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Sino-Indonesian Relations:
A Study of Indonesian Perceptions of China

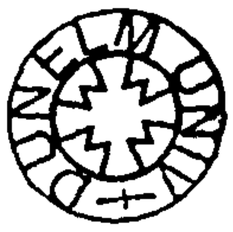
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By

Desra Percaya

A Thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

Department of Politics
University of Durham
2000



19 JUN 2001

Abstract

Sino-Indonesian relations are unique and complex. They have been characterized by ups and downs, which ranged from suspicions, hostilities, close friendship, the freezing of, as well as the reestablishment of diplomatic relations in August 1990. From Indonesia's perspective, the relations have been dominated by its perception of China, which carried both domestic and external dimensions that tended to see China as a threat. In this regard, China has always had a special place in the discourse of Indonesian domestic politics, which also bears implications in foreign policy. However, Indonesian perceptions and policies towards China were not static, rather they changed because of a number of factors. These include change within domestic politics, regional concerns and the impact of China's own behaviour.

Initially, Indonesian perceptions of China were translated into action by the freezing of diplomatic relations between the countries. However, in August 1990 Indonesia decided to restore its ties with China. This move appeared to end the period in which China was viewed as a threat. Yet, as this thesis demonstrates the Indonesian political elites were not unanimous in this move. In particular the military attempted to find a domestic justification for the maintenance of China as a threat. One strategy was to revive the controversial issue of the ethnic Chinese within Indonesia. This minority group has always provoked controversy because of their economic role, position, historical link as well as their close relations with the New Order elite leaders. This tendency has coincidentally been encouraged by the emergence of nationalism in China. This thesis also shows how the shifting of balance of power and the re-emergence of Islam has influenced the ethnic Chinese question.

This thesis also indicates that the United States remains to play a major role in the dynamic of relationship between Indonesia and China. Their respective differences with the US, such as on human rights issues, has undoubtedly brought the two countries together. Nevertheless, this factor has no spill over towards the development of closer relations as Indonesian domestic reality prevents such a tendency. This thesis also examines the manner in which Chinese actions were viewed by Jakarta, in

particular China's growing military development and apparent assertiveness in the context of South China Sea disputes indeed bring about a hardening of attitude towards China even after normalisation. This thesis also discusses the limits that bind Indonesia and China together not least their economic and trade activities. Early indications also showed that given the economic structure of both countries and various competitive advantages held by China, it appeared that Indonesia would have to compete with China in economic and trade activities.

Declaration

This thesis is entirely from my own work and has not been previously offered in the candidature for any other degree or diploma.

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Acknowledgement

This thesis was prepared when there was political turmoil and on-going fundamental changes taking place in Indonesia. On several occasions my concentration has been distracted by the worrying situation in my country. There is no word that could represent the way I felt during that time. Finally, the people's power voicing democracy has prevailed in Indonesia. The downfall of Suharto has enabled me to focus my study and more importantly has given me the opportunities to speak freely and to express my conviction without fearing the negative implications afterwards. However, the political changes in Indonesia are still going on, as a democratic society could not be created in a night. I am afraid, there is still mountain to climb and a long way to go to realize a civil society in Indonesia. For these reasons, I dedicate this work to my beloved country Indonesia, who, according to the Speaker of the Indonesian People's Consultative Assembly (MPR), is "critically ill".

There are a number of debts incurred in the process of the completion of this thesis, and I would like to express my deepest thanks to all whose assistance and support have made this work possible. In this regard, I have been fortunate to be supervised by Professor David Armstrong and most indebted to him for being patient and giving me valuable guidance, comments and direction during my period of study at Durham University. My profound gratitude also goes to Dr. Christopher Hughes and Dr. William Callahan who have continuously given me constructive inputs towards my work.

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ABBREVIATIONS

ABRI	:	Indonesian Armed Forces (*Angkatan Bersenjata Republik Indonesia*)
APEC	:	Asia-Pacific Economic Cooperation
ARF	:	ASEAN Regional Forum
ASA	:	Association of Southeast Asian
ASEAN	:	Association of Southeast Asian Nations
BAKIN	:	National Intelligence Coordination Agency (*Badan Koordinasi Intelijen Nasional*)
BAKOM-PKB	:	Communicative Body for the Appreciation of National Unity (*Badan Komunikasi Penghayatan Kesatuan Bangsa*)
BAPERKI	:	Consultative Council of Indonesian Citizenship
BPS	:	The Central Bureau of Statistics (*Biro Pusat Statistik*)
CCPIT	:	Chinese Center for the Promotion of International Trade
CGI	:	Consultative Group on Indonesia
CIA	:	Central Intelligence Agency
CIDES	:	Center for Information and Development Studies
CPC	:	Communist Party of China
CSCAP	:	Council on Security and Cooperation in the Asia-Pacific
CSIS	:	Center for Strategic and International Studies
DPR	:	People's Representative Assembly (*Dewan Perwakilan Rakyat*)
EAEC	:	East Asian Economic Caucus
EAEG	:	East Asian Economic Group
EEZ	:	Economic Exclusive Zone
ESCAP	:	Economic and Social Council for Asia-Pacific
GATT	:	General Agreement on Tariff and Trade
GDP	:	Gross Domestic Product
GOLKAR	:	Functional Group (*Golongan Karya*)
GSP	:	Generalized System of Preferences
HANKAM	:	Defence and Security (*Pertahanan dan Keamanan*)
ICMI	:	Association of Indonesian Muslim Scholars (*Ikatan Cendekiawan Muslim Indonesia*)
IGGI	:	Intergovernmental Group on Indonesia
IMF	:	International Monetary Fund
ISEAS	:	Institute of Southeast Asian Studies
JIM	:	Jakarta Informal Meeting
KADIN	:	Indonesian Chambers of Commerce (*Kamar Dagang Indonesian*)
KAMI	:	Indonesian Students United Action (*Kesatuan Aksi Pelajar Indonesia*)
KISDI	:	Committee of Islamic Solidarity (*Komite Solidaritas Islam*)
KNIP	:	Central Indonesian National Committee (*Komite Nasional Indonesia Pusat*)
KOPKAMTIB	:	Restoration of Security and Order Command (*Komando Keamanan dan Ketertiban*)

KOSTRAD	:	Army Strategic Command (Komando Strategis Angkatan Darat)
LEMHANAS	:	National Defence Academy (*Lembaga Pertahanan dan Keamanan Nasional*)
LITSUS	:	Special Screening (*Penelitian Khusus*)
LOSC	:	Law of the Sea Convention
MASYUMI	:	Consultative Council of Indonesian Muslims (*Majelis Syuro Muslimin Indonesia*)
MNCs	:	Multinational Corporations
MPR	:	People's Consultative Assembly (*Majelis Permusyawaratan Rakyat*)
MPRS	:	Provisional People's Consultative Assembly (*Majelis Permusyawaratan Rakyat Sementara*)
NAM	:	Non-Aligned Movement
NASAKOM	:	Nationalist, Religion and Communism *(Nasionalis, Agama dan Komunis*)
NEFOS	:	New Emerging Forces
NEKOLIM	:	Neo-colonialism
NIEs	:	Newly Industrializing Economies
NSI	:	Niciren Syosyu Indonesia
NU	:	Religious Scholars (*Nahdatul Ulama*)
OIC	:	Organization of the Islamic Conference
OLDEFOS	:	Old Established Forces
OPEC	:	Organization of Petroleum Exporting Countries
ORBA	:	New Order (*Orde Baru*)
ORLA	:	Old Order (*Orde Lama*)
P4	:	Guideline for Understanding and Implementation of Pancasila (*Pedoman Penghayatan dan Pengamalan Pancasila*)
PLA	:	People's Liberation Army
PMC	:	Post-Ministerial Meeting
PPP	:	United Development Party (*Partai Pembangunan Indonesia*)
PARTINDO	:	Indonesian Christian Party (*Partai Kristen Indonesia*)
PERTAMINA	:	National Oil Mining Company (*Pertambangan Minyak Nasional*)
PDI	:	Indonesian Democratic Party (*Partai Demokrasi Indonesia*)
PKI	:	Indonesian Communist Party (*Partai Komunis Indonesia*)
PNI	:	Indonesian Nationalist Party (*Partai Nasional Indonesia*)
PRC	:	People's Republic of China
PSI	:	Indonesian Socialist Party (*Partai Sosialis Indonesia*)
Supersemar	:	11th March Order Letter (*Surat Perintah 11 Maret*)
SEATO	:	Southeast Asia Treaty Organization
SESKOAD	:	Army Staff and Command College (*Sekolah Staf dan Komando Angkatan Darat*)
TAC	:	Treaty of Amity and Cooperation
TNI	:	Indonesian National Armed Forces (*Tentara Nasional Indonesia*)
UUD '45	:	1945 Constitution (*Undang-undang Dasar 1945*)
UN	:	United Nations
US	:	United States

WNI	:	Indonesian Citizen (*Warga Negara Indonesia*)
WTO	:	World Trade Organization
ZOPFAN	:	Zone of Peace, Freedom and Neutrality

Chapter One

Introduction

This study is about Sino-Indonesian relations, particularly from Indonesia's perspective under the New Order regime. The main question posed in this study is "What was Indonesia's perceptions of China before and after the August 1990 normalisation of diplomatic relations?" A secondary question that is equally important is: "What was the impact of this changing perception for Indonesia's foreign policy towards China during that period?"

1.1. National Interest and Foreign Policy

In world politics, the term national interest is generally used in two senses: as an analytical tool identifying the goals or objectives of foreign policy and as an all-embracing concept of political discourse used specifically to justify particular policy preferences.[1] In both senses it refers to the basic determinants that guide state policy in relation to the external environment. Thus, in inter-state relations each state always tries to pursue national interest as the basic determinant or primary justification that guides state policy and action in relation to the external environment. Accordingly, there is a close correlation between national interest and foreign policy. In other words, national interest has also become the objective of foreign policy.

Although the concept is considered rather ambiguous, there is a wide agreement among scholars that the most obvious national interest is self-preservation, while the greatest threat to basic interests is for another state to invade and conquer it. Indeed, the main essence of national interest is the principle of national security and survival. The defense of homeland and the preservation of territorial integrity are basic to it. The term 'vital interest' is often used in this connection, the impact being

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[1] Graham Ewans & Jeffrey Newnham, *The Dictionary of World Politics, A Reference Guide to Concepts, Ideas and Institutions* (London: Harvester Wheatsheaf, 1992), p.207.

that the issue at stake is so fundamental to the well being of the state that it cannot be compromised and so may result in the use of military force to sustain it. Keith R. Legg and James F. Morrison, for instance, argued that the most fundamental source of foreign policy objectives is perhaps the universally shared desire to ensure the survival and territorial integrity of the community and state.[2] Robert Osgood also put national survival or self-preservation at the head of the list of national interests, because everything else depends on the achievement of this goal.[3] He further clarified survival or self-preservation in terms of territorial integrity, political independence, and maintenance of fundamental governmental institutions.

Other sources of foreign policy may be divided into three groups of national interests that are considered as fundamental, middle-range and specific immediate objective.[4] They generally include the economic needs of the community, the political needs of a state and its leaders, cultural, psychological, and/or ideological needs of the state for prestige and status in the world, and the capability requirements of the state. While the threat of foreign invasion is increasingly rare in contemporary international relations, there are other "core national values" often mentioned such as the enhancement of a nation's economic development, independence from the interference of foreigners in one's domestic affairs, and preservation of the nation's way of life or culture.[5] In the end, all these sources of foreign policy, either singly or in combination, could be regarded as vital interests depending, among other things, on the dominant perceptions of the decision-makers at the time.

Disagreements among scholars begin to appear when one asks both conceptual and substantive questions about the national interest: How do we arrive at

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[2] Keith R. Legg and James F. Morrison, "The Formulation of Foreign Policy Objectives," in Michael Smith, Richard Little and Michael Shackleton (eds.), *Perspectives on World Politics* (London: The Open University, 1981), pp.56-60.

[3] As quoted in William Clinton Olson, *The Theory and Practice of International Relations*, 8th edition (Englewood Cliffs, N.J.: Prentice Hall, 1991), p.37.

[4] See, Robert L. Wendzell, *International Politics: Policymakers and Policymaking* (New York: John Wiley & Sons, 1981), pp.74-82.

[5] William Nester, *International Relations, Geopolitical and Geoeconomic, Conflict and Cooperation* (New York: Harper Collins, 1995), p.121.

a generally acceptable or standardized definition of national interest? What is specifically in the national interests of a given country and its people at a given time and in regard to a given issue? Who decides what the priorities of state action are going to be, and when and how they are to be implemented? How and by whom are enemies defined? How and by whom are friends designated? What is the role of the government when faced with serious internal disagreements regarding national goals and values?[6] The answer to each question appears to be heavily dependent on the form of the political system of any state. In this regard, there are two schools of thought that are usually viewed as elitist and democratic. Therefore the answer lies at the form of the political system of each country.

What is it about the case of foreign policy? Basically, foreign policy is always concerned with activity whereby state actors act, react and interact. It has been termed as a boundary activity, which implies that those making policy straddle two environments, an internal or domestic environment and an external or global environment. The domestic environment forms the background context against which policy is made. Thus factors such as the resource base of the state, its position geographically in relations to others, the nature and level of development of its economy, its demographic structure, its ideology and fundamental values will form the domestic or internal milieu. The international or external environment is where policy is actually implemented. The analysis of foreign policy making in countries that have long established institutional practices should be relatively less complicated by following models proposed by scholars.[7]

On the other hand, in countries that lack democratic institutional practices, as in the case of most developing countries, the study of foreign policy making is more complicated, varying from one country to another depending on the political system applied in any particular country. However, one of the most striking characteristics of

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[6] See, Stephen Krasner, *Defending the National Interest* (Princeton, N.J.: Princeton University Press 1978).

[7] See, among others, James N. Rosenau, "Pre-Theories and Theories of Foreign Policy," in R. Barry Farell (ed.), *Approaches to Comparative and International Politics* (Evanston, Ill.: Northwestern University Press, 1966), pp. 29-92, and James N. Rosenau, *The Scientific Study of Foreign Policy* (New York: Free Press, 1971); Graham T. Allison, *Essence of Decision* (Boston: Little, Brown, 1971).

the developing countries has been the dominant position of the executive branch or government vis-à-vis other institution of the State. Indeed, unlike those in the developed countries that have achieved a certain level of institutional maturity, most of the developing countries are generally dominated by the executive branch. Therefore, the formulation of national interest and the making of foreign policy will, in many ways, be dominated by those who hold the power, particularly surrounding the top executive leader.

1.2. Framework of Analysis

By any standard, Indonesia undoubtedly falls into the category of a developing country. Apart from its level of development, Indonesia indeed possesses the characteristics that are commonly held by the developing countries, such as weakness in the idea of state that includes ideology and the concept of nation, lack of political development and other basic features.[8] A simple rationale would reveal that most of the developing states are generally ex-colonies,[9] as is Indonesia. Consequently, the concept of nation-states, as it is understood in the context of developed states, is an imported value imposed by the former colonial powers on their colonies that came into effect by the end of the Second World War. As a result, they carried problems from the start due to neglect of factors that should glue the nation-states together. Indeed, Indonesia falls into the pattern of a *multi-ethnic state-nation*, which means that the creation of the Indonesian State preceded the "existence" of the Indonesian nation. Thus, the idea of nation is still being nurtured through a nation-building process. In this context, the government plays an important role in formulating the idea of the state that is expected to be able to unite and integrate the diversity of Indonesians as

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[8] For further discussion of Indonesia's profile, see, Ruth McVey, *Indonesia* (New Haven, Connecticut: Human Relations Area File, 1963); Gouri Mirpuri, *Indonesia* (London: Manshell Cavendish, 1990); *Indonesia: An Official Handbook*, Department of Information, Directorate of Foreign Information Services, 1995); Jeanne S. Mintz, *Indonesia: A Profile* (Princeton, New Jersey: D. Van Nostrand, 1961).

[9] Caroline Thomas, *In Search of Security: The Third World in International Relations* (Boulder, Colorado: Wheatsheaf Books, 1987), p.2.

a state and nation. As Suryadinata underlined, "... the so-called nations in Southeast Asian are in fact 'nations-in-making'."[10]

However, before referring to who defines Indonesia's national interest and foreign policy, one has to look at Indonesia's political system. Indeed, there seems to be a general pattern of practice and historical legacy in Indonesian politics that the executive always plays a central role as the most powerful and influential part of the state compared to other branches. The Indonesian 1945 Constitution (*UUD '45*) indeed grants the president, as head of the executive branch, a wide range of power.[11] Why is this the case? Historically, during mid 1945 and 1950s, there was a strong debate as to the constitution of Indonesia, that should have set the power of the executive, particularly among three schools of thought; (i) the integralist, also known as authoritarian, traditionalists or, to some, Pancasilaist; (ii) Islamist; and (iii) constitutionalist.[12] The majority of Indonesian founding leaders believed that a strong government was indeed required to overcome the diversity of Indonesia in many respects.

Imbued by the spirit of revolution, in the end it was the views among the integralists that prevailed in Indonesia, and eventually took shape in the formulation of the 1945 Constitution. When Suharto came to power, he strengthened his power based on this Constitution with the support of his army generals and embarked on gradual steps to create a political system that enabled him to control Indonesian politics. Thus there is a general common understanding among scholars that the Indonesian government under Suharto is considered to be authoritarian. Accordingly,

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[10] Leo Suryadinata, *Ethnic Chinese as Southeast Asians* (Singapore: Institute of Southeast Asian Studies-ISEAS, 1997), p.5.

[11] Chapter 3 of the Constitution defines the authority of the President, which includes the power to determine the government regulations, to hold the highest authority over the military, to declare war, peace and to conclude treaties with other states, to declare the state of emergency.

[12] See, Adnan Buyung Nasution, *The Aspiration for Constitutional Government in Indonesia: A Socio-legal Study of the Indonesian Konstituante 1956-1959* (Jakarta, Pustaka Sinar Harapan, 1992); David Reeve, 'The Corporatist State: The Case of Golkar,' in *State and Civil Society in Indonesia*, Arief Budiman (ed.), (Clayton: Sentre of Southeast Asian Studies, 1990), pp. 151-176; Richard Robison, 'Indonesia: Tensions in State and Regime,' in *Southeast Asia in the 1990s: Authoritarian, Democracy and Capitalism*, Kevin Hewison, Richard Robison, and Gary Rodan (eds.), (Sydney: Allen & Unwin, 1993).

national interest and foreign policy subjects have not really become issues of public debate. The political system did not either provide a mechanism by which public opinion may have an effective influence on national policy decision-making, so what are normally understood as national perceptions that determine national policies are essentially those of their leaders.[13]

Indeed, the question of foreign policy will raise the familiar question of level of analysis. Although it has been much debated, agreement is lacking not only on the substantive dispute but even on the number of levels. Graham T. Allison, for instance, proposes three and James Rosenau five.[14] However, this study is somewhat inspired by the Weberian concept of patrimonial bureaucratic polity that has been followed by Karl Jackson,[15] Donald K. Emmerson,[16] and Harold Crouch.[17] This means that this study tends to use the framework of analysis of a patrimonial bureaucratic polity, taking also into account the nature of the state and the workings of domestic politics, the international environment which mainly focuses on China and, to a lesser extent, the international situation in East Asia.

According to the Weberian tradition, Indonesian politics is interpreted in terms of *patrimonialism*, such as patron-clients relationship, and the idea of *bureaucratic polity* or a strict separation between the state and its own society. In this regard, Karl Jackson explained that bureaucratic polity refers to cliques, circles, and patron-client ties, which override the importance of institutions. Therefore, power

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[13] J. Soedjati Djiwandono, "Process of Comprehensive Security: An Indonesian Perspective," *The Indonesian Quarterly*, Vol. 23, No. 3, Third Quarter, 1995.

[14] See, Graham T. Allison, *Essence of Decision: Explaining the Cuban Missile Crisis* (Boston: Little, Brown, 1971); James Rosenau, "Pre-Theories and Theories of Foreign Policy," in R. Barry Farell (ed.), *Approaches to Comparative and International Politics* (Evanston, Ill.: Northwestern University Press, 1966), pp. 29-92, and James N. Rosenau, *The Scientific Study of Foreign Policy* (New York: Free Press, 1971).

[15] See, Karl Jackson & Lucien W. Pye (eds.), *Political Power and Communications in Indonesia* (Berkeley, Los Angeles: University of California, 1978).

[16] See, Donald Emmerson, "Understanding the New Order: Bureaucratic Pluralism in Indonesia," *Asian Survey*, Vol. 23, No.11, November 1983.

[17] See, Harold Crouch, "Patrimonialism and Military Rule in Indonesia," *World Politics*, Vol. 31, No. 4, 1979.

lies much more with ruling personalities through patron-client links, which follow cultural affiliation, regional division and personal loyalty rather than bureaucratic organizations.[18] For Donald Emmerson, the Indonesian "bureaucratic-pluralism" refers to a hybrid type of institution that is neither completely totalitarian nor democratic.[19] This, in fact, refers to a government that lacks sufficient democratic foundations, and relies upon a military oligarchy to secure its legitimacy.[20] Meanwhile, Harold Crouch emphasizes the exploitation in the state's political and economical life, with a focus on the politico-bureaucrats and the local business communities that maintain partnership through financial resources and licenses.[21]

As is the case in any other country, Indonesia also employs its foreign policy to safeguard Indonesia's national interest. For the New Order, the vital national interest has been maintaining national security, the creation of stability and economic development. The question now is who has defined Indonesia's national interests, and has formulated Indonesia's foreign policy? There is no question that the answer lies in the structure of Indonesian domestic politics. Initially, the coming of the New Order was accompanied by the domination of Indonesian politics by the military. Accordingly, decision-making in the Indonesian[22] political system was dictated by a small elite, which was dominated by the military, especially the army.[23] Socio-political forces outside the military had less influence. Parliament, for instance, has generally been regarded as a rubber stamp, while political parties were weak and

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[18] Emmerson, "Understanding the New Order", p.1221.

[19] Ibid. p.1220.

[20] J.W. Garner, "Typology of States", in J.C. Johari, *Comparative Politics* (New Delhi: Sterling Publishers Pvy. Ltd., 1982), p.4410.

[21] Hal Hill, *Indonesia's New Order: The Dynamics of Socio-Economic Transformation* (St. Leonard, New South Wales: Allen & Unwin, 1994), p.6

[22] Under the New Order, the military was renamed as ABRI or the Indonesian Armed Forces. In 1999, the military was called as TNI (Indonesian National Armed Forces). In this study these terms should be understood as carrying the same meaning.

[23] For the army's involvement in politics, See, among others: Harold Crouch, *The Army and Politics in Indonesia*, Rev. edition (Ithaca, London: Cornell University Press, 1993) Ulf Sundhaussen, *The Road to Power: Indonesian Military Politics 1945-1967* (Kuala Lumpur: Oxford University Press, 1982); David Jenkins, *Suharto and his Generals: Indonesian Military Politics, 1975-1983* (Ithaca, NY: Cornell Modern Indonesian Project, Monograph Series, 1984).

dependent on the government. The government's domination has been facilitated by its success in establishing *Golkar* that has functioned as a political machine to win the five-yearly general election.[24]

With no Western educational background, Suharto embarked on a step-by-step approach in asserting his authority in Indonesian politics in accordance with the Javanese values.[25] At the bureaucratic level, Suharto designed intra-bureaucratic and inter-agency competition between those elite members seeking broader rule and support on policy issues and distribution of spoils.[26] Suharto also implemented a system of checks and balances, where power and influence were maintained in equilibrium, which prohibited their internal and external coalition. This mechanism ensured that the elite remained loyal to the President, even if it meant they bypassed the wishes of their superiors.[27] Such loyalty was assured because Suharto satisfied the elite's aspirations and at the same time skillfully balanced their vested interests in terms of appointments and facilities. The consequences of this pattern tended to strengthen Suharto's power in the long run. The success of this style of relationship is also rooted in the fact that the state's elite leaders lack an autonomous political base, and thus depend on the former for patronage.[28]

In the end, national interest and foreign policy issues are the primary concern of the Indonesian bureaucracy, with the President himself standing at the apex of the centralized mechanism, possessing the sole power to make decisions and to stifle opposition. Formal decisions were made and implemented through an established bureaucratic institution via intra-bureaucratic competition. The authority of the

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[24] See, Julian M. Boileau, *Golkar: Functional Group Politics in Indonesia* (Jakarta: Center for Strategic and International Studies, 1983); David Reeve, *Golkar of Indonesia: An Alternative to the Party System* (Singapore: Oxford University Press, 1985); Leo Suryadinata, *Military Ascendancy and Political Culture: A Study of Indonesia's Golkar* (Athens, Ohio: Ohio University: Center for International Studies, 1989).

[25] See, Hamish McDonald, *Suharto's Indonesia* (Sydney: Fontana Collins, 1980), "The Puppet Master," *Sydney Morning Herald*, 22 May 1998, by the same author.

[26] Emmerson, "Understanding the New Order", p.1221.

[27] David Jenkins, *Soeharto and His Generals*, p.27.

[28] Dwight King, "Indonesia's Foreign Policy", in David Wurfel and Bruce Burton (eds.), *The Political Economy of Foreign Policy in Southeast Asia* (London: Macmillan, 1990), p.80.

president was personalistic and institutional, while the authority of the top office holders derived from their personal relationship with the former and the holding of their respective offices. In this context, two of the most important bodies concerned with foreign policy have been the Ministry of Foreign Affairs and the military establishment.[29] Although for practical purposes foreign policy was subject to the control of a military establishment a civilian face was presented to the outside world because of the importance of restoring international confidence.[30] However, Suharto's involvement in foreign policy was rather gradual. His involvement appeared to be in line with the dynamic of Indonesian politics, particularly the achievement of stability and economic development.

Indeed, under Suharto and his New Order regime, the issue of China has been one of the most sensitive issues since it involved Indonesia's security interest and foreign policy. Accordingly, the military involvement on this issue was quite intensive. It is in this context that the issue of China has become one of the classical examples in which both civilian (the ministry of foreign affairs) and the military institutions have been in some kind of contention to win the support of Suharto over policies on China.

1.3. The Objectives and Purposes of the Study

The nature of the threat to Indonesia may be understood to be internal. Accordingly, the Indonesian government has a deep-seated sense of insecurity and worries about the threat to national unity, ideology or economic development.[31] However, Indonesia's historical experience, particularly during the revolutionary era, told its leaders that it was not domestic threats as such that had threatened Indonesia's survival, rather its linkage with external powers had jeopardized

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[29] Particularly the Ministry of Defense and the influential intelligence body of BAKIN – the National Intelligence Coordination Agency.

[30] Michael Leifer, *Indonesia's Foreign Policy* (London: Allen & Unwin, 1983), p.131.

[31] Dewi Fortuna Anwar, "Indonesia: Ketahanan Nasional, Wawasan Nusantara, Hankamrata", in Ken Booth and Russell Trood (Eds.), *Strategic Cultures in the Asia-Pacific Region*, (London: Macmillan Press Ltd., 1999), p.212.

Indonesia's survival on several occasions. Indeed, Indonesia's vital national interest after 17 August 1945 proclamation was to protect Indonesia's independence, which also involved efforts to secure sovereignty and international recognition, and to maintain its territorial integrity that had been threatened by the interference of external powers.[32] These powers included the involvement of the Soviet Union in the 1948 Madiun affairs, and the involvement of the US power in the 1950s regional rebellion.[33]

Having achieved international recognition and sovereignty by the end of 1949, Indonesia adopted the Western democratic or parliamentary system. One of the motives has been to gain sympathy from the Western powers as Indonesia began to address its battered economic condition. Unfortunately, the political cleavages and domestic rivalries among Indonesian political parties had prevented the possibility of Indonesia benefiting from foreign aid and assistance, especially from the West.[34] Ironically, any cabinet associated with Western power was accused of sacrificing Indonesia's principle of a free and independent foreign policy. Thus, instability and change of government took place in a relatively short period of time and prevented the pursuit of development. In the end, the effort to pursue the national interest of economic development was defeated by the sense of anti-Westernism among Indonesian leaders, particularly in the wake of Western powers' ambiguity in supporting Indonesia's demand for the return of West Irian and as the result of the colonial and revolutionary period.

The political instability and domestic rivalries under the parliamentary democracy had enabled Sukarno, with the support of the army, to assert his domination in Indonesian politics. He subsequently declared the implementation of

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[32] At the same time, Indonesia's claim of its territory over the Dutch East Indies had not been fully realized as the Dutch remained occupied West Irian.

[33] A classic source on development in Indonesia during the revolutionary years is George McTurnan Kahin, *Nationalism and Revolution in Indonesia* (Ithaca and London: Cornell University Press, 1952). See also Alastair M. Taylor, *Indonesian Independence and the United Nations* (Ithaca: Cornell University Press, 1960).

[34] For discussion on the details of this period, See, Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca, N.Y.: Cornell University Press, 1962).

Guided Democracy that placed him at the center of the power structure between various competing parties, particularly between the military and the PKI.[35] Under the Guided Democracy (1959-1965) foreign policy was used to achieve national integration and territorial integrity and to realize Indonesia's interest in leading the Third World movement. One of the important results from this period was closer relations between Indonesia and China, which was claimed to serve Indonesia's national interest. It was not considered to be violating Indonesia's principle of a free and independent foreign policy that was declared during the revolutionary period, rather it was a strategic move required in the service of national interest.[36]

Aware of the mistakes by his predecessor, Suharto made it clear from the very beginning that he intended to win Indonesian support through the pursuit of stability and economic development. Everything was always related and seen in the context of both causes. Consequently, Suharto also based his legitimacy on the success of the realization of these objectives. Thus, Indonesia's foreign policy was also focused to serve and facilitate the achievement of the interest of political stability and economic development. However, Suharto also continued his predecessor's policy on issues that benefited the achievement of stability and economic development, and with no hesitation discarded practices that were seen to be obstructing the realization of these two goals.

In this regard, Suharto adopted Sukarno's invention of Pancasila and maintained the course to use it as an ideology that all Indonesians could accept and depend upon to cultivate consensus and harmony among the diverse people of Indonesia.[37] It was pursued in accordance with national interest to create national

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[35] For discussion on Guided Democracy period, See, among others: Daniel S. Lev, *The Transition to Guided Democracy: Indonesian Politics* (Ithaca: Modern Indonesian Project, Cornell University, 1966); Alfian, *Pemikiran dan Perubahan Politik Indonesia* [Political Thinking and Changes in Indonesia] (Jakarta: Gramedia, 1992); and Ulf Sundhaussen, "Sukarno and Guided Democracy," in *Pacific Century: The Emergence of Modern Pacific Asia* by Mark Borthwick (ed.) (Boulder: Westview Press, 1992).

[36] Interview with the Director General of Political Affairs, Ministry of Foreign Affairs, Nugroho Wisnumurti, 4 December 1998.

[37] The Indonesian national ideological of *Pancasila* consists of five principles: Belief in God Almighty, A Just and Civilized Humanitarianism, Indonesian National Unity, Democracy through Consultation and Consensus, and Social Justice.

integration or a nation-building process. The Suharto regime with his New Order (*Orde Baru* or *Orba*) adopted a new orientation and policies aimed at implementing a total correction from the Sukarno era - which was called the Old Order (*Orde Lama*).[38] Unlike his predecessor, Suharto further elaborated and operationalized the ideology in almost every sense. It even became a national ideology and political platform for just about everything, from opposition to communism, to village democracy, to defense of a "responsible" (not necessarily free) press.[39] It was the New Order government that defined and interpreted the proper meaning and implementation of Pancasila, and introduced the so-called *Pancasila Democracy*.[40] Suharto systematically educated people to adhere to the government's interpretation and doctrines of Pancasila through a compulsory *Pedoman Pengahayatan dan Pengamalan Pancasila* – P4 (Guideline for Understanding and Implementation of Pancasila) on a nation-wide basis.

