

Indonesia's Response toward U.S.'s Indo-Pacific Strategy in the Context of Rising China*

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Abstract

In the U.S., since the 2000s, with the strong growth of China's economy and military, China has become a threat to U.S. interests in the Indo-Pacific region. Due to a breakthrough in U.S.-India relations has pushed Washington to devote more attention to this region, President Obama articulated the concepts of "pivot" or "rebalance" to Asia, and Secretary of State Hillary Clinton published an article in 2011 ("America's Pacific Century"), in which she argued that the U.S. would build a multipronged approach of military cooperation, diplomatic engagement, and free trade negotiation to establish its position in the Indo-Pacific region.¹

Back to August 2007, Japanese Prime Minister Shinzo Abe first mentioned the term "Indo-Pacific" in a speech to the Indian

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¹ Please see: <https://foreignpolicy.com/2011/10/11/americas-pacific-century/>

Parliament. In 2012, Prime Minister Abe declared the “Free and Open Indo-Pacific” (FOIP) strategy as the official Japanese foreign policy in the region. Prime Minister Abe proposed a new security strategy that enlisted potential regional partners, such as the U.S., Australia, and India, in a coalition. These three countries view a rising China as a threat to regional security and wanted to form a security coalition to deal with China. From this perspective, and also as some scholars have mentioned, we can see the Indo-Pacific strategy as a threat-driven security cooperation,² In other words, the main goal of an Indo-Pacific strategy is to counter China’s growing presence and influence.

In U.S. President Trump’s administration, U.S. Secretary of State Rex Tillerson mentioned the “Indo-Pacific region” many times in his talk at the Center for Strategic and International Studies (CSIS). Specifically speaking, the scope of the Indo-Pacific region ranges from the Western Pacific (the U.S.’s territory) to the Indian Ocean (India’s territory) and includes all Southeast and South Asian countries.

The main reason why President Obama and President Trump have adopted these policies is to contain China’s rising. Since China has become the U.S.’s prime competitor, and, China President Xi came to power, he has revealed his ambition to assume hegemony in Asia. Both Northeast and Southeast Asia

² Please see: Yujen Kuo, “Japan’s Roles in the Indo-Pacific Strategy,” *Prospect Journal*, No. 18 (2018), 29-36.

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have witnessed conflicts between the U.S. and China. This article aims to analyze Indonesia's foreign policy and discuss Indonesia's recent response to the China/U.S. confrontation in the Indo-Pacific region.

Indonesia between China and the U.S.

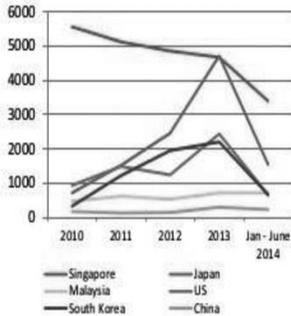
Indonesian President Joko Widodo's pro-investment and infrastructure-centric government has pushed Indonesia closer to China. In 2019, China became Indonesia's number 2 investor with an infrastructure drive, and China has beaten Japan to a number of high profile investments such as the Jakarta-Bandung high-speed train project.³

Traditionally, Singapore and Japan have been the largest sources of FDI in Indonesia. However, China has risen from number 11 in 2014 to a top 3 position in 2017. Please see the Figure 1 and Table 1 for details.

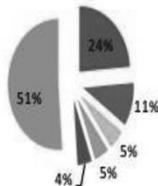
³ Please see:

<https://asia.nikkei.com/Politics/International-relations/China-becomes-Indonesia-s-No.-2-investor-with-infrastructure-drive>

Singapore, Japan and Malaysia on the Top-3 Biggest Investors in January – June 2014



FDI Realization by Origin Country
in Jan – June 2014



FDI Realization in Indonesia by Origin Country

Top-10 Countries Based on Capital Expenditure (USD million) in Jan – June 2014
Excl. oil, gas, and financial sectors

Rank	Country	2010	2011	2012	2013	Jan-June 2014
1	Singapore	5,565	5,123	4,856	4,671	3,393
2	Japan	713	1,516	2,457	4,713	1,541
3	Malaysia	472	618	530	711	717
4	US	931	1,488	1,238	2,436	663
5	South Korea	329	1,219	1,950	2,205	654
6	UK	276	419	934	1,076	646
7	Netherlands	608	1,354	967	928	604
8	Australia	214	89	743	226	449
9	Mauritius	23	73	1,059	780	430
10	British Virgin Islands	1,616	517	856	786	368
11	China	173	128	140	296	231
Total (97 Countries)		16,215	19,475	24,565	28,616	14,287

The Investment Cooperating Board of the Republic of Indonesia

Source: BKPM, 2014.

