

## CHAPTER 3

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# ASEAN in the United States–China Strategic Competition: An Indonesian Perspective\*

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### Introduction

In the past decade, the threat of a Sino–US conflict has been lingering in the Asia Pacific region. Southeast Asian countries, with relatively less power, have very little room for manoeuvre in their relationships with the two great powers. While there is much written on Southeast Asia’s relations with the US, scholars are mostly concerned with the rise of China and how Southeast Asia is responding to this. Chen and Yang (2013) argue that Southeast Asians’ response to the rise of China can be predicted based on whether they perceive any threat from China or economic gain from their relationship with China, and they found that Southeast Asians are adopting different policies in response to the rise of China, ranging from soft balancing and hedging to bandwagoning. Others (Shekhar, 2012; Kuik, 2016; Haacke, 2019) contend that proximity to the threat of a rising China to its regional neighbours has become an important factor in shaping hedging strategies, which have been adopted by most Southeast Asian countries. Indonesia is also said to be adopting a hedging strategy to balance the interest that Indonesia has in its relationships with both the US and China (Gindarsah, 2016, 2017; Mubah, 2019).

The dilemma that Southeast Asians, as well as Northeast Asians and South Asians, are facing in navigating their relationships with China and the US can also be seen in their position toward the Indo-Pacific arrangement. The US, in their 2017 National Security Strategy, notes that, “the geopolitical competition between free and repressive visions of world order” requires the establishment of a network between democratic countries vis-a-vis the repressive camp, referring to China and its allies. It is a signal that the US’ Indo-Pacific strategy is basically aiming at “containing” China. On the other hand, Japan, an important regional ally of the US, reiterates the need to establish a “free and open Indo-Pacific” to promote connectivity between

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Asia, the Middle East, and Africa, which does not suggest any efforts to isolate China. Koga (2020) identifies Japan's strategy as tactical hedging with the twin goals of protecting its national defense as well as building a regional norm-based order. India suggests that an Indo-Pacific arrangement should not be "an exclusive club," a reiteration that China should be a part of it. According to Rajagopalan (2020), India's Indo-Pacific strategy is characterized by evasive balancing in which it is aiming at balancing China but at the same time engaging China. In an official statement, ASEAN also proposes "inclusivity" as an important pillar of the Indo-Pacific arrangement. ASEAN's proposal, which is in line with Indonesia's proposal, points out three important features of the Indo-Pacific arrangement, which can be summed up as "the importance of positive and inclusive cooperation based on mutual trust and dialogue." ASEAN's, as well as Indonesia's, proposal suggests not only an effort to tone down the rivalry between China and the US in the region, but also, and more importantly, an effort to not exclude China from a regional arrangement.

This paper focuses on Indonesia's policy in responding to the US-China strategic competition, and an important facet of this is using ASEAN as its main platform. It argues that Indonesia has strengthened its relationship with China to support its infrastructure plans under the presidency of Joko Widodo. This decision, however, does not mean that Indonesia places the US as its secondary priority: rather that Indonesia considers that Chinese economic power has not been maximally capitalized. Indonesia is using ASEAN to engage China into the regional arrangement and at the same time, to prevent China from being isolated. Hence, it suggests that economic consideration plays an influential role in shaping Indonesia's policy toward China and the US-China strategic competition. The next section lays out the origin and debate of Indonesia's Indo-Pacific policy. It is then followed by a second section which examines domestic considerations in the making of Indonesia's Indo-Pacific policy.

### **Indonesia's Indo-Pacific Policy: Origin and Debate**

The introduction of Indonesia's Indo-Pacific policy came relatively late. It was first introduced by Foreign Minister Retno Marsudi in late 2017. It rests on three pillars. The first pillar is that Indo-Pacific regional security architecture shall place ASEAN at its centre. Second, it should be based on the principles of cooperation and

transparency. And finally, it should be inclusive in nature, in which no member of the region shall be left behind. In his lecture at the S. Rajaratnam School of International Studies (RSIS) in mid-2018, Indonesia's Presidential Chief of Staff, Retired General Moeldoko, mentioned that it is in the interests of Indonesia to be part of a stable and prosperous region, and hence, Indonesia will actively seek to promote mechanisms that enhance regional stability. Widodo has also firmly stated that ASEAN must be able to play a role in developing the framework of the Indo-Pacific to maintain its relevance and centrality in regional security cooperation. Indonesia brought its proposal to ASEAN, and after a long lobbying process, it was finally adopted as ASEAN's proposal in June 2019.

