Cold War Era when the China formed the official ties with ASEAN in 1991, and later in the 1997 financial Crisis which has badly hit the Indonesian economy Chinese supported them with open arms. But the situations became totally favorable after 9/11 when the Indonesians were compelled to search a balancer against the United States policies due to the fact that they were put under pressure by the US to do more to fight against the terrorism and Indonesian government is although became successful but they still felt the pressure to follow the US directions in this regard and since the relations between China and Indonesia were friendly and they formed strategic partnership which had huge impact over the East Asia as it limits the US influence against China in the region and on the other hand Japan would be isolated with the help of Indonesia in any future conflict.

Introduction

Indonesia is the largest populous Muslim state in the world and it has huge impact over the Muslim world as it is consisted over the chain of islands and spread over the junctions of two continents i.e., Asia and Australia and is close to the one of the most important geo-strategic locations of the world that is Malacca straits where most of the oil passes to United States and Japan.

China is the largest country in population and compared to its influence and economy it is looking for global power. Since 1978 when Deng Xiaopong has applied the policy of Opening Up China,

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which has modernized itself and as a result today Chinese is vying for the superpowers race.

Although Indonesia is a Muslim majority state but is a republic and has a presidential form of government whereas the Peoples Republic of China is a Communist state where the Communist Party is controlling all the apparatus of the state.

When in 1949 China became a Communist country the states surrounding China hurried for the help from China and formed alliances with other states such as Vietnam became a Communist state but was divided into two parts and has to face the long war with the US (1954-75) for the unification of Vietnam and the conflict has spilled into the Cambodia and Laos. As a consequence when US troops left the Vietnam in the mid 1970s the Vietnam was united under the Communist government and the two other states Laos and Cambodia also came under the Communists. Whereas the other states Japan and South Korea received the aid from the West against the Communist threat and have built their economies and the other states of South East Asia like Philippines, Malaysia, Singapore were also in the Western camp and have received a huge aid to improve their economies. Whereas the Republic of Indonesia have remained the champion of the Non-Aligned Movement.

*"China and Indonesia established diplomatic relations on April 13, 1950, which was suspended on October 30, 1967 due to the occurrence of the September 30 event of 1965."*¹

The relations between both states became worse due to the conflicting ideologies of both the states and Indonesian suspected the Chinese were supporting the Communist Party of Indonesia and they were behind the attempted coup in 1965 which led to the killing of more than 5,00,000 Indonesian who were believed to be the supporters of the Communist Party.

The relations between both the nations were resumed during the visit of China by the Indonesian Foreign Minister Ali Alatas in 1990. On the contrary side the Chinese premier visited the Indonesia in August 1990 and both the sides showed their willingness to strengthen the bilateral relations. During that visit foreign ministers of both the states signed the Memorandum of Understanding on the Resumption of Diplomatic Relations. Since 1991 the foreign ministries of both the states have set up a Consultation mechanism to further boost the relations between both the states.

Since then both the states have tried to develop the friendly relations with each other and from time to time the leaders of both the states have visited each other and signed on the MOUs to further enhance the relations with each other.

Political Relations

Since the relations between both the states were not friendly after their independence as China became a Communist state in 1949 when they have overthrown the Nationalist government in 1949 under the leadership of Mao Tse Tung and Indonesia has also achieved their independence in 1949 when they were freed from the Dutch colonial rule through the armed struggle.

China and Indonesia established the diplomatic relations in 1950 when the Cold War was at the peak and initially due to some tendencies by the relations between both the states remained friendly in the Post Cold War Era until the 9/11, 2001 as they both have cooperated in different sectors and have supported each other on various issues facing to both the states.

The biggest step in the relations between the Indonesia-China has been that they have signed the Strategic Pact in 2005 in which the Chinese pledged to increase their support to Indonesia and they would also help Indonesia in modernizing its aging forces and on the other hand Indonesia will support the Chinese policies. Whereas

the trade between both the nations will be increased up to \$30 billion until 2010. The Indonesian government sought this as an opportunity to balance the American influence in the region because the US policies towards War on Terror have been forcing the Indonesian government to take harsh measures against the terrorist networks around Indonesia, but the government in Indonesia wants to tackle the matters according to its own policies rather than from someone else's directions. As a result the War on Terror in Indonesia has been more successful than the US way of tackling the terrorists.