From the period of 1945 to the coming of the New Order in 1965, it appeared that Indonesia always retained an emphasis on the importance of national security, which was concerned with the survival of Indonesia, as the highest priority. However, there had been changes of priority or ranking in so far as specific policies were concerned depending on the dynamics of domestic politics and world situations at a particular time. This is the case since they are not only relative to one another and to the available power of a state, but they are also relative to the interests and power of other states, as these are perceived by the state formulating its policy. *Therefore, the first objective of this study is to analyze Indonesia's national interest*

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[38] Sukarno was regarded as succeeding in developing nation building, while Suharto – prior to his fall in May 1998 - was often seen for as able to bring stability, order and development. The continuity and departure in domestic and foreign policies from the Old Order to the New Order period will be discussed in detail in Chapter 2.

[39] James C.F. Wang, *Comparative Asian Politics: Power, Policy and Change* (Englewood Cliffs, New Jersey: Prentice Hall, 1994), especially Chapter 5, pp. 249-277.

[40] Suharto considered Demokrasi Pancasila as Indonesia's political system that is represented as an authentic Indonesian alternative to alien western values. See, J. Soedjati Djowandono, *Setengah Abad Negara Pancasila: Tinjauan Kritis ke Arah Pembaruan* [Half Decade of Pancasila State: A Critical Review towards Reformation] (Jakarta: CSIS, 1995), pp.164-174.

and foreign policy from its declaration of independence in 1945 to 1973, taking into account China as a factor in that process.

Indonesia's perception of China as a threat formally emerged in the aftermath of the 1965 abortive coup, in which the PKI was mainly to blame and China was implicated. It was a turning point in the development of Indonesian domestic politics and foreign policy. As a consequence, Suharto brought Indonesia to embark on pursuing an identity of a staunch anti-Communist state, and rejecting a negative ideology of Communism against the state ideology of Pancasila. For over thirty-three years "communist threat" has been one of the means to unite the people under the New Order.[41] It has become one of the most important criteria in determining and limiting the line for what was allowed and what was outlawed in almost every aspect of life in Indonesia. The portrayal of Communism and China as a threat has indeed enabled the New Order to concentrate and channel its energy for the creation of order, stability and development. Indeed, Indonesia's success seemed to support the idea that every state needs a perceived common strong enemy.[42]

Although one may well find that China's external interference is well founded in some cases and thoroughly untrue in others, what mattered is that the New Order regime considered the involvement of China to be unquestionable. Thus, Indonesia's perception of China has been seen as posing a threat to Indonesia's security. Indeed, as Stoessinger argued that there are often great gaps between perception and reality in world politics.[43] One Indonesian scholar J. Soedjati Djiwandono of the Center for Strategic and International Studies (CSIS), stated that, "Whether perception is consistent with reality is of less relevance."[44] In fact, perception already became part of reality. More importantly, reality is judged against the yardstick of experience. It

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[41] *Kompas*, 20 December 1997.

[42] This can be seen in the case of the Japanese in early 1940s against the Allied Powers; the United States against Communists during the Cold War; China against Western Imperialism; and in the context of Indonesia, Sukarno against Neo-colonialism and Western Imperialism.

[43] John G. Stoessinger, *The Might of Nations* (New York: Random House, 1969), p.391.

[44] J. Soedjati Djiwandono, "Sino-Indonesian Relations in the 1990s and Beyond" in Ji Guoxing and Hadi Soesastro (eds.), *Sino-Indonesian Relations in the Post-Cold War Era* (Jakarta: Center for Strategic and International Studies-CSIS, 1992).

was with this background that the perception of China as a threat was further pursued and developed. Thus, as Jarvis argued, one tends to see what one believes.[45]

It should be underlined that given the domination of Suharto and the role of the military in Indonesia's domestic politics, there is no question that Indonesia's perception of China mainly reflected their views. In fact, by pointing to the PKI, Suharto received a wide support from the military and other forces that had been hostile towards the Communists, such as the Islamic groups. Both inevitably found justification in claiming to be the savior of the nation from the Communist peril. Suharto immediately took a decisive measure to prevent the revival of Communism by formally outlawing the PKI from the course of Indonesian politics.[46] Indeed, the New Order broadened the enmity towards the PKI by linking it to the external power of China, which was labeled as the PKI's patron. Therefore, the projection of China as a threat to Indonesia was indeed required to strengthen Suharto's domestic credibility. In this context, Sheldon W. Simon argues that the Suharto government sought support and rationalized weaknesses by arguing, just as Sukarno did, the exigencies of encirclement. Instead of Nekolim [Neo-colonialism], the new devils were China and Communism.[47]

In fact, co-existing with China in her backyard presents a formidable threat, not in the conventional sense of outright threat but more particularly in terms of China's interference in Indonesia's domestic affairs through the exploitation of presence of the ethnic Chinese community in Indonesia, which currently number

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[45] Robert Jarvis, *Perception and Misperception in International Politics* (Princeton, NJ: Princeton University Press, 1976), p.170.

[46] One day after receiving the 11 March Letter of Order known in Indonesia as *Supersemar* (*Surat Perintah 11 Maret*) from President Sukarno in 1966, Suharto dissolved the PKI. Eventually, Communism officially banned in Indonesia through the issuance of TAP MPRS (The Decision of the Provisional People's Consultative Assembly) No. XXV/MPRS/1966 dated 5 July 1966. The actual circumstances surrounding the issuance of Supersemar remained unclear, as yet the original letter has never been found. Following the downfall of Suharto in May 1998, the discussion over this letter has come into surface again and openly contained in nearly all Indonesian leading daily newspapers, such as *Jakarta Post*, *Kompas*, *Republika*, and *Suara Pembaruan*.

[47] Sheldon W. Simon, *The Broken Triangle, Peking, Jakarta and the PKI* (Baltimore: John Hopkins Press, 1969), p.178.

more than six millions.[48] Indonesia's leaders were, and still are, anxious about the presence of ethnic Chinese as part of its population.[49] The intertwining between domestic and external dimension of China and ethnic Chinese has always concerned Indonesian leaders.[50] Historically, on some occasions the interaction between these two factors has undermined Indonesia's interests, particularly in term of domestic stability and the allegiance of ethnic Chinese to the State of Indonesia. The nationality status of ethnic Chinese in Indonesia became a source of irritation for the Indonesian government. In the early 1950s, for instance, the ethnic Chinese in Indonesia had become a major issue between Taipei and Beijing in their competition to win the political and financial support of the overseas Chinese. Thus Indonesia became an extended area of conflict between Taiwan and China. In this regard, China had been accused of interfering in the domestic affairs of Indonesia. Eventually, the political orientation of a number of ethnic Chinese leaders and their organizations to the PKI led to the whole ethnic Chinese group being accused of sympathy towards communism.

However, it appeared that history had played its part in Sino-Indonesian relations. The perception of Indonesian ethnic Chinese and China, in fact, should refer back to the pre-colonial and colonial periods. This is the case since history is the record of the accumulated experience of past generations, and the present generation is inevitably the product of that experience. The 'dead of the past' is not really dead; it continues to influence the living. Unless the circumstances in which the nation exists alter radically and permanently, the national outlook is not likely to change significantly.[51] A prominent Indonesian scholar, Leo Suryadinata, drew a link

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[48] In Indonesia, the term ethnic Chinese refer to both who have and have not been nationalized into Indonesian national. After the normalisation of diplomatic relations, the term should be understood as Indonesian citizen with Chinese descendants (*warga keturunan*). In a wider context, the term "overseas Chinese" applies to a diaspora of well 20 million people of migrant origin who are dispersed disparately within the states of South-East Asia, including *warga keturunan* in Indonesia.

[49] Given the importance of the issue of ethnic Chinese in the context of Indonesia's perception of China, it will be discussed through out this study as far as it is relevant to the focus of this study.

[50] Regardless of the fact that many Indonesian leaders have benefited from the ethnic Chinese, especially in the context of economy and business opportunities.

[51] Frederick H. Hartmann, *The Relations of Nations*, 4th edition (New York: Macmillan, 1973), p.56.

between PRC, ethnic Chinese and the objectives of Indonesia's foreign policy.[52] Most of Indonesian leaders did not have direct contact with China, but they have dealings with the local ethnic Chinese. Therefore it is understandable if they projected their knowledge about the ethnic Chinese on their attitude toward China.

Indeed, a survey conducted in 1968 aimed at a major proportion of Indonesia's leaders revealed that the majority of them considered China as aggressive not because of communism, but rather because of being Chinese.[53] Unfortunately, the Indonesian leaders' perception of the ethnic Chinese minority was carried into the conduct of Indonesia's policy towards China. While occupying power, they perceived the local ethnic Chinese as a significant threat to the security of the government. Although foreign policy is always intended to promote national interests, of which national security is part, its formulation and emphasis is always decided by the ruling elite. As the Islamic nationalists and the military perceived communism as a threat to Indonesia's national security, therefore the effort to confront communism became a national priority. However, Indonesian secular nationalists did not come to an agreement on the concept of national security. While the right wing secular nationalists shared the views of the Islamic nationalists and the military, the left wing secular nationalists considered Western imperialism as the main threat to Indonesia's national security interest.

Indeed, security is always given the highest priority in the objectives of Indonesia's foreign policy. Therefore, Indonesia's perception of the ethnic Chinese in so far as security is concerned differs from time to time, depending which elite occupies the decision-making power. For most of Indonesia's leaders, Indonesian ethnic Chinese seemed to have an orientation and loyalty to China. It was not surprising therefore that Indonesia's leader easily labeled the ethnic Chinese as a potential fifth column. Indonesian communists also considered most of the ethnic Chinese to be orienting themselves to China, but criticized those who fled during the

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[52] Leo Suryadinata, *Dilemma Minoritas Tionghoa* [The Dilemma of Ethnic Chinese Minority] (Jakarta: Grafiti Pers, 1980), pp.176-77.

[53] Franklin B. Weinstein, *The Uses of Foreign Policy in Indonesia* (Ithaca, NY: Cornell University: A PhD dissertation, 1972), pp.288-308.

racial conflict. Unlike anticommunist Indonesian leaders, Indonesian communists considered the temporary political orientation of the ethnic Chinese to China as a blessing, as their perception of Indonesia's security interest was different from the anticommunist one. Indeed, the communists have never been in the government seat, while the ruling elite and decision-makers were anticommunist or non-communists. Therefore, Indonesia's policy towards China has been influenced by the perception of the ruling elite during certain periods as well as their perception of the priorities of the Indonesian State.[54] Therefore, *the second objective of this study is to find out how the concept of a China threat has been defined under the New Order regime, and to inquire what has been the function of the threat of China.*

Indonesia's perception of China was primarily dominated by the views of Suharto and his military supporters. Indeed, the negative perception of China had been prolonged by China's continuous support of the PKI remnants in conducting subversive activities and insurgency movements in the following years. The consequences of viewing China as a threat were translated into the "freezing" of diplomatic relations with China in foreign policy as a parallel policy to that in the domestic domain by which the PKI/communism was declared as illegal. Indeed, the New Order's attitude towards the PKI and foreign policy of China was a total reversal from the one adopted by Sukarno. While Sukarno regarded the PKI as one of the pillars of his Guided Democracy and his main domestic supporter, China was considered as one of Indonesia's main external friends. Thus, the freezing of diplomatic relations was meant to cut the link between the domestic element and the external factor.

However, it should be underlined that Indonesia's perception of China has not been static, rather it developed, transformed and experienced evolutionary transformation along with the changes in both domestic and the external environment. In this regard, the dynamic of Indonesian and Chinese domestic politics as well as their environment should contribute to the dynamic of Indonesia's perception of China. This is the case since the security concerns and perception of its

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[54] Suryadinata, *Dilema Minoritas Tionghoa*, Ibid. p. 176-77.

security problems are shaped by both internal and external factors. However, a relatively constant factor that is equally important in determining Indonesia's perception of China has been its historical background and experience in dealing with China. In this regard Buzan stated that, "threats also have an historical dimension which adds further at the complexities of assessment. A threat which resonates with the historical experience of a state may well be amplified by the heightened sensitivity thus created."[55]

While the object of the perception remains the same, there were indeed on-going changes in the nature and concept of the threat. In the mid 1980s, Indonesia began to move towards rapprochement with China. It was mainly the result of domestic requirements in which Indonesia tried to shift its trade structure, which was mainly dependent on oil exports. In this regard, China had been regarded as a potential market for Indonesia's export commodities, particularly as China appeared to show economic success resulting from the modernization process introduced by Deng Xiaoping from the late 1970s. It was further realized through the opening of direct trade in 1985.[56] Nevertheless, Indonesia's leaders, particularly the military, remained reluctant to embark on improving relations in the political field.[57] This period also witnessed the emergence of cleavages among the Indonesian elite on the normalisation issue. These occurred mainly between the proponents of normalisation that circled around the civilian foreign minister Adam Malik, and the opponents of the restoration of diplomatic ties from the military establishment.

Eventually, as the result of the dynamics in Indonesia's domestic politics that coincided with the coming of a new international environment by the late 1980s, Indonesia abandoned its previous rigid position by restoring diplomatic relations with China in August 1990.[58] There was no doubt that this move could presumably

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[55] Barry Buzan, *People, States & Fear: An Agenda for International Security Studies in the Post-Cold War Era* (New York, London: Harvester Wheatsheaf, 1991), p.138.

[56] *Antara*, 26 July 1985.

[57] The issue of normalisation of diplomatic relations will be discussed in Chapter 4 along with the discussion on the development of Indonesia's perception of China.

be interpreted as Suharto's shift, as the dominant figure at the apex of the New Order political structure, to lessen his perception of the threat of China. This means that China was no longer considered as a threat, rather as a potential partner that might help boost Indonesia's economy, contribute to the settlement of regional problems and help increase Indonesia's chance of playing a bigger role in the international arena. It was the position that had been held by the proponents of normalisation. However, it also proved that Suharto was the master of Indonesia's foreign policy. Accordingly, *the third objective of this study is to analyze the challenges towards Indonesia's perception of China that culminated in the normalisation of diplomatic relations in August 1990, and to find out what factors have been involved.*

Apparently, the restoration of diplomatic relations with China did not mean the removal of the suspicions about China on the part of Indonesian elite policy-makers, particularly among the military. For instance, the then Defense and Security Minister L.B. Moerdani said that, "I don't have to say this, but anti-Chinese feelings in this country run very high....."[59] Without specifically referring to China, one Indonesian senior minister even stated that communism is still one of the threats to Indonesian national security.[60] In describing this situation, one prominent Indonesian scholar, Jusuf Wanandi, concluded that a mood of distrust still exists among Indonesian leaders.[61]

On the other hand, the normalisation was generally seen as an important step and the beginning of an improvement of Sino-Indonesian relations, which inevitably carried its own promises.[62] A number of civilian leaders stated positively that

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[58] As far as domestic perspective is concerned, it was mainly because of Suharto's ascendancy in Indonesian domestic politics. Meanwhile, the new environment has mainly been the collapse of communism in the Eastern Europe and the former Soviet Union as well as the importance of economic factor in international relations.

[59] *Jakarta Post*, 6 August 1990.

[60] Soesilo Soedarman, Co-ordinator Minister for Political and Security Affairs, as quoted by *Kompas*, 12 September 1997.

[61] Jusuf Wanandi, "The Correlation between Domestic Policies and Foreign Policy in Indonesia". In Robert A. Scalapino (eds.), *Asia and the Major Powers, Domestic Policies and Foreign Policy* (Berkeley, California: University of California Press, 1988), p.91.

[62] Generally, the resumption of diplomatic relations is expected to: (i) boost economic relations between

Indonesia would be able to gain much from the restoration of diplomatic relations.[63] Many predicted that Indonesia might gain business opportunities, as China would become a huge lucrative market for Indonesian goods in the next five to ten years.[64] The high expectation on the part of Indonesia over economic profits was also encouraged by the increase of Indonesia's exports to China after the convening of direct trade in 1985.[65] Former Indonesian foreign minister, Roeslan Abdulgani, also agreed that one of the main factors behind normalisation has been Indonesia's economic interest.[66]

The above contradictory opinions therefore clearly indicated that the normalisation of diplomatic relations with China was received with mixed feelings among Indonesian leaders. Despite China's positive comments[67] and the assurance from its highest ranking official not to interfere in Indonesian domestic affairs and not to exploit the Indonesian ethnic Chinese for the interests of China, it appeared that the military's perceptions of China had not changed.[68] On the contrary, the normalisation of diplomatic relations gave the military a new reality in which maintaining and pointing at the same old threat would be seen as something less credible. At the same time, there has been a dramatic change in the fate of communism internationally, in which their appeal has now been overtaken by the economic capitalism. Accordingly, the military began losing its justification in

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China and Indonesia; ii) promote peace, security, stability and co-operation, particularly in Southeast Asia region and East Asia; and (iii) strengthen co-operation between China and ASEAN. The discussion on this issue is addressed in Chapter 4.

[63] See, *Merdeka*, 14 September 1990.

[64] Jusuf Wanandi, "The Correlation between..." Ibid.

[65] The values of Indonesian export to China since 1985 were steadily increasing as follows: US$84 million (1985), US$139 (1986), US$343 (1987), US$492 (1988). See, *Angkatan Bersenjata*, 7 February 1990.

[66] Interview with former Indonesian foreign minister, Roeslan Abdulgani, 4 December 1998.

[67] "China, Indonesia to Connect Ties", *Beijing Review*, Vol. 33, No. 29, July 16-22, 1990, p.5.

[68] Although the resumption of diplomatic relations was officially opened on 8 August 1990, the move was not followed by the abandonment of suspicion towards China. For instance, those Indonesian citizens who wanted to travel to China were still required to have a clearance or special permit from the military authorities. It took a year for Indonesian government to lift this regulation. *Jakarta Post*, 18 August 1990, and *Media Indonesia*, 8 August 1991.

maintaining China and, to a certain extent, communism, as a threat. Thus, because of their inability to find a new replacement as a common threat, they faced a crisis of identity and legitimacy.[69] It is assumed that the military, which has long considered China a threat, were reluctant to abandon their perception of China. Instead, they made various alterations, which in essence were aimed at maintaining China as a threat.

After the restoration of diplomatic relations, Indonesian domestic politics continued experiencing transformation, particularly the relationship between Suharto and the military. Encouraged by his success to create stability, address Indonesia's economic problems, and more importantly to promote Pancasila as the state's sole ideology (*azas tunggal*) in 1985, Suharto appeared as a confident leader and began asserting his own dominance. Ironically, it was followed by a growing disillusionment among the military officers towards Suharto. Apart from criticism of his family's involvement in business and the interpretation of *Pancasila* in the second half of the 1980s, the military considered Suharto as undermining their role and position in Indonesian politics. This cleavage appeared in one of the infamous episodes in which the military refused to back Suharto's choice of Sudharmono as the Indonesian vice-president in 1988. Their disagreement was shown by their late endorsement of Sudharmono during the meeting of the People's Consultative Assembly (MPR), and the "interruption" by one of the members of the military's faction in the selection process.[70] Although Sudharmono was a member of the military corps, he was unpopular and did not do much for the interest of the military.[71] What is important from this sequence is that the military's effort to

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[69] *Kompas*, 20 December 1997

[70] The incident of interruption expressed by Brig.Gen. Ibrahim Salleh, a member of ABRI faction in the People's Consultative Assembly (MPR). It became a big headline in Indonesian newspapers and public conversation. It was the first time during the New Order history that the right to "interrupt" was exercised against the prevailing spirit of deliberation and consensus.

[71] Sudharmono was the minister of powerful and influential State Secretariat. The Secretariat was empowered to nullify the recommendations of government agency, which in the past threw contracts in the direction of business linked to the military. In the process Sudharmono has been seen as more promoting his own group and interest, and not for the interests of ABRI. During the campaign to discredit him, ABRI even spread the issue that Sudharmono was involved with the PKI. In that scenario ABRI has also tacitly encouraged Chairman of United Development Party (PPP), H.J. Naro, to stand as other candidate for the same seat, thus upsetting the standard practice of the MPR in which the prevailing spirit of *musyawarah and mufakat* (deliberation and consensus) might have been violated.

challenge Suharto in a constitutional way failed and as a result, Suharto tried to find another way of balancing the seemingly unreliable military's support.[72]

In the end, Suharto chose the Islamic forces and reintroduced them to Indonesian politics. The indication of Suharto's favor towards Islam was shown through his support of the creation of ICMI in December 1990. There were many people surprised by this move. Why did Suharto take a gamble by playing the sensitive issue of the Islamic card? One political expert on Indonesia, Douglas E. Ramage, argued that: "Although Suharto remained pre-eminent, he was no longer supported by ABRI."[73] At the same time, Suharto did not consider the Islamic forces as posing a threat, as they already accepted *Pancasila* and enacted it in their respective legislation.[74] The military's disagreement with Suharto became apparent particularly with the leverage given to his controversial minister, B.J. Habibie, to preside over ICMI.[75] What is important from this sequence is that by the early 1990s, the Indonesian political configuration and structure changed with the inclusion of Islamic forces, particularly the ICMI.[76] It was a total reversal of his previous position in which the New Order had been suspicious of the Islamic forces, and even regarded

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[72] The military were also very critical to Suharto, particularly upon his insistence to stay in power for unlimited period and his family involvement in business activities.

[73] Douglas E. Ramage, *Politics in Indonesia: Democracy, Islam and the Ideology of Tolerance* (London: Routledge, 1995), p.42.

[74] ICMI does not represent the whole Muslim community. One of its prominent opponents is Abdurrahman Wahid, Chairman of the NU (Islamic Scholar). He is regarded as a religious nationalist who prefers that Indonesia should be de-confessionalized, meaning that the religious movements should be excluded from political scene. In 1991, he established the Forum Democracy aimed at balancing ICMI.

[75] Habibie's antagonism with ABRI will be discussed in Chapter 5.

[76] Suharto's decision to play the Muslim card was signaled by his agreement and support to the appointment of his German trained engineer minister, Professor B.J. Habibie as Head of the Suharto-backed ICMI. Habibie has been seen with suspicion in military circles, particularly because of his influence over Suharto that enable him to dictate the fulfillment of military needs. Habibie was also seen as a threat to military ambition to fill the vice-president post. The growing influence of the ICMI was later evident through the appointment of half a dozen of new ministers of Habibie's nominees. ICMI further developed its influence by publishing a Muslim-oriented newspaper, *Republika*, to balance the circulation of *Kompas* (owned by the Catholic group) and *Suara Pembaruan* (Protestant oriented newspaper). It was followed soon by the establishment of think-thank institution called CIDES (Center for Information and Development Studies), to balance the CSIS. Suharto's decision to play Muslim card and the decreasing role of the Indonesian Armed Forces (ABRI) will be discuss in detail in Chapter 5. For basic Information on ICMI, See "ICMI: Ikatan Cendekiawan Muslim se-Indonesia dalam Sorotan Pers, Desember 1990-

them as an extreme right threat.[77] While the Islamic forces are not monolithic groups and their impact in Indonesian politics tends to be exaggerated, its immediate effect has been the increasing disillusionment among the military officials towards Suharto.

The period after normalisation has also been characterized by increasing attention and hostility towards the ethnic Chinese, especially over their position in Indonesia's economy. While their numbers are known to be relatively small, their domination over Indonesian economics, particularly in capital ownership, goods distribution and retailer network, has always caused problems. Under the New Order government, the ethnic Chinese dominated the economic field to the point where they are now believed to control around 70 per cent of Indonesia's economic wealth.[78] There is no doubt that apart from their ability and skill in dealing with economics, in many cases they collaborated and did business with the support and backing of the government and the military. Thus the ethnic Chinese businessmen were regarded as significantly benefiting from the New Order rule.[79] This perception among ordinary Indonesians has created the situation in which any political changes in Indonesia always took the ethnic Chinese as their victims.[80] Although the economic gap between the Indonesian (*pribumi*) and the ethnic Chinese was generally to blame, in some cases government policy was responsible by using the

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April 1991" [ICMI; Indonesian Moslems Intellectuals' Association under the Scrutiny of the Press, December 1990-April 1991], Jakarta, *Central Secretariat of ICMI*, 1991.

[77] The New Order regime always maintained the sources of domestic threat to Indonesia security as emanating from the extreme left (Communism) and the extreme right (Islam).

[78] The domination of the ethnic Chinese in Indonesian economy is discussed in Chapter 5.

[79] Two ethnic Chinese businessmen who were closely related to Suharto were Liem Sioe Liong (given monopoly in food processing), Bob Hasan (timber), and recently the infamous Eddy Tanzil who collaborated with the government bank company and believed to be close to Suharto's son. While he was found guilty of corruption charge and sent to prison, he managed to escaped and disappeared.

[80] Throughout Indonesia's history, the ethnic Chinese have been the target of attacks, including by European settlers during the colonial era. They were also targeted during the mass killings that occurred in the aftermath of the 1965 abortive coup. During the New Order era, the ethnic Chinese has always become the target of rioters. Although the issue of ethnic Chinese in Indonesian politics alone is not part of this study, but given its role in the development Indonesian politics and its impact on Sino-Indonesian relations, it will be discussed in almost every Chapter of this study.

ethnic Chinese as a scapegoat, thus diverting public attention from the real problems.[81]

While the Indonesian government made every effort to integrate the ethnic Chinese into the Indonesian community as part of its national building process, their strong and strategic position in the Indonesian economy easily provoked anti-Chinese feelings among Indonesian pribumi. In many cases, these feelings erupted into mass anti-Chinese riots and the ethnic Chinese community in Indonesia has been the target of antagonistic reaction and the long-standing prejudice of indigenous Indonesians.[82] In general the reasons for the worsening attitude towards the ethnic Chinese have ranged from old colonial links, stereotypes and prejudice, their dominant position in the Indonesian economic structure, as well as their unfortunate link with the PKI.[83]

Unlike the period prior to normalisation, when Indonesia's perception of China was mainly in terms of political and strategic security, what prevailed after the normalisation was the suspicion as a result of the emergence of Chinese nationalism and economic aspects. This is particularly related to the development of China as an economic power and its consequences in which the Indonesian ethnic Chinese might turn their allegiance to Beijing. In this context, China has been portrayed as actively persuading the overseas Chinese, including the Indonesian ethnic Chinese, to invest their capital in China. The convening of the meeting between the overseas Chinese in Singapore in 1991 and Hong Kong in 1993 was strongly believed to be intended to increase capital investment in China by using cultural linkage. Accordingly, *the*

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[81] For example, the Armed Forces Chief was reported to have met with the Indonesian journalists and editors advising them to write articles critical of the ethnic Chinese Indonesians. See, *Sydney Morning Herald*, 16 February 1998. This policy was surely to prevent the public attention from blaming the authority for their failure in overcoming economic crisis.

[82] Although the people's frustration was directed against the government, it was the ethnic Chinese who were to blame. Many believe it was the result of New Order government policy to only allow them to participate in the economic sector, without giving any chance to participate in the political field. This issue will be discussed further in Chapter 5.

[83] The May 1998 riots that eventually ousted Suharto from office also took the ethnic Chinese as one of its victims. The anti-Chinese riots in Indonesia continued to occur by the end of 1998, as the reaction to the worsening economic situation in Indonesia remains unabated. Many ethnic Chinese escaped the country and many of them remain reluctant to go back to Indonesia. It was the result of looters and rampage to their shops, particularly during May 1998 riots. The details on the issue of ethnic Chinese and their historical perspective will be discussed in Chapter 3.

fourth objective of this study is to investigate how the concept and nature of the perception of China has shifted in accordance with the dynamics of Indonesia's domestic politics and its environment.

The New Order adopted parallel policies with regard to the PKI and China. While domestically the PKI was banned, relations with China were frozen. Indeed, the nature of Sino-Indonesian relations prior to August 1990 was dominated by the requirements of Indonesian domestic politics. As a result of viewing China as a threat after the 1965 coup, Indonesia froze its diplomatic relations with China. Therefore, Indonesia's policy towards China was non-cooperation and relatively non-existent. What has been Indonesia's foreign policy after normalisation? In this regard, one Indonesian scholar noted that Sino-Indonesian relations during the Cold War (prior to normalisation)[84] were not very much shaped by East-West conflicts; rather, they were influenced by the internal dynamics of China and Indonesia. He further predicted that the direction of Sino-Indonesian relations in the post-Cold War (after 1990 diplomatic resumption) would again be influenced by the internal dynamics of China and Indonesia. However, he further underlined that the changed regional and global environments now have an equally important influence on the relationship.[85]

Indeed, the period after normalisation with China was characterized by Indonesia's entrance to the world stage. Despite working together with China in expelling Vietnam from Cambodia and its subsequent contribution to the settlement of the Cambodian conflict, Suharto brought Indonesia towards greater involvement in the international forum, through his position as Chairman of the Non-Aligned Movement. Indeed, by the 1990s Suharto had been successful in putting Indonesia back on the international stage. Ironically, Indonesia's active participation has been overshadowed by continued criticism over Indonesia's human rights record and its occupation of East Timor. Additionally, the end of the Cold War has indeed reduced Indonesia's strategic importance in the eyes of the Western powers, particularly the

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[84] It coincided with the period of prior to the normalisation of diplomatic relations.

[85] Hadi Soesastro, "Introduction", *Sino-Indonesian Relations in the Post-Cold War Era* (Jakarta: CSIS, 1992), p.1.

US. Therefore, the coming of the Clinton democratic administration has often put Indonesia in the same position as China which has similar problems over human rights, trade and labor issues. Although this situation opened opportunities for cooperation, it remains to be seen that these two countries can develop cooperation based on this reality.

While Indonesia's domestic perception of China has its own dynamic, Sino-Indonesian relations were characterized by apprehension as the result of China's ambiguous behavior. First, it was concerned with the development of China's military capability as the result of its economic success. Second, it was related to the disputes in the South China Sea, especially China's determination to resort to military force against other claimant states, while at the same time maintaining dialogue. Early indications showed that Indonesia embarked on increasing its military capability in the early 1990s. However, Indonesia had hardened its position vis-à-vis China by the mid 1990s, particularly after realizing that China had put its claim over the territorial waters of the Natuna Islands.[86] Interestingly, Indonesia also signed a defense agreement with Australia in 1995, which was widely believed to be concluded with China in the mind of Indonesia's leaders.[87] Although this dispute did not escalate into an open conflict with China, many Indonesian leaders were concerned and remained apprehensive about the true motive and the foundation of China's claim on the dispute. Indonesia has rejected China's argument based on its historical legacy.

As far as economy and trade are concerned, Indonesia's domestic hostility towards the ethnic Chinese and the suspicion of their alleged linkage with China has become an obstacle to the improvement of Sino-Indonesian relations, particularly in the context of trade and economic activities. Although early indications showed that

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[86] See, John Mcbeth, "Oil-Rich Diet," *Far Eastern Economic Review*, 23 February 1995 and 27 April 1995; *Straits Times*, 4 June 1995; *Antara*, 21 July 1995; "Cina tak Akan Menjawab 'Aide-Memoir' dari RI" [China Won't Reply Indonesia's Aide Memoir], *Kompas*, July 24, 1996. The dispute between Indonesia and China over territorial dispute is extensively discussed in Chapter 6.