Debates on Indonesia's Indo-Pacific policy within academic circles revolve around driving factors that have prompted Indonesia to adopt this new policy. Since Indonesia's proposal came late in comparison to the initiatives of other countries, Indonesian academics believe that the policy is externally motivated. Pakpahan (2018) argues that Indonesia's Indo-Pacific policy is a mechanism to set up "symmetrical interests" in managing its relations with external partners in the Pacific and Indian Oceans. It is a response to the increasing tension in the region due to the rise of China and the US' harsh response toward this. The policy itself follows Indonesia's traditional "*bebas-aktif*," or free and active foreign policy. Laksmana (2018) argues that Indonesia's Indo-Pacific proposal aims at toning down regional tension, for which ASEAN ideals shall be the guidance. Indonesia's proposal was later adopted by ASEAN with several revisions, but it remains based on ASEAN centrality and inclusiveness. Anwar (2020) makes similar conclusions, noting that while Indonesia's policy is a continuation of their previous Global Maritime Fulcrum (GMF) policy, the later policy responds to the growing competition between the two great powers. She also notes that ASEAN's proposal of using the East Asian Summit as a platform for Indo-Pacific cooperation is a sign of ASEAN's effort to make ASEAN indispensable despite the great power rivalry.

A similar line of thinking, however, is also shared by higher echelon officials. Talking at RSIS, Moeldoko reiterated the growing tension between the US and China, with the rise of China over the past few years significantly changing the regional landscape, potentially undermining Indonesia's interests. He noted that Indonesia does not perceive the rise of China as a threat, but that it would instead bring benefits to the region and is eager "to promote cooperation in developing a

comprehensive regional economic corridor,” quoting a joint statement between Widodo and Chinese Premier Li Keqiang in May 2018. Indonesia’s relations with China have warmed during the Widodo administration. Widodo’s confidant in foreign affairs, Sukma (2015), explains that Widodo’s response to China is not unique as he also did the same with other countries. It is an effort to tone down domestic criticism of Widodo’s effort to boost Indonesia’s relationship with China. Pattiradjawane (2016) and Anwar (2019) warn that while a bilateral economic relationship with China brings positive impacts as it provides Indonesia with capital to fund its infrastructure projects, resentment toward China within Indonesian society remains high. Moeldoko also stresses that the rise of Chinese power should not hamper the role of the US in the region. He points out close security cooperation between the Indonesian armed forces and their US counterpart as an important factor in the need to maintain the US–Indonesia relationship. Moeldoko’s statement should be seen as an effort to tone down accusations of pro-Beijing domination within the Indonesian government.

The logic of geopolitics in the birth of Indonesia’s Indo-Pacific policy is coherent with various proposals put forward by Indonesia in the past few years. The Ministry of Foreign Affairs has been sponsoring the Indian Ocean Rim Association (IORA) meetings for quite some time. In addition, The National Resilience Institute (*Lembaga Ketahanan Nasional*, Lemhanas), a government-backed research and education institution for higher echelon bureaucrats, hosted the Jakarta Geopolitical Forum in 2017 and 2018. The aim of these forums was to map the changing global political landscape and how Indonesia should respond to it. The Indo-Pacific was one of the main topics of discussion at the 2018 forum.

While scholars have argued that the reason for the proposal is externally motivated, this paper suggests that the policy is indeed driven by domestic needs. Widodo’s infrastructure projects and his quest for funding require him to maintain close ties with China, which has become both an important partner in the development of these infrastructure projects, and their main source of funding. Efforts to ensure that all member countries of the region are part of the Indo-Pacific arrangement—or inclusivity—basically aim at ensuring that Indonesia’s relations with China will remain positive in the future.

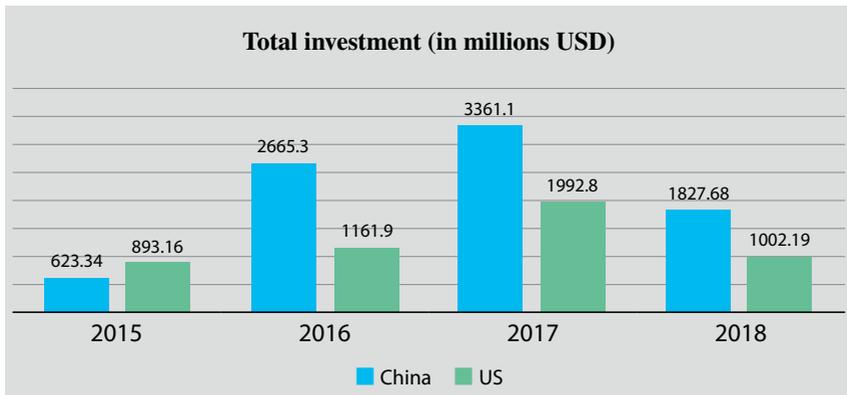
## Domestic Explanation of Indonesia's Indo-Pacific Policy