Figure 1. FDI realization in Indonesia by origin country in 2014

Source: “Indonesia Investment Outlook and Policy Development”, Indonesia Investment Cooperating Board, September 2, 2014, <https://www.slideshare.net/hidayatnurman/indonesia-investment-outlook-and-development>.

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Table 1. FDI flows into Indonesia by country in 2017

Main Investing Countries	2017 (January-June)
Singapore	19.5%
Japan	17.5%
China	16.4%
Hong Kong	7.5%
South Korea	5.8%

Main Invested Sectors	2017 (January-June)
Metal, Machinery and Electronic Industry	13.7%
Mining	12.2%
Electricity, Gas and Water Supply	12.0%
Chemical and Pharmaceutical Industry	9.7%
Food industry	8.5%

Source: Indonesia Investment Coordinating Board (BKPM) ; and also in “Indonesia: Foreign Investment”, Santander Trade Portal, September, 2019,

<https://en.portal.santandertrade.com/establish-overseas/indonesia/foreign-investment>.

Chinese investment had been a contentious issue in the 2019 election, as Joko Widodo approached China for more investments. Tom Lembong, the head of Indonesia's investment board, likened the current Chinese investment spree with Japan's similar deals in

the 1980s and 1990s. But, as he mentioned, most countries that wish to work closely with China try to make it less and less controversial over time. Japanese investment around the world has become well accepted and completely uncontroversial.⁴

Therefore, in the 2019 Indonesian election, presidential candidate Mr. Prabowo Subianto used the Chinese investment as a bogeyman. Anti-Chinese sentiments have long existed in Indonesia and now are utilized as a political tool. Mr. Prabowo Subianto accused President Joko Widodo of being too soft on China and criticized him for allowing millions of Chinese workers in to work on Chinese-funded projects.⁵ Mr. Prabowo Subianto has said that, if he becomes president, he will review all of Beijing's projects in the country. But the news about so-called "millions of Chinese workers" who illegally came to work in Indonesian Chinese funded projects has been proven to be fake news.⁶

The share of Indonesians who hold favorable views of China has been declining over time. The figure below shows that the percentage of Indonesians who had a favorable view of China decreased from 66% in 2014 to 53% in 2018, the most recent

⁴ Please see: <https://www.bbc.com/news/business-47905090>

⁵ Please see: <https://www.bbc.com/news/business-47905090>

⁶ Please see:

<https://www.straitstimes.com/opinion/anti-china-campaign-in-jokowis-indonesia>;
<https://www.reuters.com/article/us-indonesia-election-fakenews-insight/fact-checkers-vs-hoax-peddlers-a-fake-news-battle-ahead-of-indonesias-election-idUSKCN1RM2ZE>

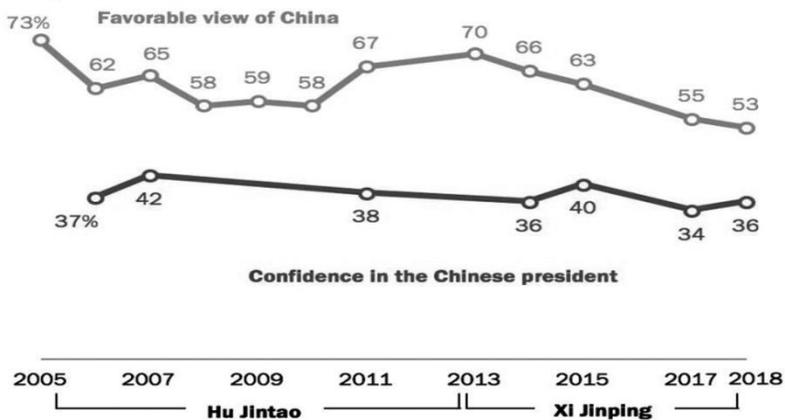
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election year in Indonesia. The main reason why more and more Indonesians have a negative view of China is because they are concerned about Indonesia's increasing economic dependence on Beijing.⁷

Favorability of China falls among Indonesians; confidence in Chinese president stable

Among Indonesians ...