The Indonesian government supports the Chinese policies on the global level and they have supported the *One China* policy through which they are denying the facts that the Taiwan should not declare independence and they are supporting the One China policy that Taiwan is the integral part of the Peoples Republic of China. But on the other hand they still continue their trade relations with Taiwan. Indonesian ambassador to China, Sudrajat, said that "Indonesia had no problems conducting economic relations with Taiwan upholding the "One China Policy" in its relations with China. "(It is not a problem) as long as Indonesia only focuses on economic issues and does not touch China's political relations with Taiwan. Therefore we will continue improving our economic relations (with Taiwan)".²

Economic and Trade Relations

After the independence in 1949 from the Dutch rule by Indonesia and Communists take over of the government in China from the Nationalists, both the governments have formed the two different systems with different ideologies so it was not possible for both the nations to form smooth economic relations as the Cold War politics has divided the world in two blocs and Indonesia looked towards Communist China with suspicion.

*"China and Indonesia established diplomatic relations on 13 April 1950 and signed first bilateral trade agreement in 1953. Afterward, the trade between them had been increased, the total trade value between them increased from US\$ 7.38 million in 1954 to US\$ 129 million in 1959. Even in 1965, China once became the second trade partner of Indonesia which Indonesian import and export value from China occupied 11 percent of the total value of Indonesian import and export."*³

The trade between both the states witnessed a good development after the resumption of their relations. "After the restoration of the diplomatic relations the two countries have signed the "Air Transport Agreement", Investment Protection Agreement", Sea Transportation Agreement", "Agreement on Avoiding Dual Taxation" and also signed the memorandum for understanding of cooperation in the fields of mining, forestry, tourism, fishery, transportation, agriculture, finance, etc."⁴ The cooperation between both the states continued as in 1990 both the states set up a joint committee for economic, trade and technological cooperation to improve the relations in different fields. "Sino-Indonesian relations have seen all-round progress and developed rapidly. Average annual growth rate of trade reached 14.7 percent during 1990-2000."⁵

Bilateral trade between both the states has risen very quickly after the resumption of the diplomatic ties between both the states. The statistics shows the sharp rise in trade between both the states as we can see that "from 1.18 billion US\$ in 1990 to 7.464 billion in 2000", and there is the estimation that the trade in 2010 would be tripled to 30 billion US Dollars. "The Asian financial crisis in 1997 also affected Indonesia seriously. General Suharto, the then dictator, was forced to step down after serious social unrest."⁶

Energy forum was also set up in 2002 between both the states. The relations between both the states in economic sector have been

enormous as China is the growing economic power of the world as its GDP is growing constantly more than 8 percent for more than three decades and on the other hand Indonesia is the largest economy of the South East Asia. The trade volume between both the states has been increasing from time to time and they are expecting their trade should reach to 30 billion U.S dollars by 2010.

On 8th October 2007 Indonesian Ambassador to China Sudrajat said that “The trade between the two countries had been increasing substantially especially following the signing of a strategic cooperation between the two countries in April 2005”.⁷ The agreements signed between both the states were nine in number and these were signed by the President Hu Jintao of China and President Susilo Bambang Yudhoyono of Indonesia at Jakarta. “Among the agreements signed Monday was a low-interest loan of \$300 million for Indonesia, which has yet to decide what projects need financing. The maritime agreement could include joint efforts to combat smuggling and piracy, a Chinese official said. Beijing also offered to help with rebuilding in the tsunami-smashed province of Aceh. Hu flew to Jakarta last week in a chartered plane carrying \$500,000 worth of relief goods and gave \$1.5 million in cash to tsunami victims. China will also help Indonesia establish an earthquake early warning system.”⁸

Objectives of the Peoples Republic of China

These are the following objectives in the region:

- To maintain a suitable political and economic system which helps China's rise.
- To develop friendly relations so that the Chinese trade should increase in the region.

- To isolate the nations which are not in favor of China in the region particularly to isolate Taiwan so that it can be stopped from declaring her independence.
- To contain the efforts to encircle and contain the rise of China made by the US and its allies especially since the end of the Cold War.
- To curtail the influence of the United States.