When Widodo was elected as president in 2014, he gave the development of infrastructure projects as his main policy. During his second term, he continued his pledge to support infrastructure projects alongside developing human resources. Widodo believes that adequate infrastructure is key to boosting Indonesia's economic performance. With more than 17,000 islands and approximately 5.8 million square km of sea area, building infrastructures, especially to create inter-island connectivity, is essential. Hence, Widodo is keen to build maritime tolls—a national port network—as an important part of creating inter-island connectivity. Widodo is also focused on road networks on main islands such as Java, Sumatera, Borneo, and Papua. His administration also spent money on “*dana desa*” or village funds to develop local economic initiatives, mainly infrastructure projects such as road construction. From 2014 to August 2019, Widodo's government spent 229.4 trillion rupiah on *dana desa*.

In terms of foreign policy, Widodo's first administration adopted the GMF's policy as the main guidance on foreign relations. Details on the implementation of the GMF policy, however, were mostly absent. On the other hand, international relations during Widodo's first term were dictated by a quest to fund his infrastructure projects. At the beginning of his second term, Widodo went further, placing economic diplomacy as the main policy of Indonesian foreign relations. Marsudi has often stated that one of the main functions of a diplomat during Widodo's presidency has been to proactively engage foreign investors and businesspersons to invest in and do business in Indonesia. Wicaksana (2017) writes that prioritising economic development has lowered ASEAN to second place priority within Indonesia's foreign policy, something that has never taken place in the past as ASEAN has always been the “*soko guru*” or main pillar of Indonesia's foreign policy. During his second term, Widodo appointed Mahendra Siregar to serve as Vice Minister of Foreign Affairs, who, despite starting his career as a diplomat, is mostly known for his work building economic portfolios. The media reported that his appointment is intended to increase investments and trade.

The problem with such massive infrastructure projects is how Indonesia would finance them. While its natural resources are abundant, Indonesia would also need support from abroad in the form of both foreign aid and investment. To

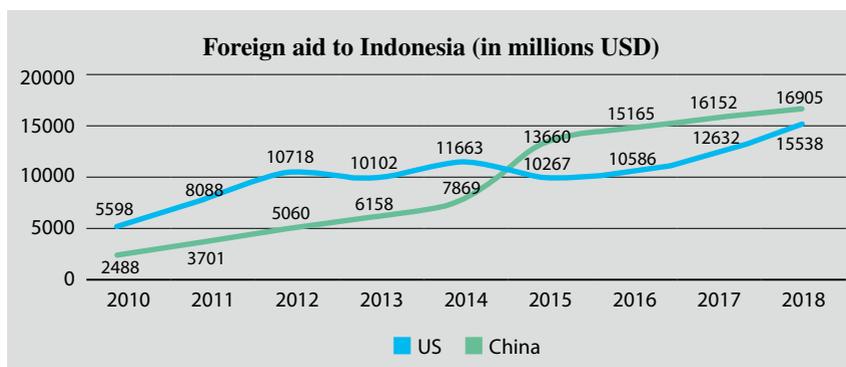
boost foreign investment, the Indonesian government has developed regulations to ensure the security of foreign investments. For example, the government has streamlined regulations on inflowing investments through Presidential Order 91/2017, which reduces barriers for investing in Indonesia. In addition, Widodo’s administration has also taken other measures to increase government revenue, for example, by the government deciding to raise government income through taxes. The Ministry of Finance reported that during the period from 2015 to 2019, they managed to increase government income from taxes at a rate of 7.7% year-on-year. Widodo’s administration has also adopted a controversial tax-amnesty program for Indonesians who hide their wealth abroad to avoid taxation. While all these efforts have managed to increase government revenue, the government still requires additional funding for infrastructure projects. The government has tried another method involving opening the flow of investment from abroad. Among these inflows, investment from China has shown a significant increase. Chinese investment in Indonesia during the Widodo era increases at a considerably high rate. At the same time, US investment in Indonesia is relatively stable. Chinese investment in Indonesia has jumped from only 623.34 million USD in 2015 to 1.8 billion USD in September 2018. In 2017, a staggering 3.3 billion USD of Chinese investment went to Indonesia.



Not only total investment, but the number of projects funded by Chinese investment has also increased. In 2015, as many as 1,052 projects were funded by Chinese investment, and in September 2018, this number increased to 1,265. In terms of number of projects, Chinese investment in Indonesia has also been higher in the

past few years compared to US investment during the same period. The amount of US investment in Indonesia per project, on the other hand, has always been higher in comparison to that of China. In the past four years, US investment funds total an average of 2.68 million USD per project, while the average funding per project by China is 1.3 million USD.