Source: Survey of Indonesian adults conducted July 6-Aug.12, 2018. Q17b & Q35b.

PEW RESEARCH CENTER

Figure 2. Favorable views of China among Indonesians

Source: Christine Tamir and Abby Budiman. The Pew Research Center, April 4, 2019.

<https://www.pewresearch.org/fact-tank/2019/04/04/indonesians-o>

⁷ Please see:

<https://www.pewresearch.org/fact-tank/2019/04/04/indonesians-optimistic-about-their-countrys-democracy-and-economy-as-elections-near/>

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The share of Indonesians who hold a favorable view of the U.S. has also declined. In 2018, 42% of Indonesians said they had favorable views of the U.S., versus 62% who said this in 2015, during Barack Obama's administration.

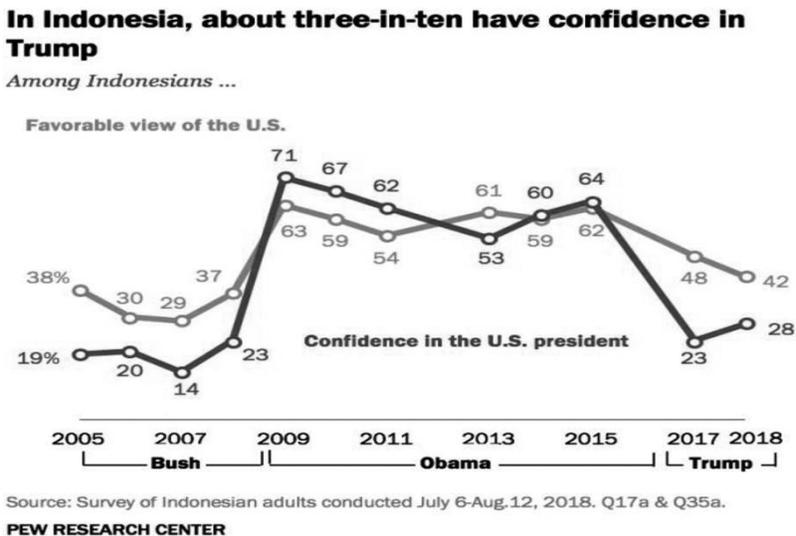


Figure 3. Favorable Views of the U.S. among Indonesians

Source: Christine Tamir and Abby Budiman. The Pew Research Center, April 4, 2019. <<https://www.pewresearch.org/fact-tank/2019/04/04/indonesians-optimistic-about-their-countrys-democracy-and-economy-as-elections-near/>>

Indonesia's Foreign Policy and Its Response to the U.S. Indo-Pacific Strategy

In this section, I will discuss Indonesia's foreign policy and its response to the U.S. Indo-Pacific Strategy. The goal of Indonesia's foreign policy is to maintain regional stability by strengthening cooperation, especially in the economic sector, and focusing on dialogue to settle discords, instead of relying on military alliances. Some Indonesian policy-makers think that "strong positive cooperation" based on mutual understanding is much better than reaction to regional developments based on "perception of threat."⁸ To maintain regional stability, Indonesia tries to foster more cooperation and hopes that the growing ties of multilateral economic and cultural cooperation will reduce regional tensions. By doing so, Indonesia also can downplay any attempt to craft a regional counterbalance against China.

The main reason for Indonesia's reliance on multilateral institution-building is that it lacks a coherent Indo-Pacific policy. There are also three minor reasons that influence Indonesia to adopt this kind of foreign policy. The first reason is due to the fragmentation of the national government itself; each national ministry is divvied up between political parties and milked for patronage resources, and thus ministers tend to compete against

⁸ Retno Lestari Priansari Marsudi, "2018 Annual Press Statement of the Minister for Foreign Affairs of the Republic of Indonesia," Ministry of Foreign Affairs, January 9, 2018, 13.

each other instead of cooperating. The second reason is due to Indonesia desiring Chinese investment, so that Indonesia is wary of taking actions that might jeopardize its relationship with China. As a result, Indonesia is simply passing the buck to ASEAN by stressing its centrality in the Indo-Pacific region. The third reason is due to Indonesia's problem in power-projecting capability. Militarily, Indonesia is too weak to challenge China, while its strategic culture, which focuses more on internal security, self-reliance, and self-strengthening, prevents it from taking part in an active military alliance that would contain China.