Objectives of the Republic of Indonesia

These following objectives in the region:

- To maintain friendly relations with China so that it can increase her influence in the region.
- To balance the power of US in the region.
- To create new opportunities to increase the exports of the Indonesian goods in Chinese markets.
- To modernize the aging forces of the republic of Indonesia.

Indonesia's ethnic Chinese population which consists of 3 to 4 percent controls more than 70% of the Indonesian wealth. Under Suharto regime they were constantly discriminated following the accusation of the coup in 1965, and due to that Suharto's regime banned many activities that were Chinese including the New Year festivities and the use of Chinese language newspapers and schools. The ban was lifted in 2000 when President Abdurrahman Wahid tried to repair the relations which raised the concern in the US as he also proposed the idea of Asian Bloc consisting of Indonesia-China-India axis.

Indonesia's Support for One China Policy

Right from the establishment of diplomatic relations between Indonesia-China in 1950 they supported the One China policy and

recognized the authority of the Beijing over the China including Taiwan. Even after the alleged attempted coup in 1965 by the Communist Party of Indonesia, which general Suharto has alleged that Communist China was behind that coup and as a result the relations between both the states were broken but still Indonesia supported the One China Policy. Indonesia also supported the reinstatement of China's seat in United Nations. One China Policy is the basic principle of the Indonesia's foreign policy in conducting the relations between both the states.

The Indonesian government's recognition of One China Policy has paved the way for the economic and trade relations with Taiwan of non-governmental nature. The One China policy doesn't only bound to the economic and trade relations as we can see that China is also doing its trade with the Taiwan itself. "In 2005, the bilateral trade volume amounted to \$91.2 billion, making Taiwan China's seventh largest trading partner. China has now become Taiwan's No.1 export market."⁹

Then the question arises: why Indonesia is supporting the One China Policy. There is the pretty simple answer that as far as Indonesia is supporting the One China Policy it is in a way of not interfering in the sovereignty of China and not interfering the domestic politics of China. The support for One China Policy is also in favor of Indonesia because as long as Indonesia supports the One China Policy, China is also bound not to interfere in the Indonesian affairs and will not support the movements in different parts of Indonesia. The One China Policy has been regarded as a policy not to interfere in each other's internal matters and to stabilize the relations between both the states.

Impact of Indonesia-China Relations on East Asia

South East Asia has been the hot spot for the Communists during the Cold War era especially the Indonesia has been regarded as a

frontline state in South East Asia during the Cold War era. The Communist Party of Indonesia (PKI) tried to take over the control of the Indonesian government through an attempted coup but they failed and the mass killing of supporters of Communist Party of Indonesia (PKI) began by the Indonesian forces under the leadership of General Suharto. The 1965 mass killing of the Communist supporters has created a huge impact on the Indonesia-China relations as the relations between both the states were deteriorated after these killings and the diplomatic relations were broken for more than two decades. During that period the West and its allies supported the Indonesian government under the President Suharto and he was able to foster the economic development of the country and that's why he is called the father of the Indonesian economic development.

Conclusion

Indonesia-China relations have affected the nature of the politics of the East Asia and South East Asia as both the states have tried to dominate the regions. China has included the South East Asia into their traditional sphere of influence whereas Indonesia recognizes itself as the leader of the South East Asia.

But with the close cooperation between both the states there is the huge impact on the region as we can witness that the bilateral trade has increased significantly between both the states and would reach to US \$30 billion in 2010 and the defence cooperation between both the states would also raise the alarms for the neighboring states. As China is already seen with suspicion from the West and their cooperation to modernize the Indonesian aging forces would create a new trouble for the states of the South East Asia, because Indonesia has always played the role of the leader of the bloc and in future if the Indonesia-China form an alliance like NATO¹⁰ then the troubles would be increased for the region. China has already disputes in the East Asia over the islands and rifts and that conflict may lead to a

war that would ultimately involve most of the countries of the region as many of the states claim their rights in East Asian waters.

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¹⁰ NATO is the alliance formed by the West after the Second World War in 1949 to contain the Communist threat to the West and would defend the Communist attack collectively.