



Indonesia's Neutral Approach Amid US-China Conflict

Abstract

This article is aimed to examine Indonesia's non-alignment diplomacy in the midst of a great power competition. Being at the edge of the South China Sea, it places Indonesia in a vulnerable position in the US-China geopolitical rivalry. In this article, the author discusses Indonesia's relations with China and the United States under escalating tensions, as well as Indonesia's potential role in the conflict resolution.



Fig 1. US – Indonesia relations, Courtesy US State Department

The Sino-American rivalry in the Indo-Pacific has posed a major threat to the peace and stability of the Indo-Pacific region. For almost a decade, China has been asserting aggressive claims over the East and South China Sea, which infringes the territorial integrity of Indo-Pacific countries. While the United States attempts to counter Beijing's coercion, it has only increased

the region's vulnerability. Aside from the high US military presence, the US has also repeatedly provoked China—with the visitation of the US Former House Speaker to Taiwan or the US expanding military bases in Indo-Pacific countries. Accordingly, Beijing's response was equally belligerent; firing missiles near Taiwan following Nancy Pelosi's visit and in the disputed waters as a warning to the United States.

As tensions between the two states escalated, Indonesia became increasingly susceptible due to their geographical proximity. Therefore, Indonesia engaged with both the United States and China with utmost caution, sidestepping any political decisions that may provoke either state. Indonesian President Joko Widodo has repeatedly stated they will maintain a neutral stance in the face of intensifying US-China spat. However, as the leading power in Southeast Asia, both China and the United States seek Indonesia's support in their geopolitical competition; thus, calling into question Indonesia's neutral position.

The Strategy of Neutrality

The guiding principle of Indonesia's foreign policy is underlined by the concept of 'Free and Active' diplomacy, which refers to Indonesia's non-alignment in international conflicts and major power blocs, thus, allowing an active diplomatic relations with all nations. With this strategic approach, Indonesia seeks to have *'a million friends and zero enemies,'* enabling the country to reap significant economic and political benefits from active interstate partnerships. In accordance with the 'free and active' policy, Indonesia remains neutral in the US-China rivalry and still maintains their relations with both Washington and Beijing.

Economic Relations

Indonesia has a long history of trading relations with both the United States and China. Indonesia began their trading ties with the United States in the mid-1980s and has since expanded their relationship, reaching a total trade volume of billions of dollars per year. In the 1990s, the United States was Indonesia's second largest trading partner, with exports totaling over US\$1 billion in 1990 alone. Meanwhile, Indonesia and China's history of trading relations stretches back to the 1950s. Compared to Indonesia's trade with the US, the Sino-Indonesia bilateral trade was relatively small in the 90s but continued to grow steadily. In 1990, Indonesian export volume to China rose exponentially, growing by more than 100% only in a span of seven

years. Initially, Indonesia's total exports to China amounted to around US\$800 million in 1990, significantly exceeding US\$2 billion in 1997¹.

As trade relations with both the US and China continue to expand, Indonesia's economy rises to become one of the most advanced and fastest growing economies in the world—earning Indonesia a place in the G20. To this date, China and the United States remain Indonesia's largest trading partners, especially after the establishment of the Indonesia-China Strategic Partnership, where China surpassed the US as Indonesia's largest trading partner. Only last year, China's trade value with Indonesia significantly exceeded that of the United States, reaching over US\$109 billion while the US merely contributed around US\$21 billion².

While trade relations with China continued to grow, ties between China and Indonesia expanded as well. In 2017, Chinese President Xi Jinping and Indonesian President Joko Widodo signed a loan agreement during China's Belt and Road Initiative (BRI) summit. China agreed to provide infrastructure assistance across large Indonesian provinces. The BRI funding will cover many infrastructure projects, including the Jakarta-Bandung High-Speed Railway, to which China has contributed over US\$7 billion just to this project³. Accordingly, the investment to fund the infrastructural development across Indonesia's provinces will be massive, estimated to reach over US\$90 billion for a total of 28 projects⁴. As a result, China became the third largest investor in Indonesia, with over US\$24 billion in investment since the year 2000⁵.

Military Cooperation

Considering Indonesia is highly concerned about China's claims to the South China Sea, Indonesia-China military ties seem implausible. Especially after China's threats when an uninvited Chinese vessel loitered near a submersible oil rig conducting tests of Indonesia's gas reserves for one month—warning Indonesia to halt the drilling process, claiming that it was within China's territory. Although Natuna Island is legally part of Indonesia's Exclusive Economic Zones (EEZ) according to UNCLOS's standard, it is also within the so-called nine dash line claimed by China. This is a clear violation of Indonesia's territorial integrity, which therefore enters the US into the picture.