[87] Alan Dupont, "The Australia-Indonesia Security Agreement," *Indonesian Quarterly*, Vol. 24, No. 2, Second Quarter, 1996, pp.195-206.

the trade balance has improved in favor of Indonesia,[88] it remains to be seen whether Indonesia would be able to maintain the trend. Indeed, the attention towards the ethnic Chinese has been coupled with accusations of capital flight in which they invested their capital in China simply because of cultural links. This was considered against Indonesia's national interest of economic development in which Indonesia requires capital.[89] It coincidentally took place as China was also in need of more capital to maintain its economic growth. Therefore, *the last objective of this study is to analyze what has been the implication of Indonesia's perception of China on its foreign policy towards China.*

Sino-Indonesian relations have generated a considerable amount of interest among scholars. However, there are some points that need to be underlined from those previous studies.[90] First, most of the studies dealt with the period before the normalisation. Never before has a study focused on the whole period that covers both

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[88] Indonesia gained a trade surplus with China in a consecutive years, 1989 (US$41.1 million), 1990 (US$182.1 million, 1991 (US$355.9 million), 1992 (US$644.9 million), 1993 (US$313.3 million). *The Indonesian Center of Statistics Bureau*, Jakarta, 1994.

[89] *Merdeka*, 2 April 1993, *Bisnis Indonesia*, 8 & 12 April 1993.

[90] For the studies and documentation on the relationship between Indonesia and China, See, among others: Theresa C. Carino, *China and Southeast Asia: Contemporary Politics and Economics* (Manila, De La Salle University Press, 1984); Yao-chiu Chang, *Communist China's Strategy toward ASEAN Countries*, (Taipei: World Anti-Communist League, China Chapter Asian People's Anti-Communist League, 1986); Chou En-lai, *China and the Asian-African Conference* (Peking, Foreign Language Press, 1955); *Ganefo Federation: Ganefo Opens New Era in World Sports: Chinese Sports Delegation in Djakarta Ganefo* (Jakarta, Ganefo, 1966); Jacques de Goldfiem, *Sous l'il du Dragon: Les Relations de la Chine avec les pays de l'ASEAN* (Paris: Foundation pour les Etudes de Defence National Diffuse par la Documentation Francaise, 1988); Ji Guoxing and Hadi Soesastro, *Sino-Indonesia Relations in the Post-Cold War Era* (Jakarta: Center for Strategic and International Studies, 1992); Joyce K. Kallgren, Mohamed Noordin Sopiee and J. Soedjati Djiwandono, *ASEAN and China: An Evolving Relationship* (Berkeley, Institute of East Asian Studies, University of California, 1988); David P. Mozingo, *Chinese Policy toward Indonesia*, 1949-1967 (Ithaca, N.Y.: Cornell University Press, 1976); David P. Mozingo, *Sino-Indonesian Relations: An Overview, 1955 - 1965* (Santa Monica, California: Rand Corp, 1965); Sheldon W. Simon, *The Broken Triangle: Peking, Djakarta, and the PKI* (Baltimore: Johns Hopkins Press, 1969); Leo Suryadinata, *China and the ASEAN states: the Ethnic Chinese Dimension* (Singapore: Singapore University Press, National University of Singapore, 1985); Leo Suryadinata, *"Overseas Chinese" in Southeast Asia and China's Foreign Policy: An Interpretative Essay* (Singapore: Institute of Southeast Asian Studies, 1978); Takashi Tajima, *China and South-East Asia: Strategic Interests and Policy Prospects* (London: International Institute for Strategic Studies, 1981, ADELPHI Papers no. 172); Justus Maria van der Kroef, *Peking, Hanoi, and Guerilla Insurgency in Southeast Asia* (New York: American Friends in Vietnam, 1971); Wu Yuan-li, *The Strategic Land Ridge: Peking's Relations with Thailand, Malaysia, Singapore, and Indonesia* (Stanford, California: Hoover Institution Press, Stanford University, 1975), Hong Liu, "Constructing a China Metaphor: Sukarno's Perception of the PRC and Indonesia's Political Transformation," *Journal of Southeast Asian Studies* 28, 1 (March 1997).

before and after the normalisation. Nevertheless, those studies are still very useful and important in understanding the basic relationship that was laid down during the 1950's to 1960s, as well as its development up to the August 1990 normalisation. Second, Sino-Indonesian relations are often portrayed in the context of the political and security domain, while the economic perspective is less highlighted. Third, the relationship between both countries is often discussed in the context of regional or ASEAN co-operation, or within the context of interactions among Southeast Asian countries. Fourth, there has been no comprehensive study focusing thoroughly on Sino-Indonesian relations, particularly after normalisation.

As far as the study of Indonesian foreign policy is concerned, there are two classical books written by western academics exploring Indonesian foreign policy in depth, and featuring foreign policy as identified and analyzed primarily in terms of domestic politics and requirements. The first book was written by Franklin Weinstein in 1976 with the title *Indonesian Foreign Policy and the Dilemma of Independence.*[91] He conducted a comprehensive analysis of the interaction between foreign policy and domestic politics in the early years of the New Order, particularly with regard to the questions of aid, nationalism and dependence. He also examined different choices taken by Sukarno and Suharto in dealing with the dilemma of dependence and foreign aid. The second book was written by Michael Leifer entitled *Indonesia's Foreign Policy,*[92] and published in 1983. While covering a longer period, his study focuses on the analysis of the driving sources and requirements of Indonesia's foreign policy and its implementation during Sukarno and Suharto eras. What is important from this study is that there are clearly areas of both change and continuity from Sukarno to Suharto.

While the above are very valuable and important in understanding the sources, substances, structure and the dynamic of Indonesian foreign policy, apart from a study by Sukma,[93] little has been done on the area that specifically focuses on

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[91] Franklin B. Weinstein, *Indonesian Foreign Policy and the Dilemma of Dependence: From Sukarno to Suharto* (Ithaca: Cornell University Press, 1976).

[92] Michael Leifer, *Indonesia's Foreign Policy*, (London: Allen and Unwin, 1983).

Indonesian perception and foreign policy of China. Therefore, this study is intended to enrich the literature on Sino-Indonesian relations and Indonesian foreign policy as well as to help understand the phenomena of foreign policy in the context of developing countries.

1.4. Sources of the Research

This thesis mainly uses the analysis of qualitative data drawn from primary and secondary sources. However, there are some characteristics that have been shown by Suharto with regard to foreign policy.[94] First, the most basic and important factor is that the government has consistently allowed more leeway for critical discussion in the foreign policy field than it did in domestic politics. Second, there is a livelier and more open debate about foreign policy in Indonesia precisely because there is greater consensus about foreign policy than domestic political affairs. Third, the foreign policy debate in Indonesia tends to be relatively open and lively, as Suharto wanted it this way. Accordingly, these characteristics are also applied as far as Indonesia's foreign policy of China is concerned. As a result, there have been plenty of resources on the issue, particularly from the mass media perspective, which often reflected Indonesia's elite perception of China.[95]

The collection of primary materials were conducted through interviews in November-December 1998 with the Director General of Political Affairs of the Ministry of Foreign Affairs, Nugroho Wisnumurti; former foreign minister, Roeslan Abdul Gani; academics or intellectual, Rizal Sukma, founding members of ICMI, Adi Sasono and Nasir Tamara and officials at the Embassy of China in Jakarta. Confidential interviews were also conducted with military sources. These interviews

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[93] Rizal Sukma, *Indonesia's Restoration of Diplomatic Relations with China: A Study of Foreign Policy Making and the Functions of Diplomatic Ties* (London: Ph.D. dissertation at the London School of Economics and Political Science, 1997).

[94] Gordon Hein, *Soeharto's Foreign Policy: Second Generation of Nationalism in Indonesia* (Berkeley: Ph.D. dissertation at the University of California, 1986), pp. 99-102.

[95] It often contained in the newspapers depending on their affiliation. *Angkatan Bersenjata* is owned by the military. *Merdeka* is a pro-Soviet nationalist newspaper. *Suara Karya* is owned by the government-backed Golongan Karya (Golkar). *Kompas* is owned by the Catholic group, while *Suara Pembaruan* is owned by the Christian/Protestant group. *Pelita* and *Republika* are owned by the Islamic groups.

were mainly meant to complete and confirm the already known views and perceptions that had been published through Indonesian news media. However, due to the sensitivity of the issue to the military and at the specific request of the resource persons, the result of these interviews cannot be used specifically within the thesis.

The collection of secondary materials include literature or academic materials concerning the issues of Indonesia and China as well as in regional and global developments that have been published by experts in this field and are relevant to this study. Additionally, government position papers, statements by government officials or prominent persons, government publications as well as press reports or newspapers and weekly magazines such as *Forum Keadilan*, *Tempo*, *Gatra*, *Kompas*, *Suara Pembaruan*, *Suara Merdeka* and *Republika* complement the collection of this category of data. The activities of collecting primary and secondary materials were mainly conducted in Jakarta.

This thesis is divided into seven chapters. Chapter One is the Introduction, which discusses the theoretical concept, framework of analysis and the nature and objectives of the study. Chapter Two discusses the issue of Indonesia's national interest and foreign policy from 1945 to the coming of the New Order, taking into account China as a dividing factor. This part generally discusses Indonesia's basic foreign policy and the perception of threat in different phases of Indonesia's political history. Chapter Three focuses on the New Order perception of China that portrays China as a threat. This Chapter also examines the concept, nature and scope of China as a threat to Indonesia and the functional role of the threat of China and its impact on foreign policy. Chapter Four analyses the challenges to New Order's concept of the threat of China, particularly in the light of the domestic and international environment that eventually led to the normalisation of diplomatic relations in August 1990. Specific attention will be given to the differing perception among the military and the civilian foreign ministry officials. Chapter Five examines how the concept of China has been experiencing alteration and redefinition along with the transformation in Indonesian domestic politics, particularly the emergence of cleavages between the military and Suharto. Chapter Six analyses how Indonesia's perception of China after normalisation was translated into its foreign policy towards

China, which includes both political security and economic perspectives. Chapter Seven is the Conclusions.

Chapter Two

National Interest and Foreign Policy Orientation:

China as a Dividing Issue (1945-1973)

Discussion of the development of the modern Indonesian State can be divided into five phases. The first part starts from the period of 1945, which was mainly characterised by the struggle to secure independence and to gain international recognition, eventually achieved in December 1949. This period was later known as the revolutionary era that laid down the basic foundation of the course and path of Indonesian politics. The second phase is known as the liberal democracy era that lasted from 1950 - 1959. This was the period when Indonesia implemented parliamentary democracy as known in the West. The third one is the Guided Democracy, which started in 1959 when Sukarno dissolved the parliamentary cabinet and reintroduced the revolutionary Constitution of 1945.[1] It ended with the occurrence of the 1965 coup attempt that gradually terminated Sukarno's power. The fifth is the New Order period that lasted from the time when Suharto was appointed as acting-president in March 1967 until May 1998.[2]

While maintaining national security interest, each phase had different priorities over other interests. Indeed, each episode in the development of Indonesian politics had its own characteristic that left its effect on the Indonesian leaders' outlook, particularly on their perception of a security threat as well as foreign policy. Therefore, this Chapter is aimed at exploring the route of Indonesian political history and experiences from the proclamation of Indonesian independence on 17 August 1945 to the coming of the New Order, and examining Indonesia's relationship with China at each different

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[1] See, Sukarno, *Let Us Return to the 1945 Constitution* (Jakarta: Ministry of Information, 1959); J.C.T. Simorangkir and B. Mang Reng Say, *Tentang dan Sekitar Undang-Undang Dasar* 1945 [Around and About the Indonesian Constitution of 1945] (Jakarta: Jambatan, 1980).

[2] The period under J.B. Habibie was generally considered as the reformation or transition era. Eventually Indonesia were able to convene a free and democratic general election in July 1999 that led to the election of Abdurrachman Wahid as the fourth Indonesian president in October 1999. However, the period after the fall of Suharto is beyond the scope of this study.

episode. In so doing, this chapter is divided into six parts. The first section focuses on the revolutionary period (1945-1949), which considers security and threat perception, as well as examining the basic principle and roots of Indonesian foreign policy. The second portion deals with the period where Indonesia implemented parliamentary democracy (1950-1959). This section also discusses Sino-Indonesian relations in detail as they developed during this period. The third part explores the situation under the Guided Democracy (1960-1965). One of the most important portions in this section relates to the crystallisation of the suspicion of China and the ethnic Chinese. The fourth part discusses the aftermath of 1965 coup attempt and its domestic and external implications, particularly with regard to the fate of the PKI and Indonesia's relations with China (1965-1967). The fifth part focuses on the New Order regime, particularly their introduction of a new reorientation in domestic politics and foreign policy (1968-1973). The last part is the conclusion.

2.1. National Revolution Period: The Seeds of Indonesian Foreign Policy and the Perception of Threats (1945-1949)

The end of the Second World War dramatically changed the political constellation in Asia. In this period of time, the growth of nationalism aimed at achieving independence and national unity against the colonial powers in the region was prominent. Unfortunately, the spirit of independence through self-determination was impeded by the former colonial powers' intention to reclaim the territories that were occupied by the Japanese. Therefore, instead of a peaceful transfer of sovereignty to the new countries, conflict and struggle for independence movements were the characteristic of this period, especially those that prevailed in Indonesia and Vietnam. As far as China was concerned, the country was still preoccupied with the rivalry between the nationalist and communist camps. Thus, the relations between Indonesia and China prior to 1950 were practically non-existent as Indonesia was forced to fight the Dutch colonial power.

The Japanese surrender in Indonesia was soon followed by the declaration of independence by nationalist leaders, Sukarno and Muhammad Hatta, on 17 August

1945.[3] While Indonesian territories were clearly claimed to be those existing under the Dutch colonial power, the transformation of sovereignty to the new Republic was hampered by the Dutch determination to reinstate its occupation of the East Indies territories. Therefore, the first task of the new Republic was to defend its very basic survival, namely the independence and integrity of the state. This important period in the history of Indonesia was characterised by a life and death battle to maintain the very existence and integrity of the new republic through both diplomacy and armed struggles.[4] To maintain sovereignty, territorial integrity and independence, the new Republic had to adopt two distinct and opposite modes of foreign policy, namely negotiation (*diplomasi*) and struggle (*perjuangan*).[5] Strangely, the part of Indonesian armed struggle during the period has been over-emphasised and given a bigger portion in Indonesian official history, while the undertaking through d*iplomasi* has been given less attention. Accordingly, revolution then became sanctified in the minds of Indonesia's political elite. The revolutionary experience not only became a yardstick against which future political conduct would be measured, but it also laid down the foundation for Indonesia's foreign policy in the following years.[6]

As far as Indonesia's foreign policy is concerned, it was the Indonesian vice-president, concurrently Prime Minister and Minister of Defence, Dr. Muhammad Hatta that laid down its basic principles. He delivered a statement before the Central Indonesian National Committee (*Komite Nasional Indonesia Pusat* - KNIP) on 2 September 1948 that later became the milestone of Indonesian foreign policy. On that occasion he refuted the insistence of the People's Democratic Front of the Indonesian

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[3] For the discussion on nationalism in Indonesia, see George McTurnan Kahin, *Nationalism and Revolution in Indonesia* (Ithaca, New York: Cornell University Press, 1955).

[4] Further discussion on the period of independence and the negotiations of transfer of sovereignty and its negotiation process, See: PS Gerbandy, *Indonesia* (London: Hutchinson & Co Publishers Ltd, 1951).

[5] In this regard, the army is always proud of their role in the revolutionary struggle. Consequently, the events such as army's leading role in the heroic struggle against the returning Dutch took place on November 10, 1945 in Surabaya, and the army's attack of the Republic's capital in Yogyakarta in 1948 when the civilian leaders were captured by the Dutch.

[6] Dewi Fortuna Anwar, *Indonesia and the Security of Southeast Asia* (Jakarta: Monograph of the CSIS, 1992), p.1.

Communist Party, that the best foreign policy for Indonesia in the Cold War between the US and the Soviet Union was to side with Russia:

> Have the Indonesian people fighting for their freedom no other course of action open to them than to choose between being pro-Russian or pro-American? Is there no other position that can be taken in the pursuit of our national ideas? The government is of the opinion that the position to be taken is that Indonesia should not be a passive party in the arena of international politics but that it should be an active agent entitled to determine its own standpoint with the right to fight for its own goal -- the goal of a fully independent Indonesia.[7]

This statement was intended to clarify the Government's stand on various domestic and international issues. This means that, as a matter of principle, Indonesia does not side with any world power (*bebas*, free or independent). Additionally, the foreign policy is *active* in the sense that Indonesia does not take a passive or reactive stand on international issues, but seeks active participation in their settlement. In other words, the independent and active foreign policy is not a neutral policy but one that does not align Indonesia with any of the superpowers, nor binds the country to any military pact. Hence the beliefs of post-independence foreign policy are a commitment to non-alignment and an attachment to the concept of an independent foreign policy. Domestically, this statement was intended to mitigate domestic rivalries among competing elites. Thus, the superpowers ideological competition was seen to aggravate acute political differences in Indonesia. Hatta further defined four premises of the politics of *bebas-aktif*. First, the conduct of Indonesian foreign policy should be based on the ideological foundation of the state's philosophy of *Pancasila*. Second, foreign policy should be aimed at protecting the national interest as defined by the State's Constitution. Third, the pursuit of national interest would be best served through an independent policy. And fourth, Indonesia's foreign policy should be conducted pragmatically; namely, it "should be resolved in the light of its own interests and should be executed in consonance with the situation and facts it has to face."[8] In the end, it is Hatta's statement that is eventually accepted as the basic principles of

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[7] The speech was published under the title of "Mendayung Di Antara Dua Karang", Ministry of Information, Jakarta, 1951. The English translation is from Michael Leifer, *Indonesia's Foreign Policy*, (London: Allen & Unwin, 1983) p.20.

[8] Mohammad Hatta, "Indonesia's Foreign Policy", *Foreign Affairs*, vol. 31, no. 3 (April 1953), p.446.

Indonesian foreign policy from time to time. While the principles remain the same, the emphasis, style and orientation may change subject to the domestic and international conditions.[9]

2.2. Under Parliamentary Democracy: Relations with China during an Unstable Period (1950-1959)

A. Parliamentary Democracy Period: Instability, Regional Rebellion and the Emergence of the PKI

Indonesia eventually gained international recognition on 30 December 1949 through the signing of "The Charter of Transfer of Sovereignty."[10] To a certain extent, the success in crushing the communist rebellion of 1948 encouraged the Western leaders to support Indonesia's cause for independence. However, two central issues remained unresolved. The first was the question of West Irian territory. The exclusion of West Irian was considered as a total disregard to the nationalist leaders' claim that Indonesia should inherit the Dutch administrative territory.[11] The second, it was the question of the structure or form of the formal link between the Netherlands and Indonesia. In this regard, the Indonesian leader's determination to establish a unitary republic with central authority located in Java was denied by the Dutch insistence on maintaining a formal link with the Republic. The Dutch proposal was to create the United States of Indonesia. Therefore, although international recognition was officially achieved, the new Republic still had to secure its territorial integrity and total independence.

With the final departure of the Dutch, Indonesian leaders moved quickly to establish a republic and parliamentary structure with one of its nationalist leaders,

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[9] Further discussion on Indonesia's free and active foreign policy, see: Roeslan Abdulgani, *Pegangan Politik Luar Negeri* [Foreign Policy Guideline] (Jakarta: Universitas Nasional, 1976-77): H.M. Sabir, *Politik Bebas Aktif: Tantangan dan Kesempatan* [Free and Active Politics: Challenges and Opportunities] (Jakarta: CV Haji Masagung, 1987).

[10] See PS Gerbrandy, Ibid. Annex E and F, pp.209-216.

[11] See, Roeslan Abdulgani, *Diplomasi Mewujudkan Kedaulatan yang Nyata dan Lengkap: Pembebasan Irian Barat* [Diplomacy to Accomplish a Real and Complete Sovereignty: Liberating West Irian] (Jakarta: Universitas Rakyat, 1962).

Sukarno, as a figurehead president. In this direction, on 14 August 1950, the Indonesian legislature adopted a provisional constitution and embraced a unitary political system.[12] This "Provisional Constitution of 1950" adopted a parliamentary democratic system as practised in the West, that gave power to Parliament to determine the fate of the government. While parliament consisted of many political parties, they often pursued and voiced narrow interests over the national one.[13] Thus the government was always unstable and vulnerable, and subject to the balance of power in parliament. Initially, there was a smooth implementation of this system, particularly as evidenced in the co-operation between the Indonesian National Party (PNI) and *Masyumi* (*Majelis Syuro Muslimin Indonesia* - the Consultative Council of Indonesian Muslims). In some cases, this co-operation also involved medium and smaller parties such as the Indonesian Socialist Party (PSI), Catholic Party and Indonesian Christian Party (Partindo). However the pattern of this co-operation was eventually disrupted due to various factors: the insistence of each party on occupying certain cabinet posts, the worsening ideological differences, and the growing influence of the Indonesian Communist Party (PKI). Thus, from 1950 on Indonesian politics was mainly characterised by severe competition between political parties.[14] As a result, the implementation of parliamentary democracy in Indonesia witnessed the rapid turnovers of cabinets,[15] and shifting alliances among political factions.

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[12] It was a parliamentary democracy in which the state headed by president and governments were responsible to a unicameral House of Representatives elected directly by the people. Under this new system, Sukarno then became president. However, his power has drastically been reduced compared with those as prescribed in 1945 Constitution. Elections were postponed due to the reluctance of a substantial number of Dutch-appointed legislators from the federal states of the Republic of the United States of Indonesia whom most likely would be turned out of office by the election.

[13] Election was eventually held on 29 September 1955 and almost 38 million people participated. The result was: Indonesian Nationalist Party - PNI (22.3 percent and 57 seats in the House of Representatives); *Masyumi* (Majelis Syuro Muslimin Indonesia/Council of Indonesian Moslems Association, 20.9 percent and 57 seats); the Nahdatul Ulama - NU (18.4 percent and 45 seats); the Indonesian Communist Party - PKI (16.4 percent and 39 seats); the Indonesian Socialist Party - PSI (2 percent and 5 seats).

[14] The discussion on the development of Indonesian politics in 1950s can be found in: Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca, N.Y.: Cornell University Press, 1962).

[15] During 1950-1957 there had been the changes for the post of the prime minister for eight times: M. Hatta (1949), Mohammad Natsir (1950). Dr. Sukiman Wirjosanjoyo (1950-1952), Mr. Wilopo (1952-1953), Ali Sastroamijoyo (1953-1955), Burhanuddin Harahap (1955-1956), Ali Sastroamijoyo's second cabinet (1956-1957), Dr. Djuanda Kartawidjaya (1957).

This period was also characterized by efforts to tackle domestic problems, particularly the issue of economic development. However, the conflicting opinions among political elite groups had prevented Indonesia from going further towards embarking on economic development. The first group was led by Sukarno who mainly received support from the PNI and the PKI. Their primary objective after the transfer of sovereignty from the Dutch in 1949 was completing Indonesia's independence through the liberation of West Irian. To achieve this goal, Sukarno was even ready to seize the territory by force. The second group led by Vice-President Hatta argued that the achievement of that goal [the liberalisation of West Irian] should not be at the expense of Indonesia's economic well being. Indeed, he was concerned about Indonesian development and looked to the West, particularly the United States, for economic and technological assistance. Hatta and the other "administrators" entertained the hope that through close relations with the West they could achieve the objectives of independence and development.[16] Their views were later swept away as the hope that the United States government would intervene and pressurise the Dutch to relinquish West Irian, did not transpire. Instead, the Dutch succeeded in convincing the U.S. leaders that communist followers dominated Indonesia.

Consequently, the choice between foreign aid and independence came into question and became a major issue in the parliament. Any policy seen as benefiting from Western economic interests and adopting a tacit international alignment would in effect be seen as challenging and deviating from the rhetoric of a *free* and *active* foreign policy. Therefore, any effort to use foreign policy to serve domestic economic development was totally impossible for any government. The competition among political parties had indeed encompassed foreign policy issues. Accordingly, foreign policy became interlocked with domestic economic and political requirements. The instability of the central government and the increasingly sharp differences between the political parties contributed to the instability. The post-revolutionary confidence soon disappeared and was replaced by dissatisfaction after the failure to deliver programs aimed at rehabilitating the war-ravaged economy. Eventually, the effort of the

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[16] See, Franklin B. Weinstein, *Indonesian Foreign Policy and the Dilemma of Dependence: From Sukarno to Suharto* (Ithaca and London: Cornell University Press, 1976).

development of a like-minded group to seek economic assistance and political support from the West was further undermined by the failure to regain West Irian.

The emergence of regional tensions, which were supported by the military whose dissatisfaction with incompetent civilian leadership was becoming more salient, has been prevalent. In 1958, for instance, the regional army commander in Sumatra, Kalimantan and Celebes had, with the backing of the local populace, formed a resistance movement or PRRI/Permesta, against the central government in Jakarta.[17] It should be noted that these rebellions were not intended to establish separate states, rather they were demanding proper attention to be paid to regional grievances. Although the central government succeeded in putting down these regional dissatisfactions, the country was in fact paralysed.

B. The Relations between Indonesia and China (PRC): The Intertwining between Domestic and External Dimensions (1950-1959)

The Establishment of Relations with China

The transfer of sovereignty from the Dutch to the Indonesian government did not receive a warm welcome from Beijing. When the Communists came to power on 1 October 1949, their leaders refused to recognise Indonesia as an independent state and even accused Sukarno and Hatta's government of being 'fascist', the puppet of Japan. In November 1949, for instance, Liu Shaoqi criticised Sukarno as a puppet of Western imperialism.[18] This allegation was launched after the Indonesian armed forces successfully destroyed the 1948 PKI-Madiun rebellion affairs.[19] He also called for a

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[17] Further discussion on these insurgencies, See: Jayashri Deshpande, *Indonesia: The Impossible Dream: The United States and 1958 Rebellion* (New Delhi: Prachi Prakashan, 1981); Barbara Sillars Harvey, *Permesta: Half a Rebellion* (Ithaca: N.Y.: Cornell University, 1977); James Mossman, *Rebels in Paradise: Indonesia's Civil War* (London: Cape, 1961); and Rudi Pirngadie *Peristiwa Permesta Sebagai Lanjutan PRRI* [Rebels Without a Cause (Jakarta: New Nusantara Publishing Co., 1958).

[18] Russel H. Fifield, *Southeast Asia in the United States Policy* (New York: Praeger, 1963), p.21.

[19] Although the event was mainly supported by the Soviets, the relations between the Communist China and the Soviet Union were at their peak and China itself was still preoccupied with its fight against the Kuomintang. Additionally, a defeat on the part of ally's friend was also considered as a setback for Communist China. What is important for the army is that it presented a challenge from the communist power against the Republic. For further discussion on the Madiun Affairs, see Ann Swift, *The Road to*

"national liberation movement" in Southeast Asia, including Indonesia, under a "people's liberation army" led by the Communist Party.[20] Accordingly, in its early years the relations between Indonesia and China did not develop well and contained many problems.[21]

In fact, the opening of diplomatic relations with China was somewhat unique, and primarily sought to fulfil both the dynamics of domestic politics and international reality. For Indonesia under Hatta's cabinet, the opening of relationships with other countries should not only add credibility to his government, but it would bring financial assistance needed to build the Indonesian economy, to develop Indonesian security as well as to finance the large bureaucracy.[22] However, unlike the establishment of diplomatic relations with almost all major Western powers, Hatta did nothing insofar as its relations with the communist states. This imbalance raised the criticism that Hatta's cabinet foreign policy was leaning to the West.[23] Indeed, as Herbet Feith described it, the Hatta Cabinet's foreign policy was pro-Western neutralist.[24]

However, in order to counter criticism and to impress the domestic audience as well as having realised that opposing China would make it difficult to exercise Indonesia's independent and active foreign policy, Hatta's government decided to recognize China on 15 January 1950. Indonesia subsequently closed all seven of the Taiwanese consulates in Indonesia. In return, China recognised Indonesia on 28 March

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Madiun: The Indonesian Communist Uprising of 1948 (Ithaca, New York: Cornell Modern Indonesia Project, South-east Asia Program, Cornell University, 1989).

[20] Quoted in Lowell Dittmer, *Liu Shao-Ch'i and the Chinese Cultural Revolution: The Politics of Mass Criticism* (Berkeley: University of California Press, 1974), p.25.

[21] *Tempo*, 4 March 1989.

[22] Especially from the Netherlands and the United States.

[23] The most critical political parties were: the Indonesian Socialist Party (PSI), who accused the Hatta cabinet of being too much under American influence; the Leninist-Marxist, Murba Party, who rejected any co-operation with the Dutch, as Indonesia's former colonial power; and the Indonesian Communist Party (PKI), who labelled Hatta' Cabinet as the lackeys of American and Dutch imperialism.

[24] Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca: Cornell University Press, 1962), p.87.

1950.[25] Therefore, Indonesia's decision to establish diplomatic relations with China was intended to maintain Indonesia's commitment to the principle of a free and active foreign policy and to appease a domestic audience. However, Hatta was still cautious in establishing a close relationship with communist countries, including China. His government's attitude was demonstrated by deliberately downgrading Indonesia's diplomatic representation to the level of a *charge d'affaires*. Former Foreign Minister Ide Anak Agung Gde Agung recalled that the decision was to show "that [Indonesia] intended to play down its diplomatic relations with Peking in a low key".[26] It was surely aimed at containing criticism from Muslim political groups, especially the *Masyumi* Party.[27]

In its development, the relationship between Indonesia and China appeared to be unstable, particularly after the replacement of the Natsir's Cabinet in May 1951 by the Sukiman's. In July of the same year, there was an incident in which Indonesia refused to grant entry to sixteen out of nineteen newly appointed Chinese diplomatic staff. The Indonesian authorities argued that it was due to the failure of the Chinese government to follow diplomatic courtesy. In fact, the Sukiman's Cabinet that was then dominated by the *Masyumi* intended to send a strong signal to China that Indonesia was willing to take necessary action, should the activities of the Chinese Embassy in Jakarta be considered as "inappropriate." A more serious incident took place in the same year, which was known as "the August Raid", in which Sukiman arrested thousands of those suspected of planning to overthrow the government with support from China. This incident prompted the Chinese government to offer protection to the PKI's leaders. One famous incident was the one given to Alimin in which he took refuge in the Chinese embassy, and the Chinese ambassador later on gave him diplomatic

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[25] China's motivation to accept Indonesia's proposal to establish diplomatic relations was primarily aimed at winning the Overseas Chinese support in the context of rivalry with the Nationalist regime in Taiwan.

[26] Ide Anak Agung Gde Agung, *Twenty Years Indonesian Foreign Policy, 1945-1965* (The Hague: Mouton, 1973), p.202.

[27] At the same time Hatta also avoided the impression that his government had given in to demand from socialist-communist forces.

protection.[28] Alimin was further granted political asylum by the Chinese government. The occurrence of tensions and incidents reflected that there were strong forces opposed to the strengthening of relations with China, particularly among the Muslim community.

