



Assessing the Sino-Indonesian strategic partnership

by Eric Teo Chu Cheow

The visit of Chinese President Hu Jintao to Jakarta and Bandung for the Golden Jubilee Commemoration of the 1955 Bandung Conference was significant. Not only was his role and China's place at the conference highlighted by Indonesian organizers, but Hu stayed an extra day, for an official visit to Jakarta to sign a Strategic Partnership Agreement between Indonesia and China.

This Sino-Indonesian strategic partnership has a historic and historical dimension for Asia. First, history was in the making as the two sides laid to rest a bitter episode in Indonesian-Chinese relations. This occurred just as China was condemning Japan for not facing its own history. Indonesians remember the trauma of the 1965 military assault against the *Partei Komunis Indonesia* (PKI). After the alleged assassination of military figures (whose bodies were dumped in a well), the military moved in, killing many members of the PKI and banning the party from Indonesian politics. Indonesia has still to revisit this part of its history.

The Communist Party of China expressed stiff opposition to the incoming Indonesian military administration under President Suharto; relations were only normalized between them in 1990, after a 25-year rift between Asia's largest and third-most populous countries. Hu's visit to Jakarta and the signing of the Strategic Partnership Agreement effectively put to rest this painful episode in Sino-Indonesian relations, and should pave the way for a return visit by Indonesian President Susilo Bambang Yudhoyono to Beijing later this year.

Second, this strategic partnership underscores the mutual economic benefits that Jakarta and Beijing hope to reap. China would provide financial assistance to build a dam in West Java and a bridge in East Java; the total value of these projects is \$507 million. Moreover, both sides pledged to increase trade from the current \$13.5 billion in 2004 to \$15 billion in 2005 and to \$20 billion in 2006.

Investments from China are expected to blossom too, especially in the oil and gas sector; current Chinese investments there already total \$1.2 billion. According to the Indonesian Investment Coordinating Board, total Chinese investments into Indonesia for the five-year period ending in 2004 reached \$6.5 billion. Indonesian Coordinating Minister for the Economy Aburizal Bakrie added that a group of Chinese businessmen had committed to investments of up to \$10 billion in toll roads, electricity, oil, palm plantations, and in the energy sector. There are clear mutual benefits of Chinese investments in Indonesian oil and gas.

Third, the strategic agreement could also be seen in the light of a clear "rehabilitation" of Indonesia's Chinese community and an acknowledgement of the role that they are

expected to play in Indonesia-China relations. All the top figures of the Indonesian-Chinese community attended the dinner in honor of Hu hosted by the Chinese chapter of KADIN, the Indonesia Chamber of Commerce.

Indonesian-Chinese have been a target of hostility of indigenous Indonesians, most recently in the May 1998 anti-Chinese riots in Jakarta and the major cities. Many of them were pursued by the Megawati administration for fraud or corruption. But over the past four years they have been rehabilitated in terms of their rights as Indonesian citizens, after years of discrimination under the Suharto administration. Then, Chinese education was banned in Indonesia and Chinese writings in public places officially disallowed. Chinese New Year or *Imlek* was reinstated as an official public holiday only two years ago and the Chinese districts of Kota and Glodok in Jakarta now openly celebrate *Imlek* with great pomp. Chinese signboards are prominently displayed in Jakarta, Medan, Surabaya, and other big cities in Indonesia.

The strategic partnership between Jakarta and Beijing "consecrates" this rehabilitation, which should also contribute to the stabilization of bilateral relations and put to rest their painful 1965 history. Hu has cleverly used the Indonesian-Chinese dimension to rehabilitate the image of China in Indonesia and stabilize his personal relations with President Yudhoyono, a career military man.

However, this newfound rehabilitation of Indonesian-Chinese could also present to Indonesia, the community, and China new problems, if attention is not paid to potential issues of controversy. First, the community and Beijing could be again blamed for the economic woes of indigenous Indonesians if the economic situation deteriorates, especially if Indonesian-Chinese do not share their wealth through this new "China connection." Second, old and surviving members of the PKI could now demand a reassessment of the 1965 events, which could embarrass the Indonesian establishment (and especially the military), as well as Beijing and the Chinese Communist Party. These two issues must be handled carefully to avoid a repeat of hostilities toward the Indonesian-Chinese community; Jakarta and Beijing have roles to play.

Lastly, the Indonesian-Chinese strategic partnership has a geostrategic angle. Jakarta feels that it would be good to have China to balance relations with the United States. U.S. problems with the Indonesian military have meant that Jakarta's relations with Washington have not been easy since the fall of Suharto; Yudhoyono is keen to restore military and economic relations with the U.S. Indonesia's strategic partnership with China must be seen as Jakarta's attempt to balance big-power relations in the region.

Yudhoyono's recent visit to Washington and his meeting with President George W. Bush appear to have partially satisfied the Indonesians, six months after massive U.S. aid

poured into Aceh and North Sumatra to help Indonesian tsunami victims. Relations at the government level are probably at their most stable and best since 1998.

Progress could not have been made faster as the U.S. Congress and the Indonesian National Assembly would have cried “sell-out” if many concessions were given by either side to move the normalization process forward too quickly. Yudhoyono had a good visit to Washington but he only received an understanding from Bush that full restoration of ties and weapons sales would resume upon concluding certain investigations. Although Yudhoyono may have gained more ground in energy cooperation, unlocking U.S. funds for oil and gas may still be conditioned on Jakarta’s legal safeguards and the anti-corruption drive that Jakarta is seeking to implement. It remains to be seen how this U.S.-Indonesian relationship will evolve. As with China, Indonesia’s relations with the U.S. will ultimately depend on deliverables. Good vibes and intentions are not enough. In the case of Indonesia-U.S. relations, the deliverables are perhaps more important, as a majority of Indonesians remain hostile or cool to Washington.

Beijing’s strategic partnerships appear aimed at breaking out of what it deems as the “strategic containment of China” by Washington on both the Pacific coast and its western and southern hinterland. After sealing a strategic partnership with Russia in October 2004, China signed a strategic partnership with India and then this latest one with Indonesia; it has now “neutralized” (at least on paper) its big Asian neighbors from adhering to an “American anti-China coalition.” In so doing, Beijing seeks to ensure that a neutral Jakarta would not block Pacific and Indian Ocean access for Chinese exports and energy imports.

Sino-Indonesian relations are on a new strategic footing; it remains to be seen if Beijing’s and Jakarta’s objectives and goals would be mutually met.

Dr. Eric Teo Chu Cheow, a business consultant and strategist, is Council Secretary of the Singapore Institute for International Affairs (SIIA). He can be reached at [sldeet@singnet.com.sg](mailto:sjdeet@singnet.com.sg).