President Susilo Bambang Yudhoyono thinks that the best policy for Indonesia is to promote peace, to increase mutual restraint, and to work toward "an Indo-Pacific wide treaty of friendship and cooperation."⁹ In the case of the South China Sea, President Susilo Bambang Yudhoyono adopted a multilateral approach to deal with China by persuading China to agree to a code of conduct with ASEAN, which provided rules of engagement between China and ASEAN to settle disputes in a confidence-building process.

Mr. Marty Natalegawa (Indonesia's former foreign minister, 2009-2014) has supported President Susilo Bambang Yudhoyono's foreign policy outlook, namely "a million friends and zero enemies," which is also known as an "all-direction

⁹ Please see Marty Natalegawa, "An Indonesian Perspective on the Indo-Pacific," *The Jakarta Post*, May 20, 2013.

foreign policy.” President Susilo Bambang Yudhoyono wanted to set Indonesia as a global actor. However, as the political analyst Dr. Yohanes Sulauman has mentioned, despite President Susilo Bambang Yudhoyono’s focus on all-direction foreign policy, it is difficult to see that there was any breakthrough in Indonesia’s strategy regarding the South China Sea and the Indo-Pacific as a whole.¹⁰

Prashanth Parameswaran, Senior Editor of *The Diplomat* based in Washington, D.C., has commented on what Indonesia’s foreign policy will look like in President Joko Widodo’s second term. Parameswaran mentioned that Indonesia’s foreign policy has always been “free and active”, as its former Vice President Mohammad Hatta has referred to as Indonesia playing a “bebas-aktif” (free and active) role in world politics. Indonesia has especially emphasized neutrality since its independence. For example, Indonesia hosted the historic Bandung Conference in 1955, which led to the founding of the Non-Aligned Movement.¹¹ By so doing, Indonesia can defend Indonesia’s sovereignty and territorial integrity and develop a South-South Cooperation.

President Joko Widodo’s foreign policy can be described as

¹⁰ Yohanes Sulaiman, “Whither Indonesia’s Indo-Pacific Strategy?” *Asie. Visions*, No. 105 (January 2019) 13-14.

¹¹ Please see:

<https://thediplomat.com/2019/04/what-will-indonesias-foreign-policy-in-Joko-Widodos-second-term-look-like/>

domestic oriented, focusing much more on keeping friendly relations and bringing investment in from abroad. He is noticeably less active than President Susilo Bambang Yudhoyono regarding foreign affairs. However, things might be changed in his second term, as he does not have the looming fear of re-election.¹²

Trend-wise, the growing U.S.-China rivalry is likely to reinforce the need for Indonesian leadership in the Indo-Pacific region. Since Indonesia has viewed itself as a rising country in Southeast Asia, it tries to formulate an ASEAN response to the world trend.

President Joko Widodo made a new policy, called “ASEAN on the Indo-Pacific Outlook” (AOIP), but it seems to be an independent concept from the U.S.’s Indo-Pacific Strategy despite sharing the similar name.¹³ The AOIP is much more neutral regarding China and the U.S., and is ASEAN’s take on displaying

¹² Please see:

<https://thediplomat.com/2019/04/what-will-indonesias-foreign-policy-in-Joko-Widodos-second-term-look-like/>

¹³ ASEAN Indo-Pacific Outlook Statement:

https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf

About the analysis on AOIP, please see:

<https://www.internationalaffairs.org.au/australianoutlook/indonesia-asean-return-indo-pacific-strategy/>;

<https://www.eurasiareview.com/07082019-aseans-indo-pacific-dilemma-where-to-from-here-analysis/>;

<https://thediplomat.com/2019/03/indonesias-indo-pacific-approach-between-promises-and-perils/>

a more united voice in their redefining of Indo-Pacific geopolitics. The main difference between ASEAN's AOIP and the U.S.'s FOIP is that the AOIP focuses more on cooperation, inclusiveness, and neutrality, whereas the FOIP focuses more on security and containment.

Indonesia hopes that a peaceful, stable, and prosperous ecosystem must be formed in the Indian Ocean and Pacific Ocean in the Indo Pacific Rim. This was conveyed by President Joko Widodo at the ASEAN-India Summit at Rasthrapati Bhawan, India in January 2018. On that occasion, President Joko Widodo invented another new concept of the Indo-Pacific region fit for so-called ASEAN's ways. President Joko Widodo said, "*I believe that through a mechanism led by ASEAN and through the ASEAN-India partnership an Indo-Pacific region that is peaceful, stable and prosperous can be achieved*".¹⁴ Joko Widodo further said that the Indo-Pacific concept could naturally be developed based on the ASEAN Cooperation and Friendship Treaty in which all important countries in the region had become parties.