Generally, Indonesian leaders and most of the political elite were suspicious of China. This perception was particularly related to China's attitude towards the overseas Chinese in Indonesia. For instance, the Chinese Ambassador in Jakarta, Wang Renshu was seen as actively exercising his authority to gain influence over the overseas Chinese people's support for Beijing, and to undermine the influence of the Republic of China (Taiwan). His efforts paid off as indicated by his success in taking the Bank of China to his side. The Chinese Embassy and its four consulates were more effective in securing financial support for various embassy-sponsored activities, in providing pro-Beijing instructors and teaching materials to Chinese schools.[29] The main contention on this issue has been the question of loyalty of the ethnic Chinese - towards China or Taiwan - who were residing on Indonesian soil. To make matter worse, Ambassador Wang was also known as a fanatical communist who had a mission to revive the demoralised PKI that had been crushed during the 1948 Madiun rebellion movement.[30] It was also reported that Alimin, a pro-Beijing PKI leader, often visited the Chinese Embassy in Jakarta and discussed matters concerning the revival of the PKI.[31] It was widely believed that the PKI obtained financial help from Chinese nationals who lived in Indonesia.[32]

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[28] See Arnold C. Brackman, "The Malay World and China: Partner or Barrier?" in A.M. Halpern, *Policies Towards China: Views From Six Continents* (New York: McGraw-Hill, 1965).

[29] David Mozingo, *Chinese Policy toward Indonesia, 1949-1967* (Ithaca: Cornell University Press, 1967), p.95.

[30] Ambassador Wang was born in Indonesia, and was a member of the PKI. He had earlier been expelled by the Dutch colonial regime.

[31] Rizal Sukma, *Indonesia's Restoration of Diplomatic Relations with China: A Study of Foreign Policy Making and the Functions of Diplomatic Ties* (London: Ph.D dissertation, London School of Economics and Political Science, 1997), p.48.

[32] Agung, *Twenty Years Indonesian Foreign Policy*, p.410.

China's Interference

Although Wang Renshu was withdrawn in late 1951 and the Wilopo's Cabinet, formed as a coalition between *Masyumi* and the Indonesian National Party (PNI), had replaced Sukiman,[33] the relations were not improving. It was only after the coming of another cabinet led by Ali Sastroamidjojo that relations were improved. Apparently, this was only made possible after the exclusion of the *Masyumi* party from the coalition, and at the same time the PKI was included to reach a majority in the parliament. Indeed, it was a new strategy adopted by the PKI that so far had been reluctant to co-operate with the parliamentary line. The support to Ali's Cabinet was nonetheless aimed at paving the way for the PKI to rebuild the party.[34] The improvement of relations between Indonesia and China was symbolised by the sending of Arnold Mononutu as Indonesia's first ambassador to Beijing in October 1953. Soon after assuming his new post, he addressed the Overseas Chinese issue and received a positive response.[35]

Given the favourable environment of Sino-Indonesian relations, Ali's Cabinet pushed further to resolve the long-standing problem of the overseas Chinese. After a series of negotiations, China signed a treaty with Indonesia and at the same time renounced China's jurisdiction over foreign-born ethnic Chinese who desired to be voluntarily considered Indonesian nationals.[36] It was concluded during the convening

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[33] Because of his acceptance over American Aid under the 1951 Mutual Security Act, Sukiman cabinet had been criticised and eventually resigned in March 1952. Further discussion on this matter, See Feith, *The Decline of Constitutional Democracy*, pp.198-207.

[34] For discussion about the PKI, See, among others, Donald Hindley, *The Communist Party of Indonesia* (Berkeley: University of California Press, 1964); Rex Mortimer, *Indonesian Communism under Sukarno: Ideology and Politics, 1959-1965* (Ithaca, N.Y.: Cornell University Press, 1974).

[35] Mozingo, *Chinese Policy*, pp.114-116.

[36] The Treaty mainly contains three important provisions. First, those overseas Chinese holding two nationalities should choose the nationality of one country within two years after the ratification of the Treaty. Second, Beijing was ready to renounce its formal claims to national affinity and loyalty on ethnic-Chinese abroad, and pledged that those Chinese who were PRC nationals would abide by the laws and customs of Indonesia and not participate in political activities. And third, Indonesia pledged to protect "the proper rights and interests" of those Chinese who remained PRC nationals. According to Mozingo, the Treaty did not solve the problem of the Chinese minority in Indonesia, but only served to remove the PRC's claims on the local-born Chinese. This Treaty was not free from criticism in Indonesia as many see the question of Chinese minority in Indonesia is purely Indonesia's domestic problem. See, Mozingo, Ibid. pp.114-120.

of the Asian-African Conference in Bandung in April 1955. The Sino-Indonesian Treaty on Dual Nationality[37] was an important first step since Jakarta was deeply suspicious of Beijing's ties with the overseas Chinese community. The financial success of the some 3,000,000 Chinese who dominated trade and economy in Indonesia proved to be a constant source of resentment and irritation to many Indonesian leaders.

It was not until 1955 that Beijing began to apply its policy of alignment with 'anti-imperialist' nations to Indonesia.[38] Having experienced 350 years of Dutch colonialism and three and a half years of Japanese occupation, it comes, as no surprise that 'anti-imperialism' was a dominant policy in Sukarno's political thought. China and Indonesia subsequently seized the opportunity by giving each party political support for the West Irian case on the part of Indonesia and the question of Taiwan for China. While progress had been made and both countries seemed to be ready to embark on further bilateral co-operation in the late 1950s, a new development took place in Indonesian domestic politics. It was the decision by Indonesia's Ministry of Trade to ban alien businessmen from operating retail shops in the rural areas that obstructed the improvement of Sino-Indonesian relations. The so-called aliens or the Chinese were advised to move to large cities. Apparently, this policy was issued with strong support from the army, as they suspected that the local Chinese had given financial support to the PKI. The central military headquarters issued its own decree authorising regional military commanders to remove aliens from their places of residence for "security reasons." West Java's military commander, Colonel Kosasih, for instance, issued a

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[37] Sino-Indonesian Treaty on Dual Nationality was signed on April 22, 1955 in Bandung, by Minister of Foreign Affairs of the People's Republic of China, Zhou Enlai, and Minister of Foreign Affairs of the Republic of Indonesia, Sunarjo. For the full text of the Treaty, See, Leo Suryadinata, *China and the ASEAN States: The Ethnic Chinese Dimension* (Singapore: Singapore University Press, 1985, and Mary Somers-Heidhues, "Citizenship and Identity: Ethnic Chinese and the Indonesian Revolution", *in Changing Identities of the Southeast Asian Chinese since World Wor II*, edited by Jennifer Cuchman and Wang Gungwu (Hong Kong: Hong Kong University Press, 1988). For further discussions on Overseas Chinese in Indonesia See, Stephen Fitzgerald, *China and the Overseas Chinese: A Study of Peking's Changing Policy 1949-1970* (Cambridge: Cambridge University Press 1972), pp. 107-110; and Donald E. Wilmott, *The National Status of the Chinese in Indonesia, 1900-1958* (Ithaca: Cornell University, Modern Indonesian Project, 1961), especially Chapter Four.

[38] David Mozingo, "China's Policy Towards Indonesia", in Tsang Tsou, *China in Crisis, Volume Two, China's Policies in Asia and America's Alternatives* (London: the University of Chicago Press, 1968), p.334.

separate decree in August 1959 ordering all aliens (Chinese) to move to cities and towns by December 1959.[39] This policy was intended by the army leaders to weaken the PKI basis in rural areas. It was estimated that about 300,000 Chinese aliens were affected by this policy.[40]

Initially, China reacted very cautiously to the expulsion of the ethnic Chinese from rural areas by adopting a low profile approach. Beijing seemed unwilling to upset Sino-Indonesian relations. However, as matters got worse, Beijing took firm action. The Chinese Foreign Minister, for instance, insisted that Indonesia terminate the anti-Chinese campaign, or Indonesia would be punished by calling on the Singaporean ethnic Chinese to launch a trade boycott.[41] In response to this threat, Indonesia stood its ground and arrested 165 Chinese who resisted the expulsion. The situation deteriorated as China's threat and protest was responded to by the hardening of Indonesia's position. Sukarno maintained that the trade ban should continue, and even issued the Presidential Regulation (*Peraturan Presiden*) No. 10/1959, aimed at overcoming the domination of the Overseas Chinese in Indonesian trade and economic life.[42] A Foreign Ministry spokesman even branded China "just another imperialist power with expansionist inclinations".[43]

In the final months of 1959, the ethnic Chinese even prepared to resist expulsion.[44] Apparently, it was encouraged by protests from Beijing and, reportedly, by the direct intervention of officers from the Chinese Embassy in Jakarta. Indeed, the Chinese government was prepared to involve itself in Indonesia's internal affairs by

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[39] Mozingo, *Chinese Policy*, pp.158-159.

[40] Brackman, "The Malay World and China: Partner or Barrier?" p.278.

[41] George MacT. Kahin, "Indonesia and Malaysia", *Pacific Affairs*, Vol. 37, No. 3, Fall 1964, p. 265.

[42] The decree, which modified the Trade Ministry's legislation of May 14, 1959, exempted sixteen categories of Chinese traders, such as those firms engaged in service trade, and those which included one or more Indonesian partners, or provided alternatives to outright confiscation, such as promise for compensation. See J.A.C. Mackie, "Anti-Chinese Outbreaks in Indonesia 1959-1968," in Mackie (ed.), *The Chinese in Indonesia: Five Essays* (Melbourne: Nelson, 1976).

[43] Lea E. Williams, "Sino-Indonesian Diplomacy: A Study of Revolutionary International Politics", *China Quarterly*, No. 11, July-September 1962, p.195.

[44] Williams, Ibid. pp.194-195.

adopting two measures. First, the Chinese embassy in Jakarta encouraged the overseas Chinese to resist Indonesian policy, particularly the army's effort to evacuate them from villages. The vice-Chairman of Overseas Chinese Affairs Commission, Fang Fang, also accused the Indonesian army of using anti-Chinese measures "to undermine the patriotic forces in their own country to pave the way for achieving military dictatorship."[45] Undoubtedly, Indonesia's leaders regarded this policy as an act of interference in Indonesia's domestic affairs. Second, China launched a campaign to encourage the overseas Chinese living in Indonesia to go back to the mainland. It was believed that 119,000 overseas Chinese did so.

However the exodus was suspended in April 1960, and the Chinese government urged potential repatriates to stay in Indonesia. The reason for China to soften its position against Indonesia was because the influx of a large number of the returned Chinese created difficulties for China's government in integrating them into Chinese society.[46] In a wider context, it was a result of the growing rivalry between China and the Soviet Union in which China did not want to lose its growing close ties with Jakarta. Beijing also realized that Moscow's influence toward Jakarta began to rise after 1960, following the Soviet Union military credit, which amounted to US$ 1,250 million - US$ 1 million that was extended in support of the campaign to acquire the disputed West Irian territory.[47] China thought that it was essential to end the overseas Chinese dispute if she wanted to avoid estrangement with Indonesia from which Moscow and Washington would derive major benefits. In December 1960, Jakarta and Beijing signed a protocol implementing the Dual Nationality Treaty.[48] In the following years, Sino-Indonesian relations developed very rapidly as Sukarno began dominating Indonesian politics through the implementation of Guided Democracy.

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[45] Quoted in Mozingo, *Chinese Policy*, p.176.

[46] Leo Suryadinata, *China and the ASEAN States: The Ethnic Chinese Dimension* (Singapore: Singapore University Press, 1985), p. 64.

[47] Mozingo, *Chinese Policy,* p.336.

[48] Williams, "Sino-Indonesian Diplomacy", pp.196-97.

2.3. Under Guided Democracy: Converging Domestic Interests Leading to International Alliance (1959-1965)

A. On the Road to Guided Democracy: The Ascendancy of Sukarno

In the eyes of Sukarno, the parliamentary democracy system had damaged and brought no good to Indonesia. His criticism of liberal democracy started in 1949, and was expressed in a number of speeches delivered at the end of 1956 and the beginning of 1957. He made it clear by stressing that he was a Democrat; however, "I do not desire democratic liberalism. On the contrary I want a guided democracy."[49] Sukarno considered Western parliamentary practices and majority decisions as essentially enhancing rather than solving conflict, putting minorities forever in the position of permanent losers. He favoured a return to the old form of democracy practised in the villages, where deliberations were held until consensus was eventually agreed upon, in the spirit of mutual co-operation (*musyawarah untuk mufakat*). In the opening meeting of the Constitutional Assembly[50] on 10 November 1956, Sukarno explicitly introduced his idea of Guided Democracy.[51] "The principle is, democracy has to work with purpose, and under a relatively strong leadership,"[52] said Usep Ranajaya, the-then Secretary of the Assembly. Sukarno's idea invited support and opposition from various political parties, members of the parliament and Constituent Assembly. In order to clarify Sukarno's idea, some members of parliament asked him to explain further his proposal. It was simply ignored by Sukarno as he was on his way to dominate Indonesian politics.

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[49] As quoted by Ulf Sundhaussen, "Sukarno and Guided Democracy," in *Pacific Century: The Emergence of Modern Pacific Asia* by Mark Borthwick (ed.), (Boulder: Westview Press, 1992), p. 338.

[50] Members of the Constituent Assembly consisted of those elected through September 1955 general election.

[51] "Guided Democracy" or known in Indonesian as *Demokrasi Terpimpin* is the name for the authoritarian political system inaugurated by decree by President Sukarno on July 5, 1959 when he dissolved the elected Constituent Assembly and reinstated the independence constitution of 1945. See, Daniel S. Lev, *The Transition to Guided Democracy: Indonesian Politics* (Ithaca, New York: Modern Indonesian Project, Cornell University, 1966).

[52] As quoted in *Forum Keadilan*, August 1997.

On 21 February 1957, Sukarno invited 900 Indonesian national leaders and eminent persons to the Presidential Palace and explained his idea of Guided Democracy to them. During that meeting, he stated that the PKI should be given a wide opportunity to formulate a "national consensus." From this point of view it seemed that Sukarno shared the revolutionary nature of the party as seen in line with the revolutionary spirit of the Indonesian people.[53] Sukarno then proposed the formation of a strong government that stood over the four main parties, namely PNI (the Indonesian Nationalist Party), *Masyumi* (the Consultative Council of Indonesian Muslims), NU (*Nahdatul Ulama* - the Religious Scholars), and PKI (the Indonesian Communist Party). It appeared to be one of the efforts by Sukarno to overcome the political instability between the competing parties by synthesising them and thereby become acceptable to all of them, under the blanket of his own charisma. He was quoted as saying, "It was said that Bung Karno proposed this concept to bring the cabinet to the left. No, gentlemen, for me there is no term of left, neither right. I am only hoping that Indonesian nation remain intact."[54]

Indeed, the subsequent domestic political situation and ideological confrontation during the parliamentary democracy had opened the opportunity for Sukarno to dominate Indonesian politics.[55] Eventually, in response to the acute domestic political situation,[56] on 5 July 1959 Sukarno issued a Presidential Decree suspending the provisional Constitution of 1950, and dissolving the Constitutional Assembly,[57] and immediately reintroduced the old 'revolutionary' 1945 Constitution.[58]

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[53] See Rex Mortimer, *Indonesian Communism under Sukarno: Ideology and Politics, 1959-1965* (Ithaca, N.Y.: Cornell University Press, 1974).

[54] As quoted in *Forum Keadilan*, August 1997.

[55] Due to the inability of political parties to form a government as a result of the 1955 general election, by 1955-56 Indonesian domestic politics was beset by political discontent. Sukarno himself expressed his discontent by calling for the abolition of political parties and proposing a new style democracy. In March 1957, Sukarno renounced the parliamentary system. The resignation of vice-president Hatta in previous year had made it easier for Sukarno to dominate the process of domestic politics.

[56] As well as because of the failure the Constituent Council to reach a consensus on a new constitution.

[57] Apart from dissolving the Constitutional Assembly, the Decree also terminated the work of the Provisional People's Consultative Assembly (MPRS) and Provisional Supreme Advisory Council (DPAS). Two days after the issuance of the Decree Prime Minister Djuanda returned the cabinet in accordance with the Constitution of 1950 to the President.

In other words, Sukarno replaced the parliamentary democracy with the presidential system.[59] Consequently, political parties ceased to be a political force in Indonesian politics, and power centres moved to Sukarno himself and ABRI.[60] However, the only political party that seemed to gain influence was the PKI, as it was mainly protected by Sukarno himself.[61]

The President Decree indeed marked the beginning of Guided Democracy in Indonesia. Sukarno's Independence Day Address of 17 August 1959 was later given the title of "Rediscovering Our Revolution" (*Penemuan Kembali Revolusi Kita*), indicating that he opted for a radicalisation in internal politics. One of the most important parts of that speech was that of Sukarno's determination to implement Guided Democracy that became the political manifesto (Manipol).[62] He also declared that the Indonesian revolution was not yet finished and, therefore, Indonesia would return to the road of the revolution (*jalan revolusi*). He denounced the "excesses" of liberal democracy and introduced various "revolutionary programs" of which the liberation of West Irian was given priority. From then on, every aspect of Indonesian politics was conceived in terms of the idiom of revolution.[63] He often addressed the masses to express his political thinking and slogans that became the vague basis of a national ideology.[64]

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[58] Sukarno's decision to return to the 1945 Constitution was fully supported by the army leaders as they saw it as an opportunity to strengthen their power that has been cut during the parliamentary democracy.

[59] This alteration to the 1945 Constitution had been made possible by three factors: (a) Sukarno's determination to play a more important role as Indonesian leader, instead of a symbolic one; (b) instead of fulfilling Indonesia's aspiration to develop its country, parliamentary democracy was dominated by the rivalry between various political segments that tended to tie the patrimonial linkage; and (c) there was a willingness on the part of the Indonesian Armed Forces (ABRI), particularly among Armed Forces, to play a bigger role in Indonesian politics.

[60] The military played an important and strategic role in Indonesian politics particularly since the declaration of state emergency in 1957 in the context of the central government's effort to put down regional rebellions.

[61] Alfian, *Pemikiran dan Perubahan Politik Indonesia* [Political Thinking and Changes in Indonesia] (Jakarta: Gramedia, 1992), p.69.

[62] This Political Manifesto developed into *Manipol USDEK*, which meant the 1945 Constitution, Socialism in Indonesian style, Guided Democracy, Guided Economics and Indonesian Personality.

[63] Sukma, *Indonesia's Restoration of Diplomatic Relations*. p.54.

[64] Another Sukarno's important slogan was *Nasakom* that came as the synthesis of nationalism, religion,

The Guided Democracy period was also characterised by the role of Sukarno as a central power. However, the army that had its disagreement with the liberal democracy also supported the implementation of the Guided Democracy.[65] Aware of the physical power of the army, Sukarno found it necessary to promote a countervailing coalition to his physically unequal one with the armed forces.[66] His choice was the PKI to which the armed forces were hostile. In this structure, Sukarno delicately acted as a balance between the armed forces and the PKI into uneasy co-operation, and played them off against each other while other political parties were practically excluded. The rivalry between the PKI and the armed forces, particularly the army, had become apparent. Each realised that Sukarno was the central power that could not easily be ignored. The only way to stay in the political theatre was by supporting Sukarno's policies.

Ironically, unlike the clamorous situation in the political fields, Sukarno's attention to economics was less significant. The well-known slogan has been *politik adalah panglima* (politics is in command).[67] Indonesia's economic condition was getting worse after Sukarno rejected the recommendations of technocrats and foreign aid donors. In late 1960, an eight-year economic plan was published, in eight volumes, seventeen parts, and 1945 clauses.[68] This plan was in fact more powerful in terms of rhetoric than in reality as ordinary people suffered from high inflation and food shortages. Although the US and the IMF tried to encourage rational economic policies,

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and communism. It was primarily used to symbolise his attempt to secure a coalition of the Indonesian Nationalist Party (the PNI), the Nahdatul Ulama (the NU), and the PKI. For further discussion on Sukarno's political thinking see i.e.: J.D. Legge, *Sukarno* (London, Allen Lane: Penguin Press, 1972); Bernhard Dahm, *Sukarno and the Struggle for Indonesia Independence* (Ithaca: Cornell University Press, 1969); Justus M. van der Kroef, "Sukarno the Ideologue", *Pacific Affairs*, Summer, 1968; Roger K. Paget (ed.), *Indonesia Accuses: Sukarno's Defence Oration in the Political Trial of 1930* (Kuala Lumpur: Oxford Unversity Press, 1975); Sukarno, *Autobiography as Told to Cindy Adams* (Indianapolis: 1963), and John P. Beilenson, *Sukarno* (New York: Chelsea House Publishers, 1990).

[65] The discussion of Armed Forces' role in this period, see, Daniel S. Lev, "The Political Role of the Army in Indonesia," *Pacific Affairs*, Vol. 36, No. 4, Winter, 1963-64, pp. 349-364.

[66] Michael Leifer, *Indonesia's Foreign Policy* (London: Allen & Unwin), p.55.

[67] This is very similar to the one adopted by China in the 1960s.

[68] It represented the date of independence as was proclaimed, 17 August 1945.

Sukarno rejected all the recommendations, as they would surely have alienated his millions of popular supporters, particularly those among the PKI members.

B. Liberating West Irian and Crushing Malaysia: Indonesia, China and the PKI

While the negotiations to settle the West Irian issue appeared to be slow, the Dutch continued to effectively occupy the territory. Faced by this situation, the domestic pressure on Sukarno to take a hard-line position was mounting.[69] Indonesia then decided to break diplomatic relations with The Hague in 1960, and embarked on the use of force to recover the territory.[70] However, full-scale war was avoided after the US belatedly intervened in favour of finding a compromise. Finally, on 15 August 1962, the Dutch agreed to an immediate transfer of the administration of the territory to the United Nations, which would transfer authority to Indonesia.[71] The United Nations replaced the Dutch in 1 October 1962 and Indonesian authority was later established in May 1963. What is important from this sequence is that, the Western reluctance to support the return of West Irian had deepened Sukarno's hostility towards the West. More importantly, the West Irian issue had served as a catalyst, which transformed the pattern and direction of Indonesian politics and pushed Indonesia to embark on a radical foreign policy.

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[69] Dissatisfaction over the treatment of Indonesia's cause over Irian Jaya in the United Nations General Assembly in 1957 prompted a decisive challenge to Dutch economic interests in Indonesia. In response to widespread popular agitation, the Indonesian government took a dramatic action by expropriating all Dutch-owned enterprises and expelling Dutch nationals. The policy aimed at attacking the Dutch had been counter-productive, and in effect worsened Indonesian economics situation.

[70] In December 1960 Sukarno formed a special military unit called the Army Strategic Reserve Command (Kostrad) known also as Mandala Command based in Ujung Pandang sent to liberate West Irian. It was led by Major General Suharto who some years later replacing Sukarno as Indonesian 2nd President.

[71] The agreement was signed in New York. It consists, among other things: the transfer of administrative power fom the Dutch to the United Nations Temporary Executive Authority (UNTEA) on October 1, 1962. From this date, the UN flag would replace the Dutch flag; On December 31, 1962 Indonesian flag will be hoisted next to the UN one; On May 1, 1963 the Indonesian government formally accepted the transfer of authority from the UN. In accordance with the New York Agreement, a free-act choice was conducted in 1969.

In fact, the radicalisation of Indonesian foreign policy coincided with changes in Chinese foreign policy. It was the result of growing disappointment on the part of China towards its main ally, the Soviet Union, particularly after Kruschev's de-Stalinization speech in 1956.[72] This speech also brought further implication as the Soviet Union changed its attitude towards the US by advocating a compromise. The implication of this new Soviet approach would certainly weaken the strategic position of China *vis-à-vis* the US that had applied a containment policy on China. In response to this new strategic environment, China embarked on a more radical foreign policy to break the US containment. In this effort, China emphasized strengthening political ties with any state, communist or not, which would oppose US policies under an "international united front."[73] Thus Indonesia appeared to fit this requirement. In this regard, Mozingo argued that, "post-1957 Indonesia was [a] prime target for China's new attempt to revise the socialist camp's international aims and commitments."[74]

Once the West Irian issue had been settled, instead of concentrating on economic development, Sukarno embarked on another conflict. It was the fight against the creation of the Malaysian Federation or the independence of Malaysia from the British.[75] This initiative was met with hostile reaction in Jakarta in which there was a massive anti-British and anti-Malaysian demonstration. Sukarno also declared that Indonesia must crush Malaysia, and adopted the Confrontation policy in which military units were sent to infiltrate Malaysian territory. Why did Sukarno embark on a new conflict, instead of concentrating on the development of Indonesia? One explanation is because Sukarno, supported by the PKI, strongly believed that this new state would

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[72] At the twentieth congress of the Soviet communist party in 1956, Kruschev set about the demolition of Stalin's memory. De-Stalinization involved points of doctrine on which Mao could fairly claim to be heard, but he was not consulted and was perhaps offended by the Russians' evident assumption that such matters could be settled by Russians alone. Kruschev was still a new man, or at any rate unconfirmed in his new apogee, and it would have been at least becoming for him to consult an elder like Mao. For further details on this matter, see, Peter Calvocoressi, *World Politics Since 1945* (New York: Longman Group Ltd., 1986), pp. 60-69.

[73] J.D. Armstrong, *Revolutionary Diplomacy: Chinese Foreign Policy and the United Front Doctrine* (Berkeley: University of California Press, 1977) pp.74-75.

[74] Mozingo, *Chinese Foreign Policy*, p.137.

[75] Many observers are still puzzled by Sukarno's decision to embark on conflict with Malaysia while its people were suffering because of economics negligence. This is still a controversial issue as some believe

function as a base from which Nekolim (Neo-colonialism) would endanger Indonesian revolution.[76] The inclusion of Sarawak and North Borneo in the Federation, thus juxtaposing its frontier with Indonesian territory of Kalimantan, was perceived by the revolutionary elements in Indonesia as a direct attempt by the British to encircle Indonesia.[77]

Nevertheless, Indonesia's opposition to the creation of Malaysia should also be seen in the context of domestic political rivalry in Indonesia. It was indeed part of the conflict between the Right and the Left, or the competition between the army and the PKI. To the PKI, the Confrontation was calculated to abort the prospect of an American-backed economic stabilization.[78] On the opposite side, the army position to support Sukarno's initiative was intended to maintain its nationalist stature and not to be eclipsed by Sukarno or the PKI. Standing between these two opposing parties was Sukarno himself in which his aim for the Confrontation was to keep political initiative in his hands by portraying a clear external enemy. This would enable him to further his revolutionary foreign policy in which Indonesia would figure as a lighthouse to the international community in building the world anew. His constant theme was to storm the bulwarks of imperialism, pitting the NEFOS (New Emerging Forces) against the OLDEFOS (Old Established Forces), in which Indonesia would play a key role.[79]

Indeed, *Konfrontasi* was required to maintain Sukarno's domination and not to upset the domestic fragile balance between the army, the PKI, and Sukarno as a balance between these two opposing powers. Why did Sukarno turn to foreign policy? Daniel Lev argued that, "only those programs that did not threaten the elite could be attempted

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that the revolutionary romanticism seemed to overwhelm Sukarno, while others tend to view it as a necessity to deflect people's attention away from domestic difficulties.

[76] Sukarno also remained annoyed by the British interference in the Indonesia's Revolutionary Government (PRRI) rebellion in 1958.

[77] Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism* (Singapore: ISEAS, 1994), p. 25.

[78] Ibid. p. 26.

[79] See, George Modelski (ed.), *The New Emerging Forces. Documents on the Ideology of Indonesian Foreign Policy* (Canberra: Australian University, 1963); Leifer, *Indonesia's ...* , especially Chapter 3.

seriously and these frequently were in the realm of foreign policy."[80] Indeed, Sukarno further tried to link domestic and foreign policy by applying a parallel between domestic and foreign policy. The two Indonesian revolution objectives that had been previously declared, namely the creation of a unitary state and a just and prosperous society, could not be realised unless the obstacles to these objectives were removed. In this context, Simon observed that Sukarno was able to intertwine domestic and foreign affairs so that success in one realm could occur only with comparable success in the other.[81] Sukarno further defined imperialism, colonialism, and capitalism as the main enemies. Accordingly, he underlined the importance to combat those enemies as the third objective of the revolution.

While branding Malaysia as the product of British neo-colonialism, and accusing its leaders as being feudal, Beijing had no trouble in supporting Sukarno's confrontation policy against Malaysia as the price of drawing Indonesia closer to China. Beijing considered its relations with Indonesia in terms of its ideological and political challenge to the Soviets and its power struggle with the US. In other words, Beijing regarded its alliance with Jakarta as the key to break the US encircelment and containment of China in Southeast Asia.[82] Additionally, Taylor pointed out that Sukarno's ideological and psychological proclivities were compatible with those of revolutionary China and with those of the post-1951 leadership of the PKI. Consequently, Sukarno's assessment of China as the inevitable dominating force in Asia was paralleled by his attitude toward the PKI's role in Indonesia.[83] In the end, Sukarno's aggressive foreign policy on Malaysia made Indonesia an ally of China. Although at this stage the Soviet Union supplied massive arms and economic aid, relations with China through official and PKI channels were growing closer, particularly in 1964 - 1965.

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[80] Daniel Lev, "The Political Role of the Army," p.353.

[81] Sheldon W. Simon, *The Broken Triangle. Peking, Jakarta and the PKI* (Baltimore: John Hopkins Press, 1969), p.22.

[82] Jay Taylor, *China and Southeast Asia: Peking's Relations with Revolutionary Movement* (New York: Praeger Publishers, 1976), p.83.

[83] Taylor, Op. cit.

C. An Alliance with China

In 1961 there was indication that a new chapter in the Sino-Indonesian relationship began to develop, as both countries rapidly moved closer and put aside their previous differences. During his visit to Indonesia, Chinese Foreign Minister Chen Yi offered to supply economic aid for the new Indonesian development plan, and reiterated China's support for Indonesia's claim over West Irian.[84] This relationship had been fully restored after Sukarno visited China in June 1961, in which China loaned Indonesia US$30 million credit. The reason why the relationship improved so quickly was because of the similarities in foreign policy perceptions and objectives that drove both countries to work together in the international arena.[85] For example, Sukarno's confrontational view of world politics converged with China's perception of the contradiction between imperialism and the Third World.[86] Accordingly, both Indonesia and China embarked on a policy of establishing an "international united front" designed to drive the Americans and the British from Southeast Asia. China, in its part, became the main supporter of Sukarno's West Irian campaign, his idea of the struggle between NEFOS (New Emerging Forces) and OLDEFOS (Old Established Forces), and, as discussed earlier, on Sukarno's Confrontation against the establishment of Malaysia.

Sukarno's political orientation towards China had presented an opportunity for the PKI to exert its influence. Indeed, a closer relationship between Indonesia and China under Guided Democracy had helped boost the power of the PKI in its competition with the army. Indeed, the power of the PKI in Indonesian politics had grown significantly. For instance, following Sukarno's call for implementation of 1960 land reform law, the PKI unilaterally began the process of land reform by dispossessing

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[84] Mozingo, *Chinese Policy*, p.188.

[85] There had been a number of studies on Sino-Indonesian relations in this period, such as Simon, *The Broken Triangle*; Mozingo, *Chinese Policy*, Brackman, "The Malay World and China", and Peter Christian Hauswedell, *The Anti-Imperialist International United Front in Chinese and Indonesian Foreign Policy 1963-1965: A Study of Anti-Status Quo Politics* (PhD. Diss., Cornell University, 1976).