Indonesia and the United States have a long-standing defense tie. The US has provided the Indonesian military service with Foreign Military Financing (FMF) and International Military Education and Training (IMET) to foster professionalism and technical expertise while enhancing the overall

operational capability⁶. Since 2006, the US and Indonesian military relations have undergone joint defense and security activities in countering transnational threats. However, considering China's threat to Indonesia's territorial rights, the partnership shifted their focus to deterring Chinese forces from Indonesia's maritime territory. The US has invested over US\$3.5 million in a military training center and naval base in Batam to monitor and deter any Chinese presence within Indonesia's territorial border⁷.

Staying Neutral or Choosing Sides?

While neutralism may offer Indonesia the benefits of China's infrastructure assistance and boost their military power with the United States, people are concerned it will allow the conflict to escalate even further, extending to Indonesia's territorial border and creating implications for Indonesia in many aspects. As Former US Secretary of State John Foster Dulles stated during the cold war; *neutrality is merely a 'short-sighted' conception*. The vast majority of Indonesians seems to agree, considering 60% of Indonesians believe their country should join the United States in limiting China's influence in the Indo-Pacific⁸. It is true that there are many frictions in the Sino-Indonesia relationships, specifically the SCS maritime dispute. However, it is important to note that Indonesia's economy is also highly dependent on China's assistance; therefore, the idea of Indonesia choosing the US's side seems far-fetched. As previously stated, China is the country's biggest trading partner and one of their largest investors; thus, maintaining a good relationship with China is critical for Indonesia's economy.

Taking Australia as an example, where China unofficially imposed sanctions on Australian exports after the Australian government demanded an independent probe into the origins of Covid-19. Similar to Indonesia, Australia was an economic province of China, accounted for one-third (32%) of the nation's foreign trade in 2019⁹. However, with China's trade restriction, Australia has not exported any timber logs to China for over two years, affecting about US\$600 million in trade¹⁰. Although China's sanctions against Australia did not have a major impact on the country's economy, it does not guarantee the same fate for Indonesia. That is why it is wiser for Indonesia to avoid any entanglements in the US-China rivalry, while also urging both parties to pursue a peaceful settlement to prevent further escalations of the conflict.

A peaceful resolution certainly serves Indonesia's national interest; enabling the country to extract the benefits of their relations with China and the US without worrying about an open conflict on their doorstep. Although Indonesia's first attempt at bringing China and the US together during the

2018 APEC meeting may be a failure, the G20 Summit in Indonesia showed hope of reducing tensions between the two countries. During their first in-person meeting, US President Joe Biden and Chinese President Xi Jinping have agreed to work together to improve their strained relationships while addressing global challenges such as debt relief, food security, and climate change.

President Joko Widodo attributed the success of the summit to the country's long-standing neutral foreign policy that has fostered good relations with both China and the US. Initially, several G20 member states boycotted the summit in protest of Russia's participation. However, Indonesian President Joko Widodo successfully negotiated the presence of both President Biden and President Xi at the summit. It is clear that Indonesia's good relations between nations served as a valuable asset in the US-China spat, enabling the two rivals to collaborate, and produce the maximal and concrete result for the 2022 G20 Summit, as stated by the Indonesian President.

Conclusion

Unfortunately, as we enter the new year, the US-China rivalry continues to exist. Just recently, China's Foreign Minister threatened a potential confrontation with the United States following the US response to a Chinese surveillance balloon over US airspace. Although the current situation may undermine their commitment during the G20 meeting, both China and the United States are still willing to communicate with each other and attempt to rebuild their strained relationship¹¹¹². As Indonesian President Joko Widodo stated during the G20 Summit;

"Competitions and rivalries are normal. What is important is to keep them under control, and don't let them turn into an open conflict. Big countries have to share responsibility to preserve stability and peace in the region and globally, which means that they should communicate and meet often ¹³."

As such, the rising tension will likely remain, but not all is lost for a peaceful resolution. As long as the US and China honor their promises, and Indonesia or other nations continue to show support as the middleman, there is still hope. Therefore, unless things drastically deteriorate, remaining neutral is the best policy for both Indonesia's national interest and the international community—enabling the country to reap the benefits of interstate cooperation and being a mediation between the rivals when necessary.

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