President Joko Widodo thinks that the development of the Indo-Pacific concept must also be conducted in an open, transparent, and inclusive manner based on habit of dialogue based on the desire to cooperate and uphold international law.

¹⁴ Please see:

<https://www.cnnindonesia.com/internasional/20180126074522-113-271697/Joko-Widodo-perkenalkan-konsep-indo-pasifik-di-ktt-asean-india>

According to Joko Widodo, with this concept, unhealthy rivalries that lead to power projections can be avoided. Joko Widodo further stated that the development of the Indo-Pacific concept would be good if it were done through strengthening bilateral cooperation, as well as multilateral cooperation such as ASEAN-India, strengthening regional mechanisms such as the Indian Ocean Circle Cooperation Association (IORA) in the Indian Ocean, and ASEAN leadership mechanisms, especially the East Asia Summit (EAS) of the Pacific Ocean, linking and integrating mechanisms for cooperation in the Indian Ocean and the Pacific.

In June 2019, ASEAN's outlook regarding the Indo-Pacific proposed by Indonesia has been adopted at the ASEAN Summit in Bangkok. The ASEAN Outlook on the Indo-Pacific has become more important in the midst of current world developments. "*The trade war between the United States and China has not improved,*" President Joko Widodo said. It is feared that the trade war will become a 'multi-front war', Joko Widodo said. President Joko Widodo said that ASEAN must be strong, ASEAN must unite, and ASEAN must be able to become the motor of peace and stability in Southeast Asia. In addition to the Indo-Pacific issue, in the ASEAN Summit Plenary Meeting, President Joko Widodo called for an affirmation of ASEAN's commitment to the completion of the Regional Economic

Partnership Agreement (RCEP) negotiations.¹⁵

Conclusion

The Indo-Pacific region is entering a new era marked by a struggle for supremacy between the U.S. and China. President Trump's "America First" philosophy attempts to re-arrange America's international engagements strictly in line with American national interests.

About the "importance" of a country to the U.S. in this region, due to U.S. treaties with Japan, South Korea, and Taiwan, U.S. conflict with China will most likely to occur in Northeast Asia rather than Southeast Asia, even with the contentious South China Sea issue. Japan is by far the most important U.S. ally in the region, with the third largest economy in the world and a highly developed security. Australia is a long-time military ally of the U.S. with significant naval capability. India is a democracy with a significant military and a large population and is also capable of punching its weight against China. All of the above regions therefore will be seen by the U.S. as "more strategic" than Southeast Asia. The U.S. does not have strong reliable military allies in Southeast Asia; it has only defense treaties with the Philippines and Thailand, which are susceptible to Chinese influence.

¹⁵ Please see:

<https://www.antaraneews.com/berita/924113/ktt-asean-adopsi-outlook-asean-mengenai-indo-pasifik>

In economic value to the U.S., Southeast Asia also lags behind Northeast Asia. Southeast Asia contributed 6.3% to total U.S. trade in 2017, whereas CJK (China Japan Korea) accounted for 25.3%. In terms of tourism and student spending in the U.S., Northeast Asia is still far ahead. The only metric where Southeast Asia is more economically important is FDI, in which Southeast Asia has a slightly larger FDI share from the U.S. (mainly in Singapore). In sum, though Southeast Asia is an important economic partner of the U.S., overall, Northeast Asia is more important.

Southeast Asia's main importance to the U.S. lies in its geography, in the middle of the Indo-Pacific region astride strategically and commercially vital sea lanes and because of its perceived vulnerability to Chinese inducements and pressures. Any loss of a country in this vital maritime lane will be a blow to the U.S. and its allies.

In conclusion, the geographical location enhances the value of Southeast Asia in U.S. eyes, and it makes Indonesia more and more strategically important to the U.S. However, we have seen that Indonesia has long developed a non-aligned movement and loathes having to pick a side. Given the recent fracture in ASEAN countries between camps that are pro-China or wary of China, and rumors of an offshore Chinese military base in Cambodia, the luxury of not picking a side might not exist in the future.