[86] Hauswedell, Ibid. p.110.

landlords and redistributing the land to poor Javanese, northern Sumatran, and Balinese peasants.[87] Furthermore, under the leadership of D.N. Aidit, the PKI also carried out a so-called pro-Chinese policy.[88] With Sukarno's apparent blessing and Chinese backing, the PKI regained considerable influence and power in Indonesian domestic politics. After 1962, Sukarno became more explicit in his support of the PKI. The structure of a power relationship was better understood, as China became Indonesia's main foreign friend, the PKI became established as Sukarno's chief domestic ally.[89] Ironically, the growing relationship between Indonesia and China did not reflect the reality of the dynamics of Indonesian domestic politics. The close ties with China resulted in a growing discontent among the army and anti-Communist forces in Indonesia.

Indeed, the majority of the Indonesian elite, particularly the military, Islamic forces, and nationalist groups were concerned that this so-called close relationship with China might present a threat to Indonesia. They remained suspicious of China's real intentions towards Indonesia, and its conciliatory approach to Indonesia did not overcome this suspicion. The anti-Communist forces in Indonesia eventually drew a line of danger between close relations with Communist China, the PKI, and the Overseas Chinese as constituting three forces that threatened Indonesia's national security, economic independence, and the social status quo.[90] They furthermore believed that Indonesian policy did not serve Indonesia's interests but those of China, the PKI and the local ethnic Chinese. Therefore these forces had tried to upset close relations with China through domestic policies and waited to seize the opportunity to destroy the PKI when the chance arose.

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[87] The unilateral land reform conducted by the PKI had sharpened the rivalries between nominal muslim (*abangan*), many of whom were PKI supporters and the orthodox Muslim (*santri*). This rivalry re-emerged in a later stage in which many of the PKI supporters were slaughtered in the aftermath of the 1965 coup d'etat. Further discussion on the issue of land reform, See, Rex Mortimer, *The Indonesian Communist Party and Land Reform, 1959-1965* (Vic.: Monash University, 1972).

[88] Lie Tek-Tjeng, "Southeast Asian Regional Security in 1980s: A View from Jakarta", in T.B. Millar (ed.), *International Security in Southeast Asia and Southwest Pacific* (St. Lucia, London, New York: University of Queensland Press, 1983), p.269.

[89] Harold Crouch, *The Army and Politics in Indonesia*, revised edition (Ithaca: Cornell University Press, 1993), p.68.

[90] Hauswedell, *The Anti-Imperialist International United Front*, p.159.

The determination of the Chinese government to maintain good relations with Indonesia was proved further during the outbreak of a demonstration against the ethnic Chinese on 13 May 1963 that eventually spread to Central and East Java, as well as East Sumatra. In responding to this development, China seemed ready to abandon the policy of "interfering" as had been shown in previous incidents. China even harmonized its voice by joining the Indonesian government in blaming the incident on "imperialist" and "counter revolutionary groups" that tried to undermine "Sino-Indonesian friendly relations".[91] Events soon showed that Sino-Indonesian relations had arrived at a point where their respective foreign policies seemed to converge, as both countries were seeking a more radical alignment in world affairs.[92] In fact, domestic and international situations in both China and Indonesia around 1964–1965 had encouraged both countries to create a "Jakarta-Peking Axis." In this regard, Taylor argued that the most fundamental part of the development of the axis was the fact that both Jakarta and Beijing in the mid-1960s perceived a common interest in driving the imperialist and capitalist powers - the US and the British - out of Southeast Asia by a policy of struggle and confrontation.[93] China's objective of asserting political influence in Asia through its struggle with the US was perceived in Jakarta not as contradicting but complementing Indonesia's desire to assert its authority in the Malay world and to influence world politics. Indeed, Indonesia's decision to embark on such a close co-operation was motivated by Sukarno's confrontation policy against Malaysia that did not receive support from the Soviet Union and United States. Thus he had no other option but to choose China. Indeed, China's decision to support Indonesia was aimed at creating a united international front against hegemonic, imperialist and revisionist powers.[94] In the end, the launching of *Konfrontasi* enabled China to pull Indonesia two ways, first, at government level, particularly at Sukarno and government official level,

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[91] *Beijing Review*, 24 May 1963.

[92] Simon, *The Broken Triangle*, p.19.

[93] Taylor, *China and Southeast Asia,* pp.66-67.

[94] Darwoto, "Masa-masa Terakhir Hubungan Diplomatic RI-RRC" [The Last Minute of Diplomatic Relation between Indonesia and China], *Pelita*, 17 December 1978.

and second, it was a people to people channel, which meant the nurturing of the PKI by the Chinese Communist Party.

D. The 1965 Coup Attempt: The End of Balance

To sum up, by 1965 there had been dangerous conditions in Indonesia that were dominated by social and political antagonisms. The military and the Islamic groups were hostile to the PKI's rapid growth, particularly in the number of their followers as well as influence over Sukarno. Sukarno's balancing act between the army and the PKI was heading nowhere and seemed to go wrong. One of the controversial issues that deepened the army hostility was the PKI's desire to arm the peasants and workers as Indonesia's fifth force. This proposal caused a greater resentment among army officers towards Sukarno and the PKI. The situation had further created a great tension in Indonesian politics, particularly between the army and the PKI. The army was concerned about what Sukarno and PKI might do next, and at the same time the PKI intensified their campaign to create a people's militia that would arm its supporters. In the end this tension led to a crisis that eventually burst on September 30/October 1, 1965, when a group of middle-ranking officers launched a coup led by a *Cakrabirawa* palace guard, Colonel Untung, assassinated six generals and proclaimed their own assumption of power under Sukarno's aegis.[95]

The incident which took place at that time had been unthinkable as Sukarno appeared to be strong. One Indonesian observer even stated that neither a neglected economy, ruinous foreign adventurism nor raucous love life had seemed a real threat to Sukarno's hold on power.[96] Nevertheless, circumstances leading to the 1965 coup attempt were characterised by Sukarno's effort to balance contradicting powers. There had been a struggle for power under the cover of Guided Democracy, particularly between the army, with most of the machinery in its hands, and Sukarno with his

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[95] The events of the abortive coup are very familiar to students and scholars interested in Indonesian politics. However, this study does not intend to examine in details of this episode, it rather looks at its implications towards Sino-Indonesian relations and the perception of China as a threat. The six generals are: Lt. Gen. Ahmad Yani, Maj.Gen. R. Suprapto, Maj.Gen. Harjono Mas Tirtodarmo, Maj.Gen. Suwondo Parman, Brig.Gen. Donald Izavus Pandjaitan and Brig.Gen. Soetojo Siswomiharjo.

[96] Adam Schwarz, *A Nation in Waiting: Indonesia in the 1990s* (Boulder: Westview Press, 1995), pp.1-2.

vintage charisma along with the loyal support of the PKI. Surprisingly, the balanced structure of this unstable political tripod between the army and the PKI and Sukarno in the middle, remained in function for some time. The balance soon proved to be too fragile as the two opposing parties became adrift while Sukarno was no longer able to control the balance.

Nevertheless, there were several factors that functioned as catalysts to destroy the balance created by Sukarno. First, the army was always suspicious of the Communists. Its effort to limit the growing influence of the PKI had in effect caused the PKI to adopt a radical attitude against them. Sukarno's close relations with the PKI had deepened the army's suspicion of the PKI and endangered the army's position from the mainstream of the balancing power. Second, Sukarno's radical foreign policy as manifested in the liberation of West Irian and Confrontation with Malaysia tipped the balance of power in favour of the PKI. China's support for Sukarno with these two causes had also drawn the PKI close to China. Third, the PKI's unilateral action to launch land reform in 1964 with Sukarno's support created anger among the Muslims. In the end, this policy had further distanced the Muslims from the PKI, and indirectly pushed them closer to the army.[97] Finally, as far as the economic situation was concerned, Guided Democracy moved into 1965 carrying mounting inflation that turned into classic hyperinflation. Thus, there was a growing frustration and disappointment among ordinary people as their basic needs were unfulfilled.

However, there was much controversy and mystery surrounding the actual event of the 1965 abortive coup. From the very beginning the army maintained that the coup was plotted and carried out solely by the Indonesian Communist Party.[98] This interpretation or version of the coup remained questionable as it relied on sketchy evidence. It rests heavily on the presence of the party's leader D.N. Aidit and elements of *Gerwani* (women's movement) and youth groups at Halim airport, as well as on

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[97] Muslim rural leaders considered the increasing influence of PKI as a threat to their preaching activities, thus taking villagers away from their side.

[98] For the government's official version of the event, see: Nugroho Notosusanto and Ismail Saleh, *The Coup Attempt of the 'September 30th Movement in Indonesia* (Jakarta: Pembimbing Masa, 1968).

later confessions by group plotters and Communist Party members.[99] Another theory of the event revealed in 1966 by two scholars from Cornell University, Benedict Anderson and Ruth McVey. They presented the "Cornell Paper"[100] which concluded that the coup was primarily the result of army divisions, in which younger Javanese officers had acted against an older Jakarta leadership which was seen as decadent and corrupt. The authors also doubted that the PKI had a strong motive to launch a coup as they had done well under Sukarno. In fact, Aidit's role was more reacting than leading the event.

2.4. The Aftermath of the 1965 Abortive Coup: Domestic and External Consequences (1965-1967)

A. Domestic Perspective: The Elimination of the PKI

In the aftermath of the abortive coup, a wave of anti-Communist fury erupted in Indonesia. In these circumstances, Suharto began asserting authority to control the situation. On 1 October 1965, he delivered a speech through the Indonesian Republic Radio broadcasting, announcing that the 30 September Movement was a coup attempt perpetrated by the contra-revolutionary forces. Having restored order in Jakarta, he began to hunt those involved in the killings of the army generals. During the exhumation of the bodies on 4 October, he made it clear that the PKI had been involved in the abortive coup. Four days later, the military's newspaper, *Angkatan Bersenjata*, stated that "Gestapu had been masterminded by PKI-Aidit."[101] Further accusation of the PKI involvement was strengthened by the publication of official support for Gestapu by the PKI's official newspaper, *Harian Rakyat* (People's Daily). The evidence found from the killings of the six generals further implicated the PKI's involvement. It was later revealed that members of the PKI-affiliated organisations

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[99] The Indonesian Air Force was also allegedly involved in the coup. However, a number of retired Air Marshall has published a book denying the involvement of the air force in the incident. See, Aristides Katopo, Purnama Kusumaningrat, JMV Soeparno MM, Drs. Moh. Cholil (eds.). *Menyibak Kabut Halim 1965* [Uncovering the Mist of Halim 1965] (Jakarta: Sinar Harapan, 1999).

[100] Benedict Anderson and Ruth McVey, *A Preliminary Analysis of the October 1, 1965 Coup in Indonesia* (Ithaca: Cornell Modern Indonesian Project, 1971).

[101] Harold Crouch, *The Army and Politics in Indonesia*, pp.138-139.

such as the Indonesian Women's Movement (*Gerakan Wanita Indonesia - Gerwani*) and the People's Youth (*Pemuda Rakyat*) had participated in the killings.[102]

The events following the coup attempt had been dominated by a purge against the communists. The period from the middle of 1965 throughout the first half of 1966 was characterized by a series of acts of revenge against the communists. It was done by local army commanders, Muslims and other youth groups, and by village "volunteer guard." Tens of thousands of real or suspected PKI members and sympathizers were killed.[103] Although the communists had been practically destroyed, the army's leaders still held the view that they always wanted to resurrect its party. Suharto's from anti-Communist attitude was openly expressed one day after receiving the Supersemar, by his declaration to disband and outlaw the PKI.[104] In Indonesian official history, the event of the abortive coup is officially known as *Peristiwa 30 September*, *Peristiwa Gestapu* or *G30S/PKI* and it was mainly attributed to the PKI. The movement was eventually put down within a few days by forces under the command of Suharto as the Commander of the Army Strategic Command (KOSTRAD-*Komando Strategis Angkatan Darat*).[105]

Events soon proved that it was Suharto who held all the strategic cards. He and the army had engineered student demonstrations, expressing anti-PKI and anti-Sukarno voices, aimed at pressurising Sukarno. By using the martyrdom of the six-army generals as a rallying cry, Suharto with the support of the army launched an anti-Communist campaign. [106] These movements were intended to undermine Sukarno's

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[102] Ibid. p.138.

[103] Justus M. van der Kroef, "Indonesian Communism Since 1965 Coup," *Pacific Affairs*, Vol. XLIII, No. (Spring 1970), p.35-36.

[104] Sukarno was reported to have been upset by Suharto's decisive move against the PKI, as well as taking over the leadership of the army without his approval. See Sulangkang Suwalu, "Dengan Pasukan Liar ke Supersemar" [With Irregulars Troops to Supersemar], *Siar News Service*, 11 September 1998.

[105] When Suharto emerged from the political chaos in 1965, an Indonesian expert, Hamish McDonald described that Suharto was obscure and second echelon general. See, Hamish McDonald, "Political Obituary: The Puppet Master", *Sydney Morning Herald*, 22 May 1998.

[106] The circumstances surrounding the abortive coup of 30 September 1965 and the rise of Suharto remain shrouded in mystery and controversy. Further discussion on this matter see: B.R. O'G Anderson

authority, to pave the way for the army to seize power, and to further eliminate the PKI from Indonesia's political map. The tensions eventually culminated at a cabinet meeting in Jakarta on 11 March 1966, against a background of that rising student demonstration. To add further pressure on Sukarno, his assistant reportedly told him that troops without insignia surrounded the palace. Faced by this situation Sukarno, accompanied by his close political associates, fled to the presidential palace in Bogor. Eventually, after a meeting with three senior army generals,[107] Sukarno was tactfully compelled to transfer executive power to General Suharto as contained in the 11th March Order Letter in 1966 (*Surat Perintah Sebelas Maret* - known as *Supersemar*).[108] It was a letter of authorisation signed by Sukarno instructing Suharto "to take all necessary steps to guarantee security and calm and the stability of the Government and the course of Revolution."[109] With Supersemar in hand, Suharto and his army generals were able to reverse many aspects of Sukarno policies and systematically outmanoeuvred and removed Sukarno from power. He also succeeded in engineering the Provisional People's Consultative Assembly (MPRS) to issue *Ketetapan MPRS* No. XXV/MPRS/1966 that outlaws the PKI and Marxism/ Leninism/Communism in Indonesia.

Indeed, the failure of the coup attempt had dramatically changed the fortune of the PKI.[110] The aftermath of the abortive coup was marked by the wave of killings of the PKI members and followers in late October, particularly in the area of Central Java,

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and Ruth McVey, *A Preliminary Analysis of the October 1, 1965, Coup in Indonesia;* John Hughes, *The End of Sukarno* (London: Angus & Robertson, 1968); Arnold Brackman,*The Communist Collapse in Indonesia* (Norton, New York: 1969); A.C.A. Dake, *In the Spirit of the Red Banteng: Indonesian Communists between Moscow and Peking* (The Hague: Mouton, 1973); W.F. Wertheim, "Suharto and the Untung Coup - The Missing Link", *Journal of Contemporary Asia*, 1 (Winter), 1970; and Harold Crouch, *The Army and Politics in Indonesia*, 1993), especially pp.97-134.

[107] The three generals were Amir Machmud, Basuki Rachmat and M. Jusuf.

[108] The period from October 1965 to March 1966 marked the eclipse of Sukarno and the rise of Suharto to a position of supreme power. There has been a controversy to the exact circumstances of the issuance of Supersemar.

[109] The term "Supersemar" was taken from each first words of "*Su*rat *Pe*rintah *Se*belas *Ma*ret". The use of the acronym Supersemar was also believed to provide a basis in legitimacy for the transfer through invoking the name of *Semar*, a clown-god of Hindu mythology with a reputation for invincible authority.

[110] See, Arnold C. Brackman, *The Communist Collapse in Indonesia*; Robert Cribb, *The Indonesian Killings of 1965-1966: Studies from Java and Bali* (Clayton, Vic.: Monash University, 1990).

East Java and Bali.[111] While the army officers were not directly involved in the killings, they practically encouraged people to do so by providing assurance of support and sometimes firearms. The army objective was to eradicate the PKI and its supporters that used to be their main rival, and to eliminate the PKI as a political force.[112] Although the killings of late 1965 had eliminated many of the PKI's leaders at all levels, the army's security and intelligence apparatus continued to persecute and capture those of the party's activists still at large. It was followed by the arrest of those who had survived from the massacres that took place during the last three months of 1965. The elimination of the PKI's followers was made easier as in most cases these actions were supported by the Islamic groups, particularly the *Nahdatul Ulama* (NU-Religious Scholars).

By January 1966 Sukarno's strongest pillar of support, the PKI, had practically been all but eliminated as a political force, mostly at the hands of his other pillar of support, the army. This situation had presented the army with a chance to take its place at the apex of the government. Led by Suharto, the army was rapidly closing off Sukarno's room to manoeuvre and prevented him from making a political comeback. In so doing, Suharto and his army generals worked closely with the students to bring Sukarno down. On 2 May 1966, thousands of Indonesian students united as *Kesatuan Aksi Mahasiswa Indonesia* - KAMI (Indonesian Students United Action) occupied the parliament building, and expressed their concern over *penyelewengan* (irregularity or deviation) under the Sukarno regime.[113] The political situation was changing very rapidly and practically left Sukarno powerless. Indeed, Suharto's road to power became more visible through his appointment as acting-President in 1966. In March 1967, the MPRS approved Suharto as Indonesian second president, and at the same time terminated Sukarno's power. It was the beginning of a new episode in Indonesian history, as the new government named itself as the New Order and dubbed the previous

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[111] There had been no exact number of the people killed. However, the most commonly accepted estimation was between 250,000 and 500,000. In 1976 the Head of the Kopkamtib (Security and Order Restoration Command), Admiral Sudomo estimated that between 450,000 and 500,000 had been killed, *Tempo*, July 10, 1976, quoted also by Harold Crouch, p. 155.

[112] Harold Crouch, *The Army and Politics in Indonesia*, p.153.

[113] This episode was very similar to the student demonstrations before the fall of Suharto in May 1998.

regime as the Old Order. However, fully aware of the popularity of Sukarno among the ordinary Indonesians, Suharto moved slowly and cautiously to depart from many of Sukarno's policies.[114] He soon embarked on pursuing political stability and economic development as the main objectives of his regime. At the same time, the New Order government insisted that Indonesia needed to be constantly vigilant from the communist threat.

B. External Implications: The Break of Diplomatic Relations with China

Indonesia's foreign policy towards China after the coming of the New Order was not adopted in an abrupt manner, rather it was the result of a sequence of events in both the dynamics of domestic politics in Indonesia and China respectively. It took nearly two years for the relations to be frozen. Initially, China expected to maintain its relations with Indonesia, hoping that political developments in Indonesia would swing in favour of China. At least, the presence of a Chinese Embassy in Jakarta gave China a last chance to maintain contact with groups that were sympathetic to them. Given the presence of seventeen Indonesian delegations in China lead by Chairul Saleh prior to the coup, to discuss economic and technical co-operation and its subsequent joint communiqué announced after the G30S/PKI, there was no indication that Beijing would sever its relations with Indonesia. On the contrary, the developments in Indonesia showed that there had been an increase in incidents against China.

Apparently, the army's efforts to destroy the PKI in domestic politics appeared to be accompanied by a move in foreign policy to distance Indonesia from China, by accusing the latter of involvement in the coup attempt. Court examinations and proceedings had produced evidence that the PKI had been assisted by non-natives [the ethnic Chinese in Indonesia] who had organised themselves under the "Baperki" group, and by support from mainland China.[115] As a result, Sino-Indonesian relations

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[114] Because Sukarno was still popular among his mass supporters, the New Order regime had put him under house arrest until his death in June 1970.

[115] Anwar Nasution, "Political Aspect of Economic Development," *Strategic Review*, No. 9, December 1990, p.35. For the court proceedings, See: "Special Military Tribunal Trials of Ex-Indonesian Communist Party coup to Leaders, 15th February 1966-31st May 1969", Jakarta, *Department of*

deteriorated rapidly as they were dominated by intense hostilities on both sides. A wave of students' anti-Communist and anti-China demonstrations took place in Jakarta. Supported by the army, demonstrators demanded that Sukarno to disband the PKI, and break off diplomatic relations with China.[116] The nature of demonstrations were violent as the Chinese embassy in Glodok, Jakarta (China Town) was destroyed by the demonstrators, and soon they turned their attention to the local Chinese property, houses and shops.

In response to this situation, Sukarno desperately called for an end to the attacks on Chinese nationals and the violence that was being wreaked upon PKI members,[117] which seemed to reveal the depth of his alliance with the PKI and China. Thus, Sukarno's efforts had deepened the army's suspicion of the PKI and strengthened their determination to cut links with China. Furthermore, the sequence of the abortive coup and its subsequent repercussions in Indonesia coincided with the onset of the Great Proletarian Cultural Revolution in China that turned the country's domestic politics into a radical ferment. It was, in fact, the consequence of the success of radical elements in dominating Chinese politics from the second half of 1966. Radicalisation became the characteristic of China's domestic politics that was further reflected in its foreign policy. In these circumstances, there had been mass demonstrations and public gatherings expressing anti-Indonesian feelings, such as the one conducted by several hundred Chinese youth led by Red Guards in April 1967, in which posters condemning Indonesia were shown. At government level, China's Vice-Premier and Minister of Defence Xian Fuzhi delivered a speech at a public gathering 27 April 1967 that severely condemned the government of Indonesia.[118] It was followed by demonstrators

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Information, 1969; "Njono's Trials before the Special Military tribunal, February 15-28, 1966", Jakarta, *Department of Information*, 1966; "The Special Military Tribunal's Trial of Kamaruzzaman, alias Sjam", Head of the PKI Central Committee Special Bureau, February 19-March 11, 1968, Jakarta, *Department of Information*, 1968; "The Special Military Tribunal Tries Dr. Subandrio, 1-22 October 1966", Jakarta, *Department of Information*, 1967; and "The Special Military Tribunal's trial of Untung", Jakarta, *Department of Information*, 1967.

[116] Statement by General Kemal Idris, see *Tempo*, 4 March 1989.

[117] *New York Times*, October 17, 22, 23, 24, 28, 1965, as quoted by Taylor, *China and Southeast Asia*, p.125.

[118] Darwoto, "Masa-masa Terakhir Hubungan Diplomatic RI-RRC", Ibid.

destroying and burning the Indonesian embassy, and the intimidation of its diplomatic staff.[119]

The hostilities between Jakarta and Beijing, as manifested in antagonistic diplomatic languages from both sides, further took its shape in the form of the expulsion of their respective diplomats. As retaliation to Indonesia's 27 April 1967 decision to expel two Chinese diplomats, Yao Dengshan (interim *charge d'affaires*) and Xu Ren (consul general), China discharged Indonesia's representative Baron Sutadisastra (interim *charge d'affaires*), and the head of the Information Section, Sumarno. On August 24, Indonesia recalled all of its representatives from Beijing, and in the following month ordered China's interim charge d'affaires Lu Zubo and second secretary and consul of Chinese embassy in Jakarta Xu Shen, to leave the country before September 14. The worst event took place when China decided to declare Indonesia's *interim charge* Nahar Sjamsuddin and second secretary Rumamby *personae non grata*.[120]

Eventually, diplomatic incidents and political tensions reached a point of no return on 9 October 1967, when the Indonesian government decided that Sino-Indonesian relations would be "frozen" as of from 30th October. Surprisingly, the term used by Indonesia was rather unique, as it was not expressed in the common diplomatic language such as suspension, termination or breaking off. However, it was understood to be an effective *de facto* diplomatic break. Thus, the position of the new Indonesian government led by Suharto was practically anti-Communist and anti-China. While the PKI's main external supporter was kept at bay, Suharto began addressing domestic political order and economic development.

2.5. New Orientation in Indonesian Politics: Continuities and Points of Departures (1967-1978)

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[119] Ibid.

[120] Justus van der Kroef, "The Sino-Indonesian Rupture", *China Quarterly*, No. 33, 1968, p. 24.

A. Domestic Politics: Order, Stability and Development

As far as the structure of Indonesian politics is concerned, Suharto was determined to depart from his predecessor's mistakes and to make a total correction of the previous eras. In practice, Suharto's government adopted a number of policies that claimed to put Indonesia back on course. The New Order confirmed its determination to follow the ideology of *Pancasila* and the 1945 Constitution (UUD 45). Suharto simply tried to reaffirm *Pancasila* as an ideological foundation and UUD 45 as the constitutional basis of the state. However, the driving feature of the New Order has been economic development and the building of a strong political institution to guarantee stability as a prerequisite for development. The New Order began promoting the notion of *stabilitas dan pembangunan* (stability and development) as its hallmark. Thus he made it clear that his government had abandoned the political adventurist, revolutionary slogans and economic negligence adopted by his predecessor. Order, stability, growth and development were the buzzwords of the Suharto years.[121] Accordingly, every effort and policy should be directed to guarantee the achievement of these objectives.

Just as Sukarno needed something to satisfy his supporters in the mid 1950s by implementing Guided Democracy, according to Herbert Feith, Suharto in 1968 also faced a similar problem which was how to find out a new political format that could be relied upon.[122] The experience of the so-called parliamentary as well as Guided Democracy made The New Order government rule out copying the political formats applied during these periods. Suharto believed that the multi-party system as applied during the liberal democracy period was incompatible to Indonesia. He simplified the Indonesian political system by limiting the number of political parties.[123] In January 1973 the four Islamic parties were obliged to merge into a single party known as the United Development Party (PPP), while non-Islamic parties were subdued to merge

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[121] Michael R.J. Vatikiotis, *Indonesian Politics under Suharto*, (London: Routledge, 1993), p.33.

[122] Herbert Feith, "Suharto's Search for a Political Format," *Indonesia*, October 1968, p.89, as quoted by Alfian, *Pemikiran dan Perubahan Politik Indonesia*, p.30.

into the Indonesian Democratic Party (PDI). It meant that the role of the political parties in the DPR (the People's Representative Assembly) was practically diminished. The government also continued to interfere in the party's affairs and always made every effort to keep them weak.[124] Accordingly, they informally constituted the government parties as many of their top leaders were picked, or at least endorsed, by Suharto. Additionally, the representatives of those parties in parliament had to be screened by the government and security apparatus. In the end those elected through the ritual general election were those of government supporters. Thus, instead of acting as an opposition party, they were indeed strengthening Suharto's control on parliament.

The government's influence has been strengthened through the Golkar (the Joint Secretariat of Functional Group) that was established by senior army officers in October 1964.[125] Although the government did not categorise Golkar as a political party, in reality it indeed functioned as a political organisation that played a central role in rallying electoral support for Suharto's regime, particularly during general elections.[126] From the 1971 general election, Golkar, with government support has continued to emerge as the winner with a decisive vote in every election.[127] Golkar was none other than the political tool of Suharto.[128] Its orientation was no more than a copy of the one expressed by Suharto himself.[129] The famous slogan of Golkar had been "politics no, development yes".

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[123] Except in the time leading to the five-yearly general election, the party has been banned from maintaining a direct contact with their grass root supporters. Thus the government declared the voters as a floating mass.

[124] In Indonesian these two parties were more known as "partai pendamping" (accompanying parties) in which their presence were only to complete the number or formality.

[125] The creation of Golkar was initially aimed at countering the influence of PKI within the National Front set up by Sukarno.

[126] According to Harold Crouch, this is the key difference between Sukarno and Suharto. While Sukarno relied on mass support, Suharto had cleverly created a reliable semi-political party to support his power.

[127] In 1971 Golkar won by 62.8 percent; 1977 (62.1 percent); 1982 (64.3 percent); 1987 (73.2 percent); 1992 (68.0 percent); 1997 (74.0 percent). The PPP is always the second and the PDI is the last. The power of the political parties in the legislative body is very weak since, as the consensus not to participate in the general election, ABRI is automatically represented by 100 representatives.

[128] Unlike two other parties, Golkar was allowed to establish branches up to the village level and to expand its membership.

[129] Further discussion on Golkar, See: Julian M. Boileau, *Golkar Functional Group Politics in Indonesia*

However, there were similarities between Suharto and his predecessor. This is particularly evident as both shared a similar ambition to build a unitary state whose territory extends from Sabang to Merauke. Sukarno's fight to regain West Irian as well as his confrontation against Malaysia was similar to that of Suharto's policy on East Timor.[130] While Sukarno's enemy was the so-called colonialist and imperialist western countries, for Suharto, the enemy was the communists. As both took a similar policy of using force to achieve their goals, the result was the same, namely control over domestic politics and apprehension brought about to Indonesia's neighbours, such as Malaysia, Singapore, and, to a certain extent, Australia. While the New Order always claimed itself as different from the Old Order and even described itself as the antithesis to it. However, in practice, this was not always the case as the New Order then adopted similar features. In this regard, one scholar noted that,

> There were some important continuities from the Old Order, to the New Order, and especially from 1959-65 Guided Democracy period, to the New Order: the army's view of its place in history and in government; the president's belief in a powerful presidency; a broadly shared sense of nation; a domineering Java; a divided Muslim community; a resented ethnic Chinese business class; a weak legal system and, a closely related, a rich tradition of corruption, nepotism, smuggling and patronage.[131]

B. The Domination of the Military

When the New Order assumed power, it inherited a chaotic political system. The political parties ceased to be a driving force in Indonesian politics. It was a result

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(Jakarta: CSIS, 1983); Masashi Nishihara, *Golkar and the Indonesian Elections of 1971* (Ithaca, N.Y.: Cornell University Modern Indonesian Project, Publication no. 56, 1972); David Reeve, *Golkar of Indonesia: An Alternative to the Party System* (Oxford: Oxford University Press, 1985), and Leo Suryadinata, *Military Ascendancy and Political Culture: A Study of Indonesia's Golkar* (Athens, Ohio: Ohio University, Centre for International Studies, 1989).

[130] The East Timor issue should be seen in the context of the Cold War, particularly in the aftermath of the defeat of the US in Vietnam and the growing influence of communism in Southeast Asia. Indonesia under Suharto performed a staunch anti-Communist power. It is widely regarded that the proclamation of independence by the *Fretilin* (one of the socialist-communist faction in East Timor) on November 25, 1975, the Indonesian military dominated government was sensitive to the possibility of the creation of communist state in its own backyard. Eventually, Indonesian sent "volunteer" forces, whom believed to be members of the Indonesian armed forces, to enter East Timor. By 15 July 1976, the territory was incorporated as the twenty-seventh province of Indonesia.

[131] Schwartz, *A Nation in Waiting: Indonesia in the 1990s*, p.3.

of the implementation of Guided Democracy and the decline in the people's trust towards them. Therefore, the first task laid before the New Order government was to create stability as a prerequisite for economic development. In order to realize these objectives, the New Order government adopted a security approach. This meant that the stability of the country was paramount and nearly above anything. This policy inevitably gave the military a special role and held a dominant power in Indonesian politics as a guardian of Indonesian security. These objectives indeed created an opportunity for Suharto and the army to exert their domination of Indonesian politics. One prominent Indonesian scholar, Alfian, stated that the political atmosphere enabled Suharto and the armed forces to play a dominant and determining role in Indonesian politics.[132]

However, military domination was simply inevitable since it was the army, under the leadership of Suharto that was the only force to come out from the Guided Democracy with less damage. However, the army was not as solid as they looked, they were also divided between several factions, particularly those supporting the leftist movement. It was particularly caused by the PKI's infiltration in which some ranks of the army that sympathised with the Party made moves to exert control over several cities.[133] Therefore, the first priority for Suharto was to consolidate the unity of the army and the armed forces as a whole, and to purge the leftist elements. Indeed, the military had experienced various changes that aimed mainly at strengthening its organisation and unitary force, as well as reorganising the hierarchical structure of command. Under the leadership of Suharto, it subsequently turned into a more unified institution in which discipline was enforced with firm control resting in the hands of Suharto and his closest generals.