This sharp increase in Chinese investment in Indonesia is a result of Widodo actively courting China. During his presidency, Widodo has held meetings on a couple of occasions with China’s President Xi Jinping and Premier Li Keqiang. Mubah (2019) notes that during the first term of Widodo’s presidency, Widodo and Vice President Jusuf Kalla only missed one visit to China in 2018, while they missed three visits to the US. In 2018, when neither Widodo nor Kalla visited China, Li Keqiang paid a visit to Jakarta. It suggests that China has become an important partner for Indonesia. During a lecture at Universitas Indonesia in 2014, then Cabinet Secretary Andi Widjajanto hinted that the close relationship between Widodo and Xi Jinping can also be understood from their gestures. He reiterated the need to establish a closer relationship with Beijing, as the only funding available is from China since, “they have the money and they need to invest their money.” Darmin Nasution, who was appointed as Coordinating Minister for Economic Affairs during Widodo’s first term, has pointed out the importance of China and its wealth for Indonesia’s development projects in a closed meeting prior to the 2014 election (CIREs, 2013).



In fact, this rapprochement with Beijing seems fruitful as it is not only the inflow of investment that has been rising over the past few years, but also Chinese foreign

aid. Chinese foreign aid to Indonesia surpassed that of the US in 2015. There was also a sharp increase in Chinese investment in Indonesia from 2010 to September 2018. This increase is not unintentional and not without consequence. With massive government projects in Indonesia, the government requires a huge amount of funding. According to the Ministry of Finance, Indonesia needs 4.8 quadrillion rupiah to fund infrastructure projects undertaken from 2015 to 2019. Most of the funding needed for these 254 projects will be allocated from state budgets, while the rest will be from private sector and state-owned companies. With such a huge need for funding, it is not a surprise that Widodo has consistently asked diplomats to seek out funding opportunities and revenue streams.

This economic necessity has led to China holding an important position in Widodo's policies. The focus on economic needs has, to a certain degree, created fragmentation within the Indonesian government. Several cases show this fragmentation. Coordinating Minister for Maritime and Investment Affairs, Luhut Panjaitan, was recently in the media spotlight after commenting on the need to tone down resentment toward China regarding the matter of illegal fishing in Natuna waters. The incident began with the intrusion of Chinese Coast Guards into Indonesia's exclusive economic zone (EEZ) in the Natuna Sea to protect their fishermen operating in the area. The Chinese Coast Guard was confronted by the Indonesian Coast Guard, and when a video of this confrontation went viral in Indonesia, public outrage soon began. The Ministry of Foreign Affairs filed an official complaint to Chinese officials demanding that the Chinese government adhered to Indonesia's sovereign rights over its EEZ as protected by the United Nations Convention on the Law of the Sea. Panjaitan, on the other hand, made a public statement asking the public to tone down hateful sentiments toward China for the sake of protecting Chinese flows of investment to Indonesia.

Another consequence of this "allegiance" to China is that Widodo and his administration have suffered from growing accusations of him becoming "*antek aseng*," or a Chinese puppet. The accusations began when Indonesia decided to choose China over Japan to build a high-speed railway system connecting Jakarta and Bandung. Negative perception grew as the public became aware of the inflow of Chinese workers coming over to work on Chinese-backed investment projects across Indonesia. A recent survey conducted by *Lembaga Survei Indonesia* (Indonesian Survey Institute, LSI) confirms this growing negative sentiment toward China and

China's presence in Indonesia. According to the survey, 40% of the respondents believe that China has a negative influence on Indonesia. Despite the highly negative opinion of China among the Indonesian public, economic necessity remains a better predictor as to Indonesia's actions with regard to foreign relations during the Widodo presidency.

## Conclusion

This paper states that fully grasping the ideas behind Indonesia's Indo-Pacific policy requires understanding the complexity of its domestic situation. The main driving forces behind Indonesia's foreign policy are not simply a need to maintain the balance of power in the region or to strengthen the centrality of ASEAN in the Asia-Pacific regional arrangement. While Indonesia's usual foreign policy will always aim at creating an inclusive group where all parties are equal partners with ASEAN playing the central role, Indonesia is also clearly aiming at maintaining its interests to safeguard the flow of investment from China, at least during the Widodo presidency. The main reason for such practices is due to Widodo's quest to fund infrastructure projects, which require a huge amount of funding. While his efforts are fruitful, domestically Widodo has suffered from accusations of becoming *antek aseng* (Chinese puppet). Maintaining a close relationship with China, however, does not mean that Indonesia has to sacrifice its relationship with the US. Simple gestures, such as that by Moeldoko during his lecture at RSIS, suggest that Indonesia still values its relationship with the US. The problem is that investment from the US has reached its apex.

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