After putting the armed forces under control, Suharto reinforced the doctrine of *dwifungsi*. [134] This doctrine maintained that the armed forces constituted not just a

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[132] Alfian, "A Perspective of Indonesia's Political Development", *Strategic Review*, No. 9, November - December 1990, p. 5.

[133] It mainly took place in cities of Salatiga Semarang, Solo, Yogyakarta that belong to the Central Java province. See, Harould Crouch, *The Army and Politics in Indonesia*, p.144.

[134] Dual function doctrine originated in the critical role played by ABRI during the National Revolution,

defence force, but also a social and political one.[135] The military based their claim of *dwifungsi* as not something new, it had already been practised since the early struggle to gain independence in 1945. Therefore, the military are always called to actualise its role in the implementation of both functions, not only a defence and security force, but also as a social and political one.[136] Accordingly, the implementation of *dwifungsi* was intended to guarantee the success of creating stability and achieving economic development. The military always rejected the criticism over its role as similar to that of militarism as it claimed to have a different history to others in the world.[137] ABRI also claimed that it was they who proposed that Sukarno reintroduce the 1945 Constitution, as part of the implementation of *dwifungsi*.

The military has indeed emerged as the central force in Indonesia. Its personnel played a pivotal role not only in occupying the highest ranks of government and civil service but also at regional and local levels. Their personnel also filled the bureaucratic apparatus, thus expanding the military's presence in government administration. At national level, military generals held important and strategic minister posts.[138] At regional level, military personnel occupied the position of governor (provincial), bupati (regent), camat (head of sub-district), and in many cases down to the head of village. The Head of regional military command also assumed a role of nurturing territorial

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especially at the time when the Indonesian political leaders were captured by the Dutch. Dual function gained a new impetus after the failure of parliamentary democracy and the declaration of martial law in 1957. The notion was firstly introduced by Major-General Abdul Harris Nasution as a middle way course in which ABRI would neither totally disengage from public life nor totally dominate it. See, Peter Britton, "The Indonesian Army: 'Stabilizer' and 'Dynamiser', in Rex Mortimer (ed.), *Showcase State: The Illusion of Indonesia's 'Accelerated Modernisation'* (Sydney: Angus & Robertson, 1973).

[135] In August 1966, ABRI convened a seminar at the Army School of Staff and Command (SESKOAD) in Bandung, in which it decided that dwifungsi should feature in Indonesian politics. For a brief discussion on this doctrine, See, David Jenkins, "The Evolution of Indonesian Army Doctrinal Thinking: The Concept of *Dwifungsi*," *Southeast Asian Journal of Social Science*, Vol. 11, No. 2 (1983), pp. 15-30.

[136] Lieutenant General Syarwan Hamid, vice-Chairman of the DPR/MPR, as quoted in *Suara Pembaruan*, 10 May 1997.

[137] See "Buku Putih Kebijakan Hankamneg RI" [White Book: Indonesian Defence and Security Policies], Ministry of Defence, 1995. For further discussion on *dwifungsi*, See, Bilveer Singh, *Dwifungsi: Asal-usul, Aktualisasi dan Implikasinya bagi Stabilitas dan Pembangunan* [Dualfunction: History, Actualisation and its Implication for Stability and Development] (Jakarta: PT Gramedia Pustaka Utama, 1995).

[138] The considered important ministries were, among others, ministry of internal affairs, ministry of defence, ministry of manpower, and ministry of transformation.

development, particularly in the political field. In some cases, the military personnel also occupied a position in strategic economic activities, such as the post of director of the National Oil Mining Oil Company (*Pertamina*). It was argued that one of the reasons for this policy was the fact that there had been a lack of expertise on the part of a civil population. In fact, it was also practised as a way of rewarding economic advantage for those supporting Suharto, particularly those generals who could not get a position in a governmental institution. This policy is known as *ABRI yang dikaryakan* (the military officials who are assigned to private or Government Company). Thus the military personnel assumed a role as agents of development.

There has been a debate about the true nature of the Suharto government, especially among foreign analysts. The debate was over whether the New Order regime was an authoritarian or democratic regime.[139] It was not a military government, since many civilians, however limited, play their part in the government. It was more precise to name it "the government full of military officers" or even as "soft authoritarian", implying the existence of an institution-building ruling elite that may challenge its control over the nation's social, political and economic resources. However, there is another way to examine the New Order political system that is by applying the cultural approach. Historically Indonesians were not familiar with the idea of democracy other than so-called feudalism.[140]

Consequently, the dynamics of political life in Indonesia had been dominated by: feudalism that required a centralized government; militarism as the consequences that feudalism would never work without a strong military support to face the enemy that come from within and without; and capitalism in which economics rested in those holding power.[141] Over all, the New Order government consisted of a mixture of the

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[139] See Donald K. Emmerson, "Understanding the New Order: Bureaucratic Pluralism in Indonesia, *Asian Survey*, Vol. 23, No. 11 (November 1983), pp. 1220-1241; Benedict Anderson and Audrey Kahin (eds), *Interpreting Indonesian Politics: Thirteen Contributions to the Debate*, Interim Reports Series, publication no. 62 (Ithaca: Cornell University, Modern Indonesian Project, 1982).

[140] See, Clark D. Neher, *Democracy and Development in Southeast Asia: The Winds of Change* (Boulder, Colorado: Westview Press, 1995), especially Chapter 5, and R. William Liddle, *Leadership and Culture in Indonesian Politics* (Sydney: Allen & Unwin, 1996).

[141] See, Mochtar Naim, "Trilogi Budaya Politik" [Trilogy Political Culture], *Republika*, 16 June 1998.

military and civilians. While the Suharto government was not totally authoritarian, it was not democratic either.[142] Nevertheless, one could not deny the fact that military personnel heavily dominated the New Order. They have assumed a leading and commanding role in every aspect of the life of the Indonesian.

C. The Implications for Foreign Policy: Orientation and Decision Making

Changes in domestic political orientation and priorities were further expanded into foreign policy. Sukarno's radicalism in domestic and foreign policy had been replaced by pragmatism. Suharto transformed Indonesia's foreign policy orientation to fulfil domestic requirements, particularly political stability and economic development. Indeed, fully aware of his predecessor's aggressive foreign policy that was upsetting Indonesia's neighbours in the Southeast Asian region, Suharto immediately rectified the excesses committed by his predecessor, particularly within the Southeast Asian region. The relationship with Malaysia was restored and the Association of Southeast Asian National (ASEAN) that include four other neighbouring countries (Malaysia, Singapore, Thailand and the Philippines) was established in 1967. Indonesia then became an enthusiastic supporter of regional co-operation. It was undoubtedly aimed at restoring its credibility as a peaceful and responsible member of the international community. ASEAN became the symbol of Indonesia's new commitment to a good neighbour policy as well as an important gesture in Jakarta's attempt to attract Western support.

Accordingly, Indonesia then performed a generally moderate or low profile foreign policy, inclined to the West and regionally focused on Southeast Asian and distanced itself from the socialist/communist states. As a member of the non-aligned countries, it maintained a policy that in principle kept it equi-distant from the rivalry between the United States and the Soviet Union. Thus, the approach has been on co-operation and accommodation that was aimed at gaining international support for Indonesia's stability and economic development, while at the same time, maintaining

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[142] To understand Suharto's thinking, see among others: Suharto, *Suharto, My Thoughts, Words and Deeds* (Jakarta: PT Citra Lamtoro Gung Persada, 1989) and O.G. Roeder, *The Smiling General* (Jakarta: Gunung Agung, 1970).

its freedom of action.[143] Given Indonesia's strategic location at the eastern entrance of the Indian Ocean, including command of the Malacca and Sunda straits, the country has been considered as vital to Asian security interest of the United States and its allies in the context of Cold War.[144] The American government had been generous to Indonesia, as they extended a significant amount of military aid and became the principal supplier of military equipment to the Indonesian armed forces. Indonesia did not have to forge a formal military alliance with the US, as it may violate one of its principles as a non-aligned nation, but she indirectly benefited from United States security arrangements with the countries in the region, such as Australia and the Philippines. One of the most significant supports for Indonesia has been the United States' blind-eye policy on the repressive nature of the New Order regime. Nevertheless, Suharto was practically close to the West, and it was a clear departure from his predecessor's positions that maintained distrust and suspicion towards the Western countries.

Additionally, Japan also had an important role in the development of Indonesia. During the 1970s, for instance, Japan was the largest aid donor to Indonesia. Tokyo's aid included export promotion, establishment of an infrastructure base for private foreign investment, and the need to secure a stable source of raw materials, especially oil, aluminium and forest products. The aid from Tokyo was needed by Jakarta to finance development.[145] However, Indonesia did not alter its orientation directly to the West, or at least did not want to be seen as allying with the West, instead she maintained her independence as a non-aligned state and continued following the path of a *free* and *independent* foreign policy. One of the examples of Indonesia's efforts to

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[143] It was a distinct departure from Sukarno's approach in which he actively attacked the international *status quo*, particularly the Western countries and dubbed them as the Neo-colonialist powers.

[144] This was without doubt supported by the fact that the New Order had reversed Indonesia from being the third largest country with communist party members into an anti-Communist.

[145] Relations between Japan and Indonesia are a well- studied subject. Further discussions on this matter, See, among others: Sumio Edamura, *Indonesia and Japan in the Pacific Age* (Jakarta: Gramedia, 1989); "Internal Developments in Japan and Indonesia, *CSIS*, Jakarta, 1985); Ikuo Iwasaki, *Japan and Southeast Asia: A Bibliography of Histiry, Economic and Political Relations* (Tokyo: Library Institute of Developing Economies, 1983); Lie Tek Tjeng, *An Indonesian Perspective: Japanese-Indonesian Relations in the Seventies* (Jakarta: Indonesian Science Agency, 1971).

show its consistency has been its participation in the Non-Aligned Movement and the conduct of normal diplomatic relations with the former Soviet Union.

The military have also played their part in foreign policy. Their participation was regarded as part of securing national security. Thus, their officers occupied several key positions in the foreign ministry, such as director-general of Social, Cultural and Information Affairs.[146] The strategic outlook of the military has also influenced Indonesia's foreign policy orientation. According to the strategic military's outlook, the immediate outlying area in the Southeast Asia region is regarded as the seventh military region in terms of security importance.[147] That was one reason why Indonesian ambassadors to ASEAN capitals are from the military.[148] To that extent, a retired diplomat has described that, "foreign policy also falls in the domain of *dwifungsi*."[149]

However, Suharto was fully aware of the situation in which the military lacked knowledge, expertise and experience in dealing with international affairs and diplomacy. Thus in order to close this gap and to give a good reputation to the international community, Suharto appointed a civilian foreign minister, Adam Malik as foreign minister. According to Michael Leifer, Malik's revolutionary credentials, his proven anti-communism, and his diplomatic experience made him a natural political partner for a military establishment which required a civilian figure as public interlocutor with the outside world.[150] Nevertheless, in making any decision on foreign policy, Suharto was surrounded by his advisers who gave him advice and recommendations. They consisted of Ministry of Defence or *Hankam* (represented by Gen. Soemitro of Kopkamtib and Benny Moerdani of BAKIN), Foreign Ministry or

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[146] One of its subsidiary bodies is called as *DITMANBINMASLUGRI* (Directorate of Security and Construction of the People Abroad), and headed by a director who comes from an active military personnel. One of its functions was also to screen the new recruits and to ensure those diplomat who are going to be posted as clean from the leftist elements.

[147] From military's point of view, Indonesia was divided into six military regions, each under a military commander.

[148] Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism*, p.137.

[149] *Forum Keadilan*, 31 July 1995.

[150] Leifer, *Indonesia's Foreign Policy*, pp.113-114.

Deplu (Adam Malik), CSIS (Ali Moertopo and Soedjono Humardhani), Bappenas (Widjojo Nitisastro and Ali Wardhana).[151] In the early part of the New Order, Ali Moertopo (CSIS) played a big role in the formulation of foreign policy. It did not last after 1978 when the role was taken over by Hankam.

As far as the Ministry of Foreign Affairs is concerned, during the Sukarno era, this institution became one of his mouthpieces, especially under foreign minister Subandrio. While retaining the main function of the conduct of diplomacy and relations with other countries, the coming of the New Order was followed by the army's effort to cleanse the Ministry of the leftist elements and those supporting Sukarno's adventurous foreign policy.[152] In April 1966 a special section was established to eliminate the "unwanted elements", particularly against the PKI's activities abroad.[153] It was seen as imperative because the army considered the Ministry a strategic point in which the domestic force of the PKI had successfully driven Indonesia to ally itself with the external Communist power of China. In other words, the domestic threat of the PKI was considered to be collaborating with the external elements through the Ministry of Foreign Affairs. Consequently, the Ministry had to share authority on issues related to security and defence with the military, including the issue of China. As a result, there often emerged an overlapping of authority, friction and differences of opinion on several issues. Another institution is the less influential *Komisi Satu* of Parliament, which deals with security, defence and foreign policy. In line with the impotence of the parliament vis-à-vis the executive, this body only held a deliberation without any real implication in determining the direction of foreign policy. Nevertheless, the deliberation in the institution was not good enough to function as a barometer to

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[151] Leo Suryadinata, *Politik Luar Negeri Indonesia di Bawah Soeharto* [Indonesia's Foreign Policy Under Soeharto, Aspiring to International Leadership] (Jakarta: PT Pustaka LP3ES, 1998), p.49.

[152] During Guided Democracy, the Foreign Ministry played an active role in supporting Sukarno's vision of foreign policy. Former foreign minister Dr. Subandrio was an active supporter of radical foreign policy such as seen in the case of revolutionary diplomacy aimed at restructuring international system, the creation of Jakarta-Beijing Axis, and *Konfrontasi* against Malaysia.

[153] Currently, a security directorate remains exist with its main task to screen Indonesian government officials travelling abroad or as a requirement in obtaining visa and taking care of Indonesian living abroad. The Directorate is under the Directorate General of Socio-Cultural Affairs General and led by an active military officer who has a rank of Colonel, while the Director General is an active one star military rank.

measure domestic political reality as its membership was dominated by the pro-government factions.

2.6. Conclusion

The route of Indonesia's historical background and experience has undoubtedly contributed to the formulation of Indonesia's perception of security, threat as well as foreign policy. The revolutionary phase in Indonesian history was marked by Indonesia's effort to pursue the vital national interest of national security. It involves the maintenance of unity and territorial integrity and the achievement of international recognition. The threat to Indonesia had come from within and without the boundary of Indonesia. The Communist action to launch a rebellion in 1948 was widely seen as an act of betrayal as stabbing Indonesia in the back, while the struggle to achieve a full independence was still on course. Meanwhile, the Western powers that were regarded as the champions of democracy, in fact, did not support Indonesia's independence. Instead, they were rallying their support behind the Dutch colonial power. The reason behind this unsympathetic attitude of the West has been their suspicion that the communist followers dominated Indonesia. The situation was rather opportune after Indonesia successfully put down the communist rebel in the 1948 Madiun affairs. Apparently, the Western leaders were aware that their suspicion of Indonesia was untrue. This condition helped facilitate the recognition of Indonesian independence that was finally achieved by December 1949. Nevertheless, the ambiguous attitude of the Western powers has left a deep suspicion and distrust among Indonesian leaders towards the major powers. At the same time, Indonesian leaders felt widely suspicious of the communists. Indeed, this period has also laid down the principles of free and active foreign policy, which reflected Indonesia's determination not to rely on any external powers.

The period of the implementation of parliamentary democracy (1950-1959) was characterised by political instability and domestic cleavages following the line of ethnicity and religious sentiment. The failure of this system was symbolized by the inability of any cabinet to realize Indonesia's national interest of economic development. Foreign policy had become a contentious issue. Any effort to attract

foreign aid has been accused of sacrificing Indonesia's free and independent foreign policy. Thus the Indonesian political system has been interlocked by domestic political rivalry among elite leaders. Indonesia's unity was also threatened by the emergence of regional rebellions. These situations have indeed united Sukarno and the army's leaders with the idea that the implementation of parliamentary democracy was incompatible with Indonesian society. For different reasons, both shared the view that Indonesia should get rid of the system.

Since the very beginning, there was suspicion among Indonesian political leaders, particularly from the army and Muslim quarters, about China. Apart from ideological communism which was considered anti-Islamic, the army considered the PKI's early involvement in the launching of the 1948 coup against the central government was unforgivable. Despite ideological reasoning, the Islamic groups maintained a deep suspicion because of unilateral land reform that brought disadvantages to many Muslim preachers in the village. Indeed, mixed feelings among the Indonesian elite leaders had prevented the opening of diplomatic relations with China. Only after the exclusion of the Islamic party and the inclusion of the PKI in the cabinet, did Indonesia eventually establish diplomatic relations with China. Indeed, the opening of diplomatic relations with China was mainly intended to serve a domestic requirement and to maintain Indonesia's free and active foreign policy.

With the full support of the military Sukarno eventually introduced the implementation of Guided Democracy. He rested his power base on two main pillars, namely the army and the PKI, and often played one against another aiming at maintaining his authority and at the same time kept them in check. Under the Guided Democracy, Sukarno intensified Indonesia's effort to gain the national interest of achieving comprehensive independence, particularly the return of West Irian. In its course, Indonesia was then dominated by a revolutionary wave that coincided with radicalisation in foreign policy. The threat had been portrayed as Western neo-colonialism. Indeed, the struggle for West Irian and the fight against neo-colonialism made Indonesia draw closer to China. On the contrary, China had no difficulty in supporting Sukarno's revolutionary struggle, including the crushing of Malaysia. China became one of Indonesia's main supporters and friend.

The alliance between China and Indonesia was followed by a similar pattern between the PKI and China's Communist Party. However, the structure of a relationship between both countries did not reflect Indonesian domestic political reality. The growing relationship between Sukarno and the PKI tipped the balance for the latter at the expense of the army. This situation gave a momentum for forces hostile to the PKI, particularly the army and the Islamic forces, to form an alliance. Indeed, the balance of power between the army and the PKI in which Sukarno played his part as a balancing force proved difficult to maintain. It resulted in the 30 September/1 October 1965 coup that changed the direction of Indonesian political history. Although there remains controversy surrounding the exact nature of the coup and the issue remains debatable, the New Order's version has been that the PKI was the main perpetrator of the coup that was supported by an external power, namely China.

The Guided Democracy eventually came to an end in which the army came out to be the victor against Sukarno's other pillar, the PKI. It created a chance for Suharto and the military to dominate Indonesian politics. Subsequently, Suharto gradually asserted his authority to replace Sukarno, and subsequently introduced the coming of the New Order. The PKI was practically eliminated from the Indonesian political map and its members and sympathisers had been purged. The action against the PKI had its repercussions in Indonesian external relations. China has been considered as the external supporter of the PKI and was implicated in the 1965 abortive coup. Inevitably, the freezing of diplomatic relations with China was the consequence of the domestic requirement, particularly the demand from the army. Accordingly, Communist China was regarded as a threat to the New Order's goals of creating stability and economic development. However, the reference to China became somewhat complicated as the ethnic Chinese who lived in Indonesia had also been accused of playing their part in the incident.

Although Suharto declared his regime as the New Order, in fact he continued some of Sukarno's policies, particularly on the conduct of domestic politics as well as on the principles of a free and active foreign policy. However, the main difference was the domination by his military supporters in every aspect of Indonesian life. As far as

foreign policy was concerned, military officials inevitably participated in its formulation. This was more prevalent especially when it concerned matters that fundamentally related to the question of security and defence, notably the issue of China. Thus, as the main institution responsible for the conduct of foreign policy, the ministry of foreign affairs had to share its authority with the military.

Chapter Three

The Concept and Nature of China as a Threat:

The Intertwined Foreign and Domestic Perspectives

Indonesia's historical background and experience during the revolutionary period, liberal democracy, and guided democracy, suggested to the New Order leaders the presence of various threats and challenges to the Republic. While most of the threats were purely domestic in nature, the involvement of external powers would undoubtedly add to the gravity of threat. Indeed, Indonesian leaders were sensitive to any kind of external interference in form. It is against this background that the New Order leadership developed the line in which the PKI was linked with the support of China as an external power as well as China's influence over the overseas Chinese living in Indonesia. The reason why Indonesia adopted an-anti Communist and anti-China attitude was simply because the government was dominated by the military that had held long grievances and suspicions towards communism. Therefore, this chapter is aimed at finding out and analyzing the nature and concept of the threat of China, as well as exploring what has been its the function in Indonesia's internal politics.

In so doing, this chapter is divided into four parts. The first section focuses on the historical perspectives of the domestic and external perceptions of China. The second part analyzes how the New Order defined the nature and concept of China by linking domestic and external dimensions. The third portion explores how the functional threat of China contributed to Indonesia's domestic politics and economy as well as towards regional cooperation in Southeast Asia. The last part is the conclusion.

3.1. Historical Perspectives of Sino-Indonesian Relations: Domestic and External Perception of China

A. The External Perception of China: A Historical Legacy

Historically, China considered itself as the Middle Kingdom (*Zhongguo*), thus any neighbouring countries wishing to have dealings with her had to recognize the Emperor as "the Son of Heaven" that acted as their suzerain. In this notion, the states

outside China should be put within the context of the tributary system. This system was the traditional way of managing foreign relations. Through the establishment of the rules and controlling the means and symbolic terms by which foreign countries entered into and conducted their relations with China, the Chinese found the system an effective mechanism for exacting compliance from neighbouring states and peoples on important matters of political, defensive, economic, and diplomatic concern to China.[1] According to the usual practice, foreign peoples were bound to present the tribute, usually a largely token offering of native products or rare valuable commodities, as well as to perform an act of *kowtow*,[2] as a symbol of recognition of their subversience to the Chinese emperor. This Chinese concept that viewed world order in terms of the superordination and subordination of states seems to be similar with the early Christian world order, in which the church and emperor were the two superior authorities.

The relationship between Southeast Asian entities[3] and China could be traced back almost two thousand years.[4] They were confined at first to the countries now comprising Vietnam, Java, Sumatra and the Malay, and it was later extended to Cambodia, Thailand, Burma and the further islands of Indonesia. By the end of the second century, China had established frequent diplomatic relations with all the kingdoms then prevailing in these countries. Among the Southeast Asian entities, only Vietnam was under direct rule from China. This incorporation is easily understood since the Chinese considered Vietnam in the Sinic Zone that consists of the most nearby and culturally similar tributaries.[5] The rest were engaged in asymmetrical relations, and mainly focused on cultural and trading activities. In return for trading

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[1] John K. Fairbank, Edwin O. Reischauer & Albert M. Craig, *East Asia: The Modern Transformation, A History of East Asian Civilization*, Vol. 2 (London: George Allen & Unwin Ltd, 1967), p.15.

[2] *Kowtow* is the act of the three kneelings and nine knockings of the head on the ground. In return, the emperor showed his appreciation of the homage by giving presents to the envoy. It was then followed by allowing the tributary mission to open market and to sell their local products.

[3] The formation of modern states in Southeast Asia has not been an indigenous development. They are relatively recent formations, constituted in response to the enforced imposition of European colonialism and to the exigencies of the modern world order. In the process, traditional polities have been swept aside, even if some traditional forms and concepts have been woven into the modern political fabric.

[4] C.P. Fitzgerald, *China and Southeast Asia Since 1945* (London: Longman, 1973), p.1.

[5] Roland L. Higgin, "The Tributary System", in Mark Borthwick, *Pacific Century: The Emergence of Modern Pacific Asia* (Oxford: Westview Press, 1994), p.30.

access and occasional protection, these entities had to send tributes, such as gold and silver trees, to China. Therefore, China was seen as an alien great power that had been wielding great influence in the Southeast Asian region.

Judging by the behavior of the old Chinese Empire, many Indonesian leaders were, and still are suspicious that China remains an expansionist power that has always tried to advance her influence into the Southeast Asian region. Much historical evidence supports this perception. One classical Indonesian history tells the story of the dispute between the Indonesian Kingdom of Singhasari and the Yuan Dynasty of China in the 13th century. Under the Second Emperor, Kubilai Khan, China attempted to expand its territory and influence deep into the Southeast Asian region. With the support of the strong navy inherited from the Song Dynasty, China launched a military conquest overseas. For this purpose, the kingdom in Java was identified as one of the countries to be incorporated into the Yuan's sphere of influence, together with Champa.[6]

The perception of China has been maintained through various scripts and one Indonesian ancient history noted:

> The last king of Singhasari was Kertanagara. Kertanagara's famous contemporary was Kubilai Khan, the Emperor of China, who was so ambitious as to attempt to conquer all the lands of the "Southern Sea" either by diplomacy or by force. He managed to get a few countries in his power, but he had no success with Kartanegara.[7]

What is interesting from this reference is that the author fails to differentiate between the Mongols and the Chinese, rather it underlines the expansionist nature of Chinese power. Many ordinary Indonesians share the ignorance of the fact that the Chinese and the Mongols are two different and distinct peoples.

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[6] Wang Gungwu, *China and the Chinese Overseas* (Singapore: Times Academic Press, 1991), p. 107.

[7] Satyawati Sulaeman, *Concise Ancient History of Indonesia* (Jakarta: The Archeological Foundation, 1974), p.31.

In fact, the portrayal of China as an ambitious and expansionist power has been transformed and communicated to many generations through history texts, and they became an important source of information about China. Although the significant influence of these references remains to be separately examined, they most likely played their part in the formulation of many Indonesians views on China. In this respect, Carl Taylor has claimed that such texts represent "what casual and educated Indonesians may have read about China."[8] The portrayal of China as a negative force was further reinforced by picking up the examples of China's invasion during the Han Empire, particularly during the reign of Wudi (Wu Ti, 141-87 BCE) emperor to the west, the invasion of Korea,[9] as well as the occupation of Tibet in 1950.[10]

In this regard, a publication by one of Indonesian authors describes and portrays how China used to behave. This author focused on China's expansionist behaviour at the end of the Indonesian Kingdom of Sriwijaya, in which "Palembang [one city in Sumatra Island] fell under China. Some thousands of Chinese from Fukien and Canton were brought in and established a colonial administration. In 1377, the head of the colony was Liang Tan Ming from Kwangtung."[11] The main idea that can be drawn from this publication is that China has seen as an imperial power, while Indonesia is described as the victim of China's ambitious expansionist policy. Although the impact of such publications remains to be seen, these facts underline that China has been negatively portrayed.

While seeing China as an expansionist and imperialist power, what is interesting is that there has been a prevailing admiration among Indonesians to view China for its "greatness." China is always seen as a major country in almost every

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[8] Carl Taylor, "Indonesian Views of China," *Asian Survey*, Vol. 3, No. 3, March 1963, p.165.

[9] Mark Borthwick (ed.), *Pacific Century: The Emergence of Pacific Asia* (Boulder: Westview Press, 1992), pp.17-26.

[10] China did expand its own borders. The Qing dynasty was enormous by comparison with that of the Han (206 B.C.-A.D. 220). Yet the increase in the size of China's territory was anything but gradual; it varied sharply from dynasty to dynasty. See, Colin Mackerras, *Eastern Asia: An Introductionary History* (Melbourne: Longman Cheshire, 1994), pp.108-112.

[11] Hidajat Z.M., *Masyarakat dan Kebudayaan Cina Indonesia* [The People and Culture of Indonesian Chinese] (Bandung: Tarsito, 1971), p.64.

Indonesian politics will be more meaningful if it is linked with the domestic perspective. In other words, the presence of ethnic Chinese on Indonesian soil has further exaggerated the negative perception of China.

B. Indonesia's Domestic Perspective of China: Early Suspicions and Historical Legacy towards the Ethnic Chinese

The ethnic Chinese always appear to form a small minority in Indonesia. In 1961, for instance, their numbers were predicted to be around 2.45 million, which were never considered as representing more than 2,5% of the total population.[15] To date, the ethnic Chinese are currently believed to be around 5.76 million.[16] Nevertheless, the ethnic Chinese are always seen as a distinct race, regardless of the Indonesian national motto of "Unity in Diversity". This is particularly evident when one looks at their dominant role and position in Indonesia's economy. Additionally, they are generally concentrated in the cities, as opposed to the majority of pribumi that live in urban areas. However, since the freezing of diplomatic relations with China, the New Order regime banned the use of Chinese characters in various publications and trade promotion activities, including Chinese newspapers, fearing that they might be infiltrated by the teaching of communism.

In order to encourage assimilation, Suharto also suggested the use of the Indonesian name for that of the ethnic Chinese. The use of the word "Tionghoa" was officially replaced by "China", which according to the nationalist newspaper *Merdeka* was aimed at creating political hatred towards China rather than linguistic considerations.[17] According to the Dual Nationality Agreement between Indonesia and China of 1955, there are some criteria in determining the ethnic Chinese or *Zhongguo* based on their nationality.[18] First, it refers *huagiao*, which according to the Mandarin

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[15] See, G. William Skinner, "The Chinese Minority," in Ruth McVey (ed.), *Indonesia* (New Haven, Conn.: 1963), p.99.

[16] See, Leo Suryadinata, "Masalah Tionghoa di Indonesia dan Penyelesaiannya," in Riyanto D. Wahono (ed.), *70 Tahun Junus Jahja: Pribumi Kuat Kunci Pembauran* [70 Years Jujus Jahja: A Strong Pribumi as a key to Assimilation] (Jakarta: PT. Bina Pariwara, 1977, p. 81.

[17] *Merdeka*, 18 January 1977.

[18] Lie Tek Tjeng, "Kebijakan RRC tentang Keamanan" [The PRC Policy on Security], *Kompas*, 16 and 17 February 1996.

dialect means *overseas Chinese* that entails those retaining the nationality of PRC or Taiwan. Second, it relates to those who already gave up the nationality of PRC or Taiwan and decided to hold Indonesian citizenship. Those people are more precisely called *Huaren* or ethnic Chinese. And third, it includes those who reside in the territory that have not *de facto* been reintegrated with mainland China such as Hong Kong, Macao and Taiwan. The people in these territories are called *tongbao* (compatriot). While the above agreement supposedly resolved the question of nationality, its implementation was overtaken by political events in Indonesia as well as in its relation with China.[19]

However, in the context of domestic perspectives, the word "China" is often associated with the ethnic Chinese regardless of the status of their nationality. From this point of view, there are at least six major perceptions of the ethnic Chinese widely held by the majority of Indonesians.[20]

First, many of the ethnic Chinese came to Indonesia as traders and established themselves as a successful commercial community as early as the 19th century. Fitzgerald noted that the period of Dutch colonialism saw a great increase in the immigrant Chinese community.[21] While receiving privileges and special treatment from the Dutch, the Chinese acted as middlemen between the Indonesian *pribumi* and the Dutch. They were acting as merchants, traders and tax collectors for the colonial regime.[22] Given this role, the Chinese were granted second-class citizenship putting them right below the Dutch or other Europeans, while Indonesians were left at the lowest strata. The Chinese were classified as foreign Orientals (*vreemde oosterlingen*), and Indonesians were called "native" (*inlander*).[23] This categorization was a deliberate

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[19] The issue of the status of ethnic Chinese in Indonesia was resolved through the normalisation of diplomatic relations in August 1990. This issue will be discussed in Chapter 4.

[20] For more details, See, among others, Charles A. Coppel, *Indonesian Chinese in Crisis* (Kuala Lumpur: Oxford University Press, 1983), especially Chapter 1; Mackie (ed.), *The Chinese in Indonesia*; and Suryadinata, *The Chinese Minority in Indonesia.*

[21] C.P. Fitzgerald, *China and Southeast Asia Since 1945*, p.33.

[22] Adam Schwarz, *A Nation in Waiting: Indonesia in the 1990s* (Boulder: Westview Press, 1995), p.12.

[23] Coppel, *Indonesian Chinese*, p.3.

policy by the Dutch to fill the gap it needed from the skilful Chinese merchants, while many Indonesians were considered far from sufficient in assuming that role. It was considered to be one of the biggest humiliations imposed on many Indonesians and remains in the minds of many *Indonesians pribumi* (indigenous populations). In the end, the employment of ethnic Chinese by the Dutch colonial power estranged these people from the indigenous population and served to separate the ethnic Chinese even further politically and economically.

Second, as a consequence of the privileged position granted by the Dutch, the ethnic Chinese succeeded in developing themselves as successful economic players. Inevitably, they were able to reach a standard of economic well being and living far better than those of the Indonesians under the Dutch colonialist. Such a gap had become a source of hatred and resentment among Indonesians, as the latter considered the ethnic Chinese as benefiting from the Dutch occupation of Indonesia. Even worse, Indonesians accused them as being the extension of colonial power and even called them the *kaki-tangan* (henchmen) of the Dutch.

Third, the Dutch policy on creating the social structure that hierarchically consisted of the Dutch/European, the Chinese and the *pribumi*, has left a deep social gap between the ethnic Chinese and Indonesian *pribumi*. In this kind of socio-political structure, the Chinese were divided between those who identified themselves with the Dutch, and those who were anti-colonial identified themselves with mainland China.[24] However, very few were prepared to identify themselves with the indigenous population. This social orientation among the Chinese implied that they viewed Indonesians as inferior to them. On the other hand, Indonesians interpreted the ethnic Chinese attitude of identifying themselves either with the Dutch or their homeland as arrogant.

Fourth, many Indonesians, if not most, perceived the ethnic Chinese as following a stern line in embracing and practicing Chinese values. One of the famous expressions among Indonesians is "*sekali Cina, tetap Cina*" (once a Chinese, always a

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[24] Lie Tek Tjeng, *Kompas*, 6 August 1990.

Chinese).[25] Their belief and perception that the ethnic Chinese attitude of maintaining their kinship links with the mainland reinforced the Indonesian assumption that the ethnic-Chinese were unchangeable. For example, it has been asserted that "this strongly uniform, cohesive race, separated by seas and frontiers, is essentially one people with a shared heritage, the Chinese civilization."[26] Ironically, Indonesians also consider the ethnic Chinese as one solid community originating from the same territory in the mainland. In this regard, Leo Suryadinata explains that,

> Despite the heterogeneity of the Chinese, the perception of a homogenous Chinese community persists. This is due partly to the relatively strong economic position of the Chinese as a group across Southeast Asia and the existence of a group of first-generation Chinese who refuse to identify themselves with the indigenous population. The perception is also often linked to the desire of the PRC government to utilize the ethnic Chinese to serve the interests of China. These factors have helped to perpetuate the prejudice against the Chinese population.[27]

Fifth, despite viewing the ethnic Chinese as another nation, the majority of Indonesians believed that they have a negative characteristic. Indeed, the stereotype has been that the ethnic Chinese in Indonesia is opportunist and its main preoccupation is to advance its economic well being. One Indonesian historian, Tengku Luckman Sinar, stated that one of the negative characteristics of the ethnic Chinese is that they have always pursued their own interests. "During the Dutch colonial era, they worked as traders and acted as middlemen, they did so during the Japanese occupation, in the New Order period they were clinging to Suharto. They surely knew that Suharto was a dictator and symbol of KKN (corruption, collusion and nepotism). That is why in every political upheaval, they will always become the target of people's anger".[28] This

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[25] A comprehensive study by Wang Gungwu reveals that during the past decades, contrary to the stereotype "once a Chinese, always a Chinese", the ethnic Chinese in Southeast Asia have changed and they were capable of undergoing further change. See, Jennifer Cushman and Wang Gungwu (eds.), *Changing Identities of the Southeast Asian Chinese since World War II* (Hong Kong: Hong Kong University Press, 1988).

[26] C.P. Fitzgerald, *The Third China* (Melbourne: 1965), quoted also in Coppel, *Indonesian Chinese*, p.8.

[27] Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians* (Singapore: Institute of Southeast Asian Studies, 1997), p.10.

[28] Delivered at the Symposium and Discussion Panel, held by North Sumatra Exponent 66, as quoted in *Latar*, 20 October 1998.

assumption went back to the Indonesian Revolutionary period, during which they were accused of having a wait-and-see policy in order to safeguard their own interests. The following description shows how Indonesians considered the Chinese attitude:

> ... the Chinese community was very ambivalent in its support of the national struggle for independence from the Dutch. Many overseas Chinese preferred to stay on the fence at least and seemed desirous of reaping the greatest possible profit during these disturbed times. During the four years of struggle, while the Indonesian people were fighting hard, with great loss in human life against the Dutch colonial troops, the Chinese concentrated their attention on safeguarding their privileged economic position.[29]

Sixth, the ethnic Chinese has often been put in a difficult position during any political changes. This may be traced back to the Japanese occupation, when China was at war with Japan, thus in a sense making them an ally to the Dutch. The Chinese community as a whole sympathized with and had given financial support to their motherland.[30] On the other hand, Indonesian nationalist leaders and ordinary Indonesians were hostile to the Dutch and more willing to a certain extent to co-operate with the Japanese for the preparation of Indonesia's independence. This contradictory attitude tended to create, or to exacerbate, anti-Chinese feeling among the Indonesian people.[31]

During the Sukarno era, the word used to refer to the ethnic Chinese was *Tionghoa* while the country was referred to as *Tiongkok*. He underlined the importance of the ethnic Chinese as part of the Indonesian nation, and blamed the use of the Dutch that had exploited the ethnic Chinese minority as an imperialist tool. He also claimed that the Dutch divided the majority and minority on purpose, and the hatred between them was transferred from generation to generation.[32] However, in current Indonesian

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[29] I Gede Agung Anak Agung, *Twenty Years Indonesian Foreign Policy 1945-1965* (The Hague: Mouton, 1973), p.427.

[30] The Japanese occupation in Indonesia also benefited from the presence of the ethnic Chinese through the collection of money for war purpose.

[31] Fitzgerald, *China and Southeast Asia Since 1945*, p.34.

[32] See *Siar News Service*, 9-10 September 1998.

parlance, the word China or *Cina* is used to replace the word Tionghoa as a country as well as the ethnic Chinese. When one mentions *Cina*, it would automatically refer to both mainland China and the ethnic Chinese in Indonesia. The government policy to refer to this community as *WNI keturunan* (naturalized Indonesian citizen of Chinese descent) did not help distinguish the notion of China as a state and *Cina* as Indonesian citizen. In this regard, one Indonesian scholar, Ariel Heryanto argued that the term non-pribumi or "WNI Keturunan Tionghoa" [Indonesian citizen with Chinese descent] has never existed in real life, it was only the result of indoctrination for many decades under the New Order regime.[33] Consequently, the term "China" only exists in the imagination and propaganda of a regime that called itself the New Order.

However, the domestic and foreign perspectives of China did not materialize into an issue in Indonesian politics until a later stage when Indonesia and China began to establish formal diplomatic relations that eventually took place on 15 January 1950. Prior to the diplomatic move up to 1960, China became one of the dividing factors among the competing political parties in Indonesia, particularly between the army and the PKI. The episode during these years later crystallized the army's perception of China, in which Beijing frequently called on the overseas Chinese to assist in the development of their ancestral land and to spread revolution. In this way the ethnic Chinese became a contentious issue. However, one prominent scholar on ethnic Chinese in Southeast Asia argued that Indonesian perceptions of China was the result of the projection of its image of domestic Chinese due to the lack of knowledge about China among the Indonesians.[34]

3.2. The Nature of the Threat of China: A Linkage between Domestic and Foreign Dimensions

A. The Roots of Rivalry between the Army and the PKI

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[33] See, Ariel Heryanto, "Nonpribumi: Apakah Ada?" [Non-pribumi: Is There Any?], *Forum Keadilan*, No. 13, Vol. VII, 5 October 1998.

[34] Leo Suryadinata, *Pribumi Indonesians, the Chinese Minority, and China: A Study of Perception and Policies* (Kuala Lumpur: Heinemann, 1978), p.165.

Early suspicion of the army leaders towards the PKI and communism originated from the September 1948 Madiun affair during which they launched a coup against the weakened central authority. It was at a critical point so the PKI's act was considered an unforgivable betrayal of the struggling Indonesian State. Under the leadership of its charismatic leader, General A.H. Nasution, the army developed an anti-Communists stance among its members.[35] During the liberal democracy period, this perception did not materialize into contention as the PKI adopted a more co-operative strategy through the parliament. It was during the implementation of the Guided Democracy that the army's hostility and suspicion was mounting. Sukarno's balancing act to put the army and the PKI as his main pillars backfired and deepened the army's hatred towards the communist.

Domestically, Sukarno had relied on the PKI as his mass political base to counter the army. Similarly, a closer relationship with China was a necessity, simply because Sukarno shared the rhetoric of revolutionary ideas, and China had been generous in supporting Indonesia's fight to regain West Irian and in combating the creation of the Federation of Malaysia at a later stage.[36] Sukarno did not consider China to be posing a danger to Indonesian security, let alone a threat. However, Sukarno's closer link with the PKI and China had deepened the army's suspicions of the link between these two domestic and external elements. The army tried every means to discredit the PKI and weaken its growing influence. The banning of ethnic Chinese from residing in the villages and their purge in 1959 was also part of the army's effort to reduce the PKI's base in which some of its members were ethnic Chinese. More importantly, the army also intended to create problems in the relationship of both countries with the aim of dividing Indonesia and China.

While most of this study focuses on the issue of China as a threat in the aftermath of the 1965 attempted coup, it is worth noting that there was a clear

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[35] Further discussion on A.H. Nasution, see, C.L.M Penders and Ulf Sundhaussen, *Abdul Haris Nasution, A Political Biography* (St. Lucia, Queensland: University of Queensland Press, 1985).

[36] For discussion on Sukarno's perception of China, see, Hong Liu, "Constructing a China Metaphor: Sukarno's Perception of the PRC and Indonesia's Political Transformation", *Journal of Southeast Asian Studies 28*, 1, March 1977.

difference in perceptions of external threat between Sukarno and the army leaders. This was basically revealed in a study conducted SESKOAD (*Sekolah Staf Komando Angkatan Darat*- the Army Staff and Command College) in 1964 that proposed a framework for army thinking on Indonesian foreign policy.[37] This study underlined that Indonesia faced a potential threat from the North, and recommended measures to counter such a threat. Although both Sukarno and the army used similar language about this particular threat, in fact there was an obviously different perception between Sukarno's pro-Communism and the army leaders anti-Communism. As far as Sukarno was concerned, the threat from the North was Western military power activities and their involvement in the region, particularly the British colonial and neo-colonial presence. Accordingly, the creation of the Malaysian Federation was seen as an attempt by the British to maintain a presence in their former colony, which would threaten and constrain Indonesia and its anti-colonial allies. Thus to counter this threat, Sukarno opted to forge close relations with China now considered a friend. On the contrary, the army leadership identified the threat from the North as the communist countries, particularly China.

The army's position coincided with Muslim suspicions of the PKI, that had been labeled as "atheist" and had undermined their role in rural areas during Guided Democracy in mid 1960s. Additionally, the Islamic forces also held grievances as Sukarno had effectively curtailed their political influence, due to their involvement in the 1950s regional rebellion. The decreasing role of political parties during Guided Democracy left the army to directly face the PKI in the balance created by Sukarno. The PKI was the strongest civilian political party with an effective organization, qualified activists and cadres. The army's competition against the Communists was shown by the efforts to prevent any PKI representative from assuming ministerial posts during that time. This provoked Sukarno to call that kind of attitude "communist-phobia."[38] This was one of the points that led to the deterioration of the relationship

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[37] Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism* (Singapore: Institute of Southeast Asia, 1995), p.124.

[38] Alfian, *Pemikiran dan Perubahan Politik Indonesia* [The Political Thoughts and Changes in Indonesia] (Jakarta: Gramedia, 1992), p.42.

between the army and Sukarno, as the latter tried to embrace the PKI in the concept of Nasakom (Nationalists, Religion and Communism) under Guided Democracy.

However, the most sensitive issue for the army was the PKI's plan to create a so-called "fifth service" militia of the Indonesian armed forces. The leadership of the army had rejected the Communist initiative from the very beginning, because it was fully aware that arming the peasants and laborers and thus creating a semblance of a people's army would mean the creation of a rival force which would be completely under the influence of the PKI.[39] While the PKI tried to win Sukarno's approval and his position seemed to be ambivalent, China persuaded Sukarno to go through with this plan. During his visit to Jakarta in 1965, it was reported that Chou En-lai discussed the issue with Sukarno and urged him to comply with the PKI's proposal to arm the peasants and laborers in order to intensify the struggle against imperialism and colonialism. According to court proceedings after the 1965 coup, the air force chief of staff, Marshall Umar Dhani testified before a military trial that a short while before the attempted coup he had been sent to Beijing by Sukarno to arrange for the delivery of arms for a hundred thousand new recruits, which the Chinese government had promised to provide.[40]

In the end, the coming of the New Order was the culmination of domestic rivalry between the PKI and the army in which the latter received support from the Islamic forces. Given their rivalry and the depth of hostility, the competition was becoming a zero-sum-game, in which a win at one side was meant to be a total loss to the other side. In this case, the army has won the competition against the PKI. Accordingly, the army that dominated the New Order pursued a policy of viewing the PKI, communism and China as threats to Indonesia. It is in this context that the army would always try to eliminate, to prevent its revival and to cut its link with any external forces.

B. Ideological Factor: A Threat to Pancasila

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[39] Agung, *Twenty Years Indonesian Foreign Policy 1945-1965*, p.441.

[40] Ibid.

In his speech on 17 August 1954, Sukarno underlined his role as the founder and not the creator of the state ideology of Pancasila.[41] Ironically, amidst protest and demonstration against him in the aftermath of the coup, the MPRS (Provisional People's Consultative Assembly) issued a decision that contained the elaboration of Sukarno's deviation (*penyelewengan*) in the implementation of Pancasila during the "Old Order" period. The consequence of deviation from Pancasila was the communist-inspired coup attempt of 30 September 1965. It was in this background that Suharto received a full mandate from the MPRS to make a total correction from the previous deviation. In implementing the mandate, Suharto then embarked on efforts to develop Indonesia's ideology of Pancasila by redefining its role, meaning as well as its implementation. Thus the communist and the PKI threat was considered in the context of their potential implication on the development of the ideology of Pancasila.

Ironically, there had not been much open discussion as to how the teaching of communism as an ideology would threaten the ideology of Pancasila. This was quite understandable given the totalitarian nature of the New Order regime. Instead, the banning of communism and the PKI from Indonesia on 12 March 1966 was claimed to eliminate the possibility of communism jeopardizing Pancasila. Subsequently, in its meeting in July 1966, the MPRS decided to prohibit the teaching of communism. The New Order then sought to discredit communist ideology as a negative ideology through various measures. All books, teachings, writings and anything related to communism were outlawed. Why was ideology so important? The answer is because of its ability to unite the population or to explain why the people are bound together into socio-political and territorial entities, as well as its ability to dictate the form of the government that should be in place.

Indeed, both Sukarno and Suharto used the ideology of Pancasila to unite Indonesia and maintain its population intact. Unfortunately, the implementation of Pancasila by Sukarno was overtaken by his tumultuous political adventurism in both domestic and foreign policy. Meanwhile, Suharto used Pancasila to contradict

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[41] See, Rachmat Subagya, *Pancasila: Dasar Negara Indonesia* [Pancasila: The Foundation of Indonesian State] (Yogyakarta: Penerbit Basis, 1955), p.19-20.

communism, simply by arguing that communism required a form of government that was against the objectives of the New Order. The ambiguous concept of a communist threat against Pancasila was further supported by one Indonesian prominent political scientist who explains that:

> So far we have always been appealed to be vigilant on the possibility of the danger of latent communism. Actually, Pancasila is always threatened not only from the communists, but also the danger from extreme right, that is theocracy, or totalitarianism or etatism. But the attention to the danger from the extreme right seemed to be non-existent, or replaced by liberalism, individualism, etc., while the danger from the extreme left, especially the communist is always over emphasized, although it has never been clear what that is supposed to mean.[42]

However, in the process of developing ideology one of the characteristics has been its vulnerability in its interplay with others. In the process of organizing ideology, it can be penetrated, distorted, corrupted or even undermined by contact with other ideas. Apparently, the government felt itself to be threatened by the PKI and communism because of their being inspired by Marxist-Leninist teachings. There are several reasons why Marxism/Leninism or communism is considered to be anti-Pancasila ideology.[43] First, communism is regarded as a totalitarian ideology because of its demand to be recognized as the only way of life that covers all aspects of human beings. Communism does not only guide social, political, economic and cultural aspects, but is also a source of science thinking. Because of its nature, communism is a closed ideology, which does not give any chance for any other thinking and becomes dogmatic. Second, the communist teaching was translated into *dialectic materialism,* which begins from materialism as the only reality. Accordingly, communism follows atheism that would not allow the development of religious life. Additionally, the aggressive revolutionary nature of the PKI has several times tried to topple the legitimate Indonesian government by force and through a being brutal way. Third,

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[42] J. Soedjati Djiwandono, *Setengah Abad Negara Pancasila: Tinjauan Kritis ke Arah Pembaruan* [Half Century of the Pancasila State: A Critical Overview towards Reformation] (Jakarta: Center for Strategic and International Studies, 1995), p.6.

[43] See, Soerjanto Poespowardojo, "Mengapa Menentang Komunis? Tinjauan dengan Orientasi Pancasila" [Why against Communist? An Analysis with Pancasila Orientation], in Alex Dinuth (ed.), *Kewaspadaan Nasional dan Bahaya Laten Komunis* [National Vigilance and Communist Latent Danger] (Jakarta: Penerbit Intermasa, 1997).

communism as an ideology also exhibits the perception of how the reality of society is observed. Accordingly, the society is seen in a structural context. Fourth, according to Marx, the history of the society is the history of class struggle. In the end, these factors are definitely against the ideology of Pancasila, which is considered to be an open ideology, which rejects the base of materialism, and considers the society as an integral unit, and is contrary to the idea of class struggle.

Nevertheless, the government actively conducted a series of training exercises for government officials within which the issue of a threat to Pancasila became one of its main focuses. This training was mostly given by military officials who were involved in the intelligence service. In this regard, one of the sources distributed among the participants reveal that communism was indeed perceived as contradicting the five principles of Pancasila. First, it was related to the first principle of Belief in God Almighty. Pancasila does not allow any activities that are in contradiction and hostile to religion. Indeed, communism was described as atheist and antagonistic to the religion, and it tended to see contradiction as a lasting reality that should be exploited. Second, the principle of humanitarianism contains the recognition that human beings should be viewed as the creation of God that inherit rights, dignity and responsibilities regardless of their race, origin, religion, social status, sex etc. This principle also upholds the value to develop the attitude of helping each other and cooperation with other nations. On the contrary, communism is regarded as not recognizing human beings as God's creation, rather as "mammals" and "production tools" that are useful as long as being productive.

Third, the principle of Indonesian unity contains the value of nationalism that underlines the importance of unity, oneness, national interest, national security and the readiness to sacrifice for the interest of the nation and state. This principle also encourages the achievement of world peace based on independence, lasting peace and social justice. Conversely, communism was characterized by internationalism. For the communists, the interest of the party or groups is above everything else, which is accompanied by the aspiration to communize the world. Nation and state are not considered as important and they would eventually disappear. The communist followers were seen as only prepared to sacrifice for the sake of the aspiration of

communism and if it is deemed necessary they would create and add contradiction to topple the government wherever they are and replace them with a communist one. Fourth, it was related to the principle of deliberation and representation that regards every citizen as having equal position, right and responsibilities in the process of the decision making which are implemented in accordance with deliberation and consensus principles. However, the democratic system applied in the communist state is basically an individual dictatorship, where power is held by the communist party leader. Accordingly, there will be no individual rights in a communist state, while the party elite enjoys extraordinary rights that are not available to ordinary citizens. Finally, the principle of social justice contains the value and aspiration to realize social justice in the life of the Indonesian nation that should be achieved through mutual cooperation (*gotong royong*) and in a family spirit (*kekeluargaan*). Accordingly, there should be a balance between rights and responsibilities in achieving collective welfare. On the contrary, the communist was described as not recognizing the existence of individual rights, while these rights belong to the state and their utilization is regulated by the communist party. These were certainly considered to be against Pancasila.

C. The Revival of Communism/the PKI

In the early years of independence as well as towards the proclamation of independence, it appeared that the PKI leaders were still following the Dimitrov policy, which favored cooperation with Western capitalist. Therefore, the communists did not play any role nor support proclamation, as they did not reveal their activities openly. Additionally, the communist leaders took a different strategy of underground resistance, which prevented them understanding the thinking of other Indonesian nationalist leaders at that time. Indeed, the New Order also defined communism as a latent danger (*bahaya laten*) which always poses a threat to the security of Indonesia.[44] The term of latent danger was used to describe the resistance and resilient nature of communism and the PKI to endure an unending struggle until their objective to

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[44] For the government's official version, see, *Materi Balatkom* [The Materials on the Latent danger of Communism] (Jakarta: Lemhanas, 1988).

overthrow the legitimate government and to establish an inspired-communist state comes into reality.

Interestingly, to prove this danger the government referred to communist struggles way back into the colonial period. Despite the 1948 Madiun Affairs, the government exposed the PKI's determination in the struggle to seize power in the period before independence. In 1926, for instance, the PKI launched a rebellion against the Dutch colonial power that resulted in their being banned from Indonesian soil. Three years later, a similar effort to revive the party was also put down by the Dutch.[45] It was also claimed that in early 1945, when the Indonesian Republic was just six months old, the then so called "Red PKI" in Cirebon of West Java tried to seize power by force from the government.[46] Therefore, the 1965 coup attempt was not regarded as the end of the communist/PKI struggle, as the government anticipated that they would make every effort to make a come back. One study showed that a typical response from the military officials when asked about the nature of the threat to the New Order was "the PKI will never give up its attempts to seize power by armed struggle, turn Indonesia into a communist state, and destroy Pancasila."[47]

The government strongly believed that the failure of the coup attempt did not halt the activities of the PKI to revive and conduct subversive acts against the legitimate government. After the coup, the first attempt conducted by D.N. Aidit was to salvage the party by denying PKI's involvement and by taking refuge behind Sukarno so as not to dissolve the party. Additionally, Aidit instructed a people's armed struggle strategic party. However, along with the weakening position of Sukarno, the PKI was further pushed out, especially after the army's special force (RPKAD) persecuted Aidit and his followers in Solo in October 1965. Indeed, to anticipate the possible revival of communism/the PKI, the army continuously demanded "strong vigilance" against a

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[45] Soetopo Soetanto, "Kaum Komunis Tidak Ikut Dalam Mempersiapkan Berdirinya Negara Indonesia Merdeka" [The Communist did not participate in the Establishment of Indonesian Independence], in Alex Dinuth, *Kewaspadaan Nasiona*, p.18-19.

[46] The Department of Information of the Republic of Indonesia, *Indonesian Government Policy in Dealing with the G-30-S/PKI (The 30th September Movement of the Indonesian Communist Party) Detainees* (Jakarta: The Department of Information, 1978).

[47] Sukma, *Restoration of Diplomatic Relations*, p.111.

communist revival. In June and July 1966, for instance, army leaders warned that the PKI/Gestapu had changed its strategy by launching an underground guerrilla war. The area that was used as a power base of the PKI was in the suburbs of southern Blitar, Pandan, Kelud/kawi, Lawu and Banyuwangi. The aim was to revive the PKI by applying "desa mengepung kota" (villages besieging cities).

Suharto also clearly stated that elements of Gestapu were trying to destabilize the country.[48] The army leaders' claim over the Communist revival at that time was proven as the PKI were claimed to have struck back. In January 1967, the Jakarta Military Commander, Major General Amir Machmud, provided an extensive report indicating that the PKI had been able to reorganize the New Central Committee in West Java lead by Sudisman, a PKI politburo member before the abortive coup. In Central and East Java it was found that Rewang alias Karto (PKI central Java Chairman) and Ruslan Widjajasastra (PKI East Java Chairman) set up an underground party "Central Committee."[49] The PKI forces were reportedly undertaking subversion within the territory of Indonesia through acts of terrorist operations, such as those perpetrated by various groups under code names such as *PKI Malam* (Night PKI) and *Kutjing Hitam* (Black Cat). The army continued its war to eradicate the PKI and its sympathizers. Having been squeezed from its main territory in Central Java, the PKI remnant seemed to move its base to East Java led by the Politburo member, Rewang, Oloan Hutapea, and Ruslan Widjajasastra (the East Java Leader). They based their movement in an isolated region south of Blitar in which the poor infrastructure permitted the PKI refugees to carry out their activities unhindered for some time.[50]

To maintain its position as a nationalist and staunchly anti-Communist force, the military often reported the activities of the PKI remnants. The military officers continued to keep the issue alive by repeatedly stating that the Indonesian people would

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[48] Cited in van der Kroef, "Indonesian Communism Since the 1965 Coup", *Pacific Affairs*, Vol. XLIII, No. 1, Spring 1970.

[49] van der Kroef, Ibid. p. 36-37.

[50] Harold Crouch, *The Army and Politics in Indonesia*. Revised edition (London: Cornell University Press, 1993), pp.224-228.

always be vigilant because the communists would always try to rebuild the PKI.[51] In February 1972, for example, Suharto stated that, "the Indonesian Communists will try with every means to revive the Communist Party, through all ways and channels, from outside and inside.[52] In the mid 1970s, particularly in the wake of student demonstration ABRI stepped up its campaign against the threat of Communists and again stated the "latent danger" of communist remnants in Indonesia and linked the student movements with that of the communists endless efforts to disrupt national stability and even overthrow the government. To add credibility to this claim, in February 1974, the Minister of Defense and Security, General M. Panggabean stated that an investigation of the incident indicated that there were subversive movements that had been directed by the PKI as well as by "some elements of political parties."[53] Furthermore, since the Malari incident, the campaign against communists increased, and the discovery of new communist networks and activities were widely reported in the Indonesian press, thus establishing the fact that the Communists threat indeed still existed.[54] While the true nature of the findings was still questionable, none of the Indonesian mass media dared to question these facts, as government control over the press was very tight.[55]

D. China's Interference

It has been the traditional belief of the New Order leaders that China was involved in the 1965 abortive coup. There are two opinions that should be mentioned

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[51] One of the examples was the PKI remnants that were involved in an armed insurgency in West Kalimantan. It was carried out by two guerrilla organizations in part legacy of Confrontation, Pasukan Gerilya Rakyat Sarawak (People's Guerrilla Army Sarawak operating in the western, and Pergerakan Rakyat Kalimantan Utara (North Kalimantan People's Movement-Paraku) in eastern border. See *The Guardian*, August 21, 1971.

[52] As quoted in Justus van der Kroef, "Before the Thaw: Recent Indonesian Attitudes Towards People's China," *Asian Survey*, Vol. XIII, No. 5, May 1973, p. 517.

[53] *Antara*, February 16, 1974.

[54] See *Antara*, 2 February 1974, 13 August 1974 and 27 December 1974; *Berita Buana*, 15 February 1974; *Merdeka*, 19 February 1974; *Berita Yudha*, 15 April 1975 and 12 June 1974; *Angkatan Bersenjata*, 16 June 1974; and *Pelita*, 5 August 1974.

[55] The government can easily revoke the right of the publisher to publish newspapers. In the name of national security interest, the right permit to publish newspaper may at any time be withdrawn by Minister of Information. In Indonesian language, the government's action is known as *dibreidel*.

with regard to the involvement of China. First, China supported the coup and supplied military armaments without the knowledge and control of Indonesian military authority. In this regard, a Central Intelligence Agency (CIA) report revealed that there has been no strong evidence that China was behind the coup.[56] Chinese officials in Beijing knew about the coup six hours after the incident occurred. Meanwhile, the medical adviser from Beijing informed D.N. Aidit, one of the PKI leaders, of the seriousness of Sukarno's health condition in which case it may eventually have encouraged the PKI to launch the coup. However, due to the fact of Aidit's visit to China and the fact that the PKI's early preparation for the coup coincided with his return from China, a case was developed in which China was indirectly accused of inspiring the coup. Second, Beijing did not support the coup on the grounds that the political situation in Indonesia before September 1965 was favorable to China. Thus there was no reason for Beijing not to maintain the situation. At the same time, it was also nearly impossible for the PKI to receive orders from Beijing.[57]

Although the exact involvement of China in the event is still debatable and difficult to prove, what is more important is that the New Order perceived it in that way. China was portrayed to be the force that would always try to interfere in the domestic affairs of Indonesia. China's policies and attitude following the incident seemed to substantiate this perception. As published through its mass media, the Chinese government was very hostile to the New Order regime by accusing the Indonesian new government of being the result of collusion between right-wing military regime and imperialism, revisionism and reactionaries of the world.[58] Indeed, China gave the impression of continuing support to the remnants of the PKI in Indonesia. In September 1967, for instance, China announced that "people's armed forces" in North Borneo "in recent months scored several remarkable victories in attacks against the enemy."[59] The New Order government also accused China of

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[56] US Central Intelligence Agency (CIA), *Indonesia-1965: The Coup that Backfired* (Washington DC: Library of Congress, 1968), especially pp.216-235.

[57] See, Peter van Ness, *Revolution and Chinese Foreign Policy: Peking's Support for Wars of National Liberation* (Berkeley: California University Press, 1970), especially pp.101-110.

[58] *Hsinhua News Agency*, 5, 6 and 12 September 1966.

[59] Quoted in van der Kroef, "The Sino-Indonesian Rupture," *China Quarterly*, No. 33 (January-March

sending its agents to and masterminding the guerrilla "people's war" along the Indonesian-Sarawak border and even of sending Chinese military officers into Indonesia to lead the anti-government resistance.[60]

China's support was also shown by its willingness to give refuge to the escaped PKI leaders and allow them to continuously attack Indonesia from China. One of the strongest groups was the one led by the former PKI Politburo member, Jusuf Adjitorop, who lived in Beijing and adopted a Maoist orientation. One of the activities of this group was campaigning against the New Order government through the publication of *The Indonesian Tribune* that often attacked what they called the "fascist military government" in Indonesia. A so-called Politburo Declaration of 7 August 1966 for example appeared in its first edition , stating that the "urgent task" of the Party was for "the creation of a united front under PKI-leadership and the development of armed struggle to overthrow the fascist regime of Suharto-Nasution. Beijing also sponsored the publications of the Afro-Asian Journalists and the Bulletin to be used by Adjitorop group in articulating the new Maoist-PKI program, tactics, and strategy, as well as in launching attacks on the New Order government. Chinese mass media was also hostile to the New Order government, particularly the radio broadcasting that spread propaganda. [61] It also continuously called for a general uprising throughout Indonesia, to which it again offered the "firm support" of the Chinese party and people.[62] Indeed, the Suharto government appeared to rely on the dynamics of an officially maintained "red scare".[63]

China has undoubtedly been regarded as being anti-Indonesian, actively supporting its fellow communists to make a political comeback in Indonesia. The call

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1968), p.27.

[60] van der Kroef, "Before the Thaw", p.515.

[61] China broadcast a short wave radio broadcast from Yunan that consisted of support for communist movement in Southeast Asia, including the PKI. It was part of China's determination to maintain party-to-party relations.

[62] *Red Flag*, No. 11, July 1967, quoted by Jay Taylor, *China and Southeast Asia: Peking's Relations with Revolutionary Movements* (London: Praeger Publishers, 1974), p.127-128.

[63] van der Kroef, "Before the Thaw", p.517.

for vigilance against the revival of Communism/PKI was therefore not only directed against PKI, but it was also waged against foreign elements that had supported them, of which China was believed to have been the most likely. More importantly, there had also been allegations of China's involvement in helping a communist comeback in Indonesia. Occasionally, the army leaders presented proof of China's continued interference. In mid-June 1974, for instance, the Commander of the West Kalimantan Military Region Brigadier General Seno Hartono announced the involvement of ethnic Chinese in the rebellions in West Kalimantan was "a link in the struggle of the overseas Chinese in this region to try and become a class grouping of their own, which seeks power over the native born in social and political sense."[64] This has been used as an example of a threat posed by the link between the local ethnic Chinese residing in Indonesia, and mainland China.

E. The Ethnic Chinese Element

The New Order underlined that the history of the 1965 coup attempt noted the involvement of Chinese support and the ethnic Chinese in Indonesia (BAPERKI) which created the reaction of the people towards Chinese representatives and ethnic Chinese in Indonesia. Since the communist threat will always be present along with their strategic struggle to communize the world, therefore the communists would always use the overseas Chinese as personnel and logistic supports.

Thus, apart from communism, the PKI and the factor of China, the New Order considered the presence of ethnic Chinese minority in Indonesia as another source of threat to Indonesia's security. There had been a general suspicion, particularly among the army officers, which alleged the ethnic Chinese were acting as an important link between the PKI and China. Such suspicions can be seen from several considerations. First, many of the ethnic Chinese community allegedly supported the PKI, which was well known for its policy of defending the ethnic Chinese.[65] Second, there had been a

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[64] *Angkatan Bersenjata*, 20 June 1974.

[65] Nearly all experts on Indonesia's politics, such as George McTurnan Kahin, Herbert Feith and Donald Hindley argued that the significant financial support for the PKI come from ethnic Chinese, ordinary people and possibly from foreign communist parties, especially Chinese Embassy in Jakarta. See, for

strong assumption among the military leaders that Communist Chinese agents were among the Chinese who were legally still Chinese citizens. Third, as a consequence of the close link between the PKI and ethnic Chinese, the Muslim groups had their own grievances. Apart from their hostility to the PKI, which was considered atheist, many Muslims lost their land properties as a result of the unilateral land reform launched by the PKI in rural areas during the 1960s. The situation led the Muslim group to form an anti-Chinese alliance with the army. Last but not least, after the abortive coup of 1965, with the destruction of the PKI, the perceived "ethnic Chinese connection" became the core of Indonesia's threat perception of China.

This small community, compared to the whole population of Indonesia, has been seen as a meeting point between domestic and external threats to Indonesia. It is in this context that the prevailing stereotypes among Indonesian political leaders towards the ethnic Chinese in Indonesia, as discussed earlier, played a role by further undermining and exaggerating their position and linking them with China. In this regard, Suryadinata argued that the majority of Indonesian leaders had no contact experience with China, and they had only knowledge of local ethnic Chinese.[66] Therefore, it was logical that they projected their knowledge about Indonesian ethnic Chinese (Tionghoa) towards China. A survey conducted in 1968 towards most Indonesian leaders revealed that the majority of them considered China as aggressive not merely because of communism, but also because of its Chineseness.[67]

In order to maintain the threat posed by ethnic Chinese elements, the New Order government has frequently exposed findings to enforce their suspicion through announcements by the military commanders, which reiterated the involvement of ethnic Chinese in financing the Communists underground in certain areas. In November 1968, for instance, it was reported that the army had found documents in a number of Central Java towns indicating that the ethnic-Chinese in Semarang had been

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instance, Donald Hindley, *The Communist Party of Indonesia 1961-1963* (Berkeley: University of California Press, 1964).

[66] Leo Suryadinata, *Dilema Minoritas Tionghoa* [The Dilemma of Tionghoa Minority] (Jakarta: Graffiti Press, 19), p.176.

[67] Franklin B. Weinstein, *The Uses of Foreign Policy in Indonesia* (Dissertation, Cornell University,

financing the PKI.[68] In the following year, similar revelations were also reported in Jakarta, Bandung and Yogyakarta in which a new Communist underground party, the *Partai Nasional Merah Indonesia* [Indonesian National Red Party] has been found. Interestingly, the majority of its members were said to be "foreign Chinese and Indonesian nationals of Chinese extraction".[69]

The government's effort to discredit and link the ethnic Chinese with the PKI and communism as well as China did not have any difficulty in receiving wide spread support from ordinary Indonesians. Despite the strong position of the government, this was due to the presence of stereotypes and suspicion towards ethnic Chinese. The government's campaign to discredit China after the 1965 coup attempt has brought a negative implication towards the ethnic Chinese. The government's policy to change the use of word "Tiongkok/Tionghoa" with the word "Cina"[70] created confusion as the term carries two connotations of referring to the Chinese government and ethnic Chinese in Indonesia. Subsequently, the strong anti-China feeling after the 1965 abortive coup and government's campaign to integrate ethnic Chinese into Indonesian society by using the term "Cina" has put them in a politically vulnerable position. While political participation has been limited, they were given an unlimited leverage and access in the economic field.[71] As a result, they were more involved in the economic activities, thus preventing them from integrating with Indonesian pribumi.

3.3. Functional Role of China as a Threat: Facilitating the Creation of Stability, Economic Development and Regional Security

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1972), pp.288-305.

[68] van der Kroef, "Indonesia, Communist China, and the PKI," pp. 29-30.

[69] Ibid. p.41.

[70] The Indonesian Government circulars note No. SE-06/Pres.Kab/6/1967.

[71] In line with the emphasis of development, a number of ethnic Chinese have benefited from doing business through its close relations with the army. The main advantages for them had been the availability of protection to their business, while for the army the reason is financial one. See, "Konglomerasi ABRI. Pengantar: Bisnis dengan Sepatu Lars dan Laras Panjang" [Conglomeration of ABRI. Introduction: Conducting Business with Army-shoes and Barrel of Rifle], dispatch from *Siar New Service*, 5 November 1998.

A. Domestic Function: A Source of Legitimacy

What have been the functions of the threat of China in Indonesia's domestic politics? First, it is concerned with Suharto. When Suharto took charge of security in the aftermath of the abortive coup, he and his army supporters lacked the justification and legitimacy to assume full control of Indonesian politics. Suharto then took the initiative and blamed the PKI and its link with China. In addressing the National Independence Day on 17 August 1967, Suharto made it clear that Beijing has been involved in Gestapu and continued to support subversion in Indonesia. Indeed, Suharto's decision to implicate China was supported by domestic reality in which the hostility towards the PKI and China was running high. However, it was the military that pressurized Suharto through the convening of student mass demonstrations. The military was not alone as the Islamic faction supported them.

In the end, as one scholar noted, Suharto must have felt that he was hardly in a position to curb the anti-Chinese demands by its own principal sources of support, the militantly anti-Beijing students and their army patrons in the capital.[72] He was faced with a situation in which any delay in severing diplomatic relations with China might have reduced popular support. On the contrary, a swift severance would strengthen his government legitimacy. Therefore, Suharto's New Order policy to break diplomatic relations with China was essentially to fulfil domestic requirements, particularly a demand from his main supporters, the military. In return, Suharto won the heart of military officials. There is no doubt that strong support from the military would also strengthen Suharto's chance and confidence in consolidating his power at the expense of Sukarno. In the end, he was able to increase the legitimacy of his authority and his own popularity. Consequently, Suharto's success would always be judged by his ability to combat the communist/PKI threat as well as in containing China's threat.

Second, it relates to the role of the military. It has been understood that the concept of China as a threat revolved around the issues of the revival of communism, the problem of the ethnic Chinese minority, and the attitude and behavior of the

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[72] van der Kroef, Ibid. p. 42.

People's Republic of China. The military strongly believed that the PKI remnants were still active in Indonesia and at any time would always try to rebuild the Party. Since the independence period, the military has always claimed to be the vanguard of Indonesia. Thus in the aftermath of the 1965 attempted coup, again they maintained its stature as the force that had been able to unite the country and to overcome the communists threat. This kind of threat, which might resurface, was still considered as a strong possibility, especially, of course, with help from China. Thus, the perception of the threat of China was still linked to the domestic circumstances in which the PKI remnants were regarded as *bahaya laten* (latent danger) and would endlessly try to rebuild their power base. Therefore, the existence of potential and real threats from Communists has functioned to maintain the role of the military in Indonesian politics. In fact, their concern over the revival of the communist that they may threaten internal stability, was not the only reason. The more important issue dealt with here was the question of the potential challenge to regime legitimacy from other forces, either within the ruling elite or society at large, or both. In Indonesia's New Order, there was a "national consensus" about a Communist revival as a threat to national security, but the threat to regime legitimacy was also closely tied up with the overall question of internal stability and national security. Therefore, the ability of the government, particularly the military, to contain this threat may have increased the legitimacy of the New Order as a whole.

The military even assumed a significant role in the context of political stability and national development. They had justified their role as bringing benefit for Indonesians. ABRI's role in Indonesian politics was also seen as a "stabilizer and dynamiser" of society and the vanguard of national unity. While it was generally understood that ABRI had a special status in its defense and social-political role, in development matters they have gone further by entering and playing in the economic sector. How did this happen? According to Richard Lowrey,[73] the tradition dates back to the 1950s when Suharto, then a colonel, headed the Diponegoro division in Central Java. He formed business partnerships with two entrepreneurs,[74] who today rank

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[73] For detail and further discussions on army's business, see Richard Lowrey, *The Armed Forces of Indonesia* (Sydney: Allen & Unwin, 1996).

among the most powerful tycoons in Indonesia.[75] At the same time, each branch of the armed forces plays their own part in the economic field by developing their own business empire.[76] Thus the implementation of dual function has gone further to infiltrate the economic sector beyond their original purposes.

Third, it is concerned with the creation of stability and order. In an effort to counter the challenge to the government, particularly from student demonstrations, the military always used anything associated with communism as a pretext to discourage student protests with the argument that their actions would provide an opportunity for the communists to incite disturbances, and use them for their own purposes. There were some examples confirming the military's attitudes. In May 1971, the Commander of the Jakarta Military Region Major-General Poniman stated that, "there were people who sought to undermine the Pancasila and the Constitution; their activities must be stopped in order to prevent their destructive aspirations from growing into a force potentially harmful to national stability."[77] In the following year, the Restoration of Security and Order Command (Komando Keamanan dan Ketertiban-KOPKAMTIB) had banned all student movements by arguing that they posed a threat to security and public order, authority, and national stability.[78] In its view, such activities would provide an opportunity for the remnants of the PKI and extreme subversive groups to misuse and manipulate them.[79] The concern over the communist threat was again expressed in November 1973 when the Deputy Commander of KOPKAMTIB asked all segments of society "to refrain from creating conditions that the communist remnants could easily exploit for their political ends."

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[74] They are Liem Sioei Liong and Bob Hassan.

[75] See, "Its Payback Time: Suharto may have bowed out, but Indonesians are eager to get hold of his family's ill-gotten wealth," *Time*, June 15, 1998.

[76] See "Civilian Concerns: Army's Business Operations Obstruct Civilians," and "Indonesia's Army: The Power behind the Throne", *Far Eastern Economic Review*, 5 February 1998.

[77] *Asian Research Bulletin*, 1-31 May 1971, p.31. 173.

[78] See, "Restoration of Peace, Security and Order (Kopkamtib, Its Past Story", *Gatra*, No. 12, Vol. III, 8 February 1997.

[79] Ibid.

Fourth, it relates to the unity of Indonesia. Indonesia consists of various differences in many ways. The founding fathers of Indonesia realized that Indonesia was a weak state in the sense that there were few common shared values, culture and even ethnicity. Historically, internal conflicts and national cleavage always characterized the state of Indonesia. During the revolutionary period, internal conflict did not come to the surface as the state was facing a common enemy, namely the Dutch colonial power. The unity of the state was threatened during the implementation of liberal democracy. The reason was there was simply no common enemy during that time, while elite leaders were preoccupied with strengthening their power base. In the end, Sukarno, supported by the army, was able to point to an external enemy that enabled the country to stand behind him, particularly in the case of West Irian. It appeared that the New Order realized the importance of the presence of an external enemy to unite the country. Whether the portrayal of China was just a coincidence or by design, what matters is that the New Order under Suharto's leadership has been united against the danger of communism/the PKI and China. Indeed, the importation of an external threat has enabled the creation of stability and order.

B. The Realization of Stability and Economic Development

Having consolidated power and gained political stability by the early 1970s, the New Order government began to turn its full attention to economic development. It came as no surprise as Indonesia inherited economic disarray, such as a negative growth, 600 percent inflation, zero foreign reserves, and a national debt of over $US 2 billion.[80] In this regard, Suharto has clearly shown discontinuity from his predecessor by rejecting communism and introducing a pro-West economic policy.[81] In order to gain sympathy, trust and confidence from the Western donors, Suharto pursued his economic development program to be engineered by his economics ministers who had an American education background, which was later known as "The Berkeley

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[80] Michael R.J. Vatikiotis, *Indonesian Politics under Suharto: Order, Development and Pressure for Change* (London: Routledge, 1993), p.33.

[81] Sukarno rejection to western or foreign donors was based on his dislike of the West and belief that this policy may have distanced himself from his supporters. On the contrary, Suharto policy to foreign donors was intended to strengthen his legitimacy by developing the Indonesian economy.

Mafia."[82] The Western powers, particularly the US, had no hesitation in supporting Suharto, and even the latter was considered as relieved from the fear that Indonesia would succumb to the communist blocs especially after the fall of South Vietnam in 1975.

Indonesia immediately restored its link with non-communist countries, and international finance institutions, such as the International Monetary Fund (IMF) and the World Bank. Indonesia's "problem" was subsequently addressed in a multilateral meeting with Western creditor countries to schedule repayment of international debts and to gain new loans and aid. As a result of that meeting, Indonesia met regularly with these western creditors who had formed themselves into an informal grouping: "Inter-Governmental Group on Indonesia" (IGGI). Foreign aid initially came to help develop Indonesia through the IGGI, chaired by the Netherlands in 1967.[83] Indonesia then took a series of five-year step-by-step development plans that emphasized different aspects in each stage.[84] The increase of oil prices in 1973, and high prices until 1982, played an important role in the effort of the New Order to develop Indonesia. This development process had been boosted by the increase in the price of oil as Indonesia's main commodity amounted by thirty times.[85]

Indeed, under Suharto, Indonesia departed from the idea of socialism introduced by Sukarno, and Suharto was more inclined to follow the pattern of capitalism. The policy approach adopted by the New Order government contrasted

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[82] Those ministers were: Prof. Widjojo Nitisastro, Mohammad Sadli, Emil Salim, and Ali Wardhana. See, Richard Robison, *The Rise of Capital in Indonesia* (Sydney: Allen & Unwin, 1986).

[83] The Inter-Governmental Group on Indonesia (IGGI) was dismantled at Suharto's request after the 1991 Dili incident. Suharto rejected the idea of linking foreign aid and human rights as was done by the Dutch. In a sharp language, Suharto asked the Dutch to halt the IGGI work. Later on Indonesia was able to form a new body called the Inter-Governmental Group on Indonesia (the CGI), excluding the Dutch.

[84] Indonesia implemented a series of five-years plans; the first plan, Repelita I (1969 - 1973) emphasized on increased production of staple goods and infrastructure development; Repelita II (1974 - 1978) on agriculture, employment and regionally equitable development; Repelita III (1979 - 1983) on development of agriculture-related and other industries; Repelita IV (1984 - 1988) on basic industries; Repelita V (1989 - 1993) on transport and communications; and Repelita VI (1994 - 1998) on Science and Technology. Since mid-1983 Suharto has been awarded as *Bapak Pembangunan* - the father of development.

[85] In 1972, Indonesian crude oil sold less than $US3 a barrel, and by 1980 it reached over $US 30 per barrel.

sharply with the heavily interventionist policies of the Sukarno government. Other measures taken by the new government included re-arrangement of the exchange rate system, increasing domestic productivity, issuing a regulation on foreign investment. The process of economic recovery was relatively smooth and swift since the New Order government was concerned with restoring and rehabilitating an economy that had been producing at 20-30 per cent capacity, a badly damaged economic infrastructure, very low levels of trade, negligible foreign exchange reserves and hyperinflation.[86] By adopting a staunch anti-Communist state, the New Order regime has indeed been able to gain economic and political support from the West. In line with the general trend, the Western powers tended to ignore the violations of human rights and civilian freedom, as otherwise communism would take power. In the end, economic development was pursued at the expense of civil and political rights. Indeed, the security approach was the approach of the New Order, simply because the creation of stability was a prerequisite for economic development. However, stability should not only be understood in the context of domestic politics, as Indonesia tried to widen the concept by encouraging stability in its environment, particularly the Southeast Asian region.

C. Facilitating the Creation of Regional Co-operation

Suffice it to say that following quiet diplomacy and an exploration of the areas of congruence and convergence in the aspirations of the various nations, ASEAN was created on 8 August 1967. It occurred during the historic meeting in Bangkok attended by the foreign ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand. The meeting agreed to the signing of the ASEAN Declaration (The Bangkok Declaration) and to establish a new and vibrant regional organization. Nevertheless, ASEAN did not start from scratch, but thanks to the legacy of its predecessor, the ASA[87] (the Association of Southeast Asian) and the Maphilindo[88] (Malaysia,

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[86] Mari Pangestu, "Economic Policy reform in Indonesia", *The Indonesian Quarterly*, Vol. XVII, No. 3, Third Quarter, 1989, p.219.

[87] The Association of Southeast Asia (ASA) was established on 31 July 1961. It consisted of the governments of Malaya, the Philippines and Thailand and was expected as a replacement of the SEATO (South-East Asia Treaty Organization) that was regarded as the extension of the US's hand in Southeast Asia region. The ASA never worked because of the intensity of conflicts between its members (the

Philippines and Indonesia) that left a constructive foundation from which ASEAN have learned. First, the ASA's diplomatic framework was incorporated into ASEAN's structure, as were many of its aims. Second, Maphilindo provides the foreign policy stance of non-alignment. Third, the shortcomings and ultimate failure of both the ASA and Maphilindo forcibly illustrated the dangers that political differences could pose to any regional organization. But the most important legacy left to ASEAN was the habit of consultation and the concept of Southeast Asian regionalism.[89]

Aware of the bitter experiences of the intertwined links between domestic problems and the interference of major powers in the affairs of Indonesian politics, the New Order regime emphasized the importance of protecting Indonesia's security and territorial integrity from external threats through both inward and outward looking strategies at the national and regional levels. At the national level Indonesia promoted the development of national resilience (*ketahanan nasional*).[90] It does not emphasize military strength, but rather a balanced resilience in all aspects of national life, encompassing ideological, political, social, and economic as well as defense and security fields. Economic development is regarded as the foundation for all the other components of national resilience. To ensure its national resilience the country must further avoid involvement in ideological confrontation and bloc politics, be they military, racial or religious blocs.

Philippines and Malaya over the former's claim to Sabah) and the onslaught of the Confrontation by January 1963 in which the Philippines supported Indonesia.

[88] Maphilindo is an acronym taken from the first part of its three members. The organization never materialized beyond its declaratory establishment and failed to assume any institutional form. The reason was simply because of the absence of common purposes. For the Philippines, it was mainly aimed at preventing the creation of the Federation of Malaysia in which the northern Borneo would be part of it, by providing an alternative for confederation of nations of Malay origin. For Indonesia, it was done so as to give a flattering gesture to the Philippines. As far as Malaysia was concerned, joining the organization was expected to help facilitate the acceptance of Malaysia Federation by Indonesia and the Philippines.

[89] Jonathan Rigg, *Southeast Asia: A Region in Transition* (London: Routledge, 1990), p.208.

[90] National resilience is defined as the ability of a nation to cope with, endure and survive any kind of challenges or threats in the course of her struggle to achieve her national goals. "Dengan Konsepsi Ketahanan Nasional Kita Atasi Segala Tantangan" [With the Concept of National Defense We Overcome all the Challenges], *Information Bulletin*, no. 22/Pen/Ind/72, Singapore, Indonesian Embassy, 25 February 1972.

Suharto's effort to pursue economic development linked national security and regional security in which the achievement of the former would strengthen the latter.[91] His concept of regional security is based on the fact that on many occasions the domestic problem had been complicated and worsened by the involvement of major or outside powers. Thus the exclusion of external powers from the arrangement of regional matters is paramount to the foreign policy of the New Order. In the end, this is the reaffirmation of the independent and active foreign policy. Indonesia also places the Southeast Asian region as its first danger zone area against external threat. Therefore, by working closely with her neighbours within ASEAN, Indonesia should then be able to advance socio-economic progress aimed at eliminating social and economic deprivation in order to undermine the appeal of, at that time, communist revolution. Stability in her neighbouring countries will in itself strengthen Indonesia's defense. By participating in ASEAN co-operation, at least Indonesia strengthens her defense against possible external attack.

Additionally Indonesia's participation also increases its bargaining power vis-à-vis other countries' positions. Morrison and Suhrke, for example, explain how ASEAN may enhance the overall bargaining positions of the members.[92] A study by Dewi Fortuna Anwar on Indonesia in ASEAN has innovated, albeit within the confines of traditional foreign policy history, in providing insights on the linkages between national and regional. She further argues that ASEAN has served Indonesia's interest as an international bargaining tool and as a buffer against external threat and subversion. Over all, the functions of ASEAN for Indonesia are as: a contributor to Indonesia's good name; a contributor to regional harmony; a vehicle for a more autonomous regional order; an international bargaining tool; and enhancing Indonesia's stature.[93] While a combined power of ASEAN in terms of military power seems uneven, at least

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[91] The effort to pursue national resilience will strengthen the regional resilience, that is their ability to deal with external power or any changes brought about by external environment. The ASEAN approach to security is similar to the one which was firstly introduced by Japan in the seventies known as "comprehensive security'. However, in Southeast Asia context, ASEAN and Indonesia adopted the term "national resilience" and "regional resilience", while Malaysia and Singapore used the term "comprehensive security" and "total defense" concept respectively.

[92] Charles E. Morrison and Astri Suhrke, *Strategies of Survival. The Foreign Policy Dilemmas of Smaller Asian States*, (St. Lucia: University of Queensland Press, 1978).

[93] See, Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism*, pp.196-234.

it seems to have worked when it comes to the matter of moral pressure against a stronger country.

Generally, the formation of regional co-operation is possible as long as there is a common reaction to the presence of threat. It was this factor that led to the creation of ASEAN, the response to internal conflicts as well as the presence of threat following the new developments in Indochina, particularly in the wake of the Vietnam War. Other opinions emphasize the factor of instability and vulnerability in each of the domestic member states, particularly with regard to regime security. In this regard, Michael Leifer argues that the ASEAN governments had been motivated to create a "collective internal security".[94] Because of similarity in facing security problems, regional co-operation is then seen as a way not to complicate the domestic affairs of the others. Regime security and domestic vulnerability become important factors in encouraging regional co-operation.

The New Order also maintained that China was not only a threat to its security, but it was also a threat to the whole Southeast Asian region. China's support for the communist insurgency movement in Southeast Asia was seen as an attempt to create instability. China was also regarded as an expansionist and hegemonic power that tried to put the entire Southeast Asian region under its "sphere of influence." Despite differences on threat perceptions and foreign policy priorities, a common fear of China was one of the key factors that led to the creation of ASEAN. As Bernard Gordon has stated, "China's increasing unfriendliness has provided something the 'environment' for regional co-operation has long lacked: a common perception of threat. As long as that was absent, the concept of regionalism had no special urgency."[95] Therefore, Gordon considered the negative incentive of China as the primary element in the creation of ASEAN. Another scholar has argued that, "Suharto's decision to stop

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[94] Michael Leifer, *ASEAN and Security in Southeast Asia* (London: Routledge, 1989), p.2-3.

[95] Bernard K. Gordon, *Towards Disengagement in Asia* (Englewood Cliffs, N.J.: Prentice Hall, 1969), p.83.

confronting Malaysia and to begin confronting PRC [China] has led him to search for new allies."[96]

3.4. Conclusion

The notion of the threat of China should from the very beginning be understood as having two dimensions, namely the external and domestic one. As far as the external dimension is concerned, China has been portrayed as inheriting the attitude of the old Chinese Empire. Accordingly, the modern state of China is always perceived as an expansionist and aggressive power that always tries to expand its influence over Southeast Asia. Although there are positive factors that aroused the sympathy among Indonesian leaders, in fact the negative perception of China has outweighed the positive elements. The events after the opening of diplomatic relations with China seemed to reinforce the perception of China as an aggressive and colonial power. This perception seemed to be maintained from generation to generation through the teaching and the official publication of Indonesian historical textbooks. In effect, China is always seen as an external power that would always try to dominate the Southeast Asian region, including Indonesia. Contemporary historical experiences seemed to strengthen Indonesia's perception of China. It was particularly shown by China's efforts to influence the ethnic-Chinese against the Nationalist Taiwan, China's policy to protect the ethnic Chinese in the 1950s, and the Chinese Embassy's interference in reviving the PKI movement. However, the perception of China as a negative power had been formalized through the coming of the New Order. The perception of its elite was nothing more than the views prevailing among the military, that is anti-Communist and anti China. Therefore, the coming of the New Order was immediately followed by anti-Communist policies, namely the elimination of the PKI from the Indonesian political map and the freezing of diplomatic relations with China.

As far as the domestic factors are concerned, the threat of China is always associated with the issue of the ethnic Chinese in Indonesia, which with their small

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[96] Sheldon W. Simon, *The Broken Triangle. Peking, Jakarta and the PKI* (Baltimore: John Hopkins Press, 1969), p.178.

number of population has dominated Indonesian economics. Indonesian perceptions towards the ethnic-Chinese are not recent phenomena, but they are rather the products of long historical experience. However, the social and privileged status conferred upon them by the Dutch colonial powers has left a deep hatred among ordinary Indonesians for Chinese. The ethnic Chinese attitude during the independence movement exacerbated Indonesian perception towards them, particularly over the question of their national loyalty. Indeed, the kinship link and cultural differences added to the complexity of Indonesia's perceptions that the ethnic Chinese would never change or "once a Chinese, always a Chinese." Thus the perceived attitude of ethnic Chinese in Indonesia has enabled China to exert its influence over the ethnic Chinese and subsequently to interfere in the domestic affairs of Indonesia.

In fact, the concept of threat was a point of contention between Sukarno and the military that may go back to the period under the Guided Democracy. For Sukarno, the so-called threat from the North was associated with the creation of the Malaysian Federation and the British involvement in that process which was considered as a neo-colonialist threat to encircle Indonesia. On the contrary, the military perceived the North threat as a danger posed by the communist, notably China. Accordingly, the fall of Sukarno which also brought victory to the military meant that it was the views of the latter that prevailed in Indonesia. This was particularly evident as the military dominated Indonesia's domestic politics.

The concept and nature of the China threat under the New Order has been defined as involving three elements. First, it is against the ideology of Pancasila. Indeed, China with its communism was regarded as a danger to the ideology Pancasila that does not recognize class struggles. It was indeed perceived as a danger to the already diverse Indonesian society. Second, China has also been considered as supporting the communist movements in Indonesia, particularly the PKI's effort to make a political come back. Finally, China has been accused of interfering in the political affairs of Indonesia. Despite support for the PKI, China was also perceived as supporting Indonesia's ethnic Chinese who were sympathetic to the communists. Indeed, when launching accusation of China's involvement and interference in

Indonesian domestic politics, the military also made efforts to justify their claim by revealing proof of the former's involvement.

China as a threat indeed has functioned as a key to the legitimacy of the New Order, and to be more precise to the role of the military in Indonesian politics. Suharto and the military have put themselves forward as the saviors of the state, thus giving a source of legitimacy for the New Order regime in pursuing stability. Pointing to Communist China as a threat had enabled the New Order to garner support from the anti-Communist Western countries, particularly the United States, in terms of financial and political support, that was required to build Indonesia's economy. Additionally, the portrayal of Communist China as a threat enabled the New Order to work with its neighbouring countries in creating a stable environment in Southeast Asia. The subsequent establishment of ASEAN also played an important part in Indonesia's course, as the latter did not have to bother about possible external interference while its environment was sufficiently secure.

Chapter Four

The Development of the Concept of China as a Threat: Challenges to Indonesian Perceptions and Foreign Policy towards China (1978-1990)

For more than two decades, the New Order view and perception of China was mostly determined by the dynamics and requirements of Indonesian domestic politics. In that period, China was regarded as a threat to Indonesia. The rationale of this perception was that China as a communist external power, interfered in Indonesian domestic affairs, helped revive the PKI and exploited the ethnic Chinese factor in Indonesia. This perception was maintained for more than two decades along with its translation into foreign policy form that distanced Indonesia from China. Eventually, and to the surprise of many observers and some Indonesian elite policy makers, Suharto decided to change Indonesia's rigid position and normalize diplomatic relations with China in August 1990. Why did the New Order change its long held position towards China? What factors were involved? Did this mean that Indonesia's perception of China had changed? What were the sources of this change?

The achievement of foreign policy objective of reopening diplomatic ties with China was by no means a simple one. In this regard, Legg and Morrison stated that the costs and benefits of most foreign policy decisions are unevenly distributed, and consequently there is usually considerable internal conflict over what foreign policy should be.[1] Presumably, the move in foreign policy was mainly the result of changes in Indonesia's domestic politics. However, the discussion in this chapter takes into account three level of analysis. First, it relates the shift to the dynamics of Indonesian domestic politico-economics. Second, it takes account of Chinese domestic politico-economics, especially after the coming of Deng Xiaoping in 1978. Third, it correlates with the developments in regional and global politico-economics, particularly in the context of ASEAN and interrelations among the major powers in Asia.

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[1] Keith R. Legg and James F. Morrison, "The Formulation of Foreign Policy Objectives" in Richard Little and Michael Smith (eds.), *Perspectives on World Politics* (London: Routledge, 1991), p.59.

Accordingly, this chapter will examine and analyze factors that challenged Indonesia's perception of China, which eventually led to the normalization of diplomatic relations. In so doing, the discussion is divided into five parts. The first part focuses on the discourse of Sino-Indonesian relations in Indonesian domestic politics, particularly between the proponents and opponents of normalization (1977-1978). The second section explores the changes that took place in China and Southeast Asia (1978-1985). The main focus is related to the transformation in China as well as its implications for foreign policy. The third section deals with Indonesia's perception of China after the coming of Deng Xiaoping in 1978. The main discussion in this section focuses primarily on forces proposing and opposing the restoration of diplomatic relations. The fourth part considers factors that eventually led Indonesia to normalize relations with China. The last part analyses how Suharto finally decided to embark on normalization.

4.1. China in Indonesian Domestic Politics: Proponents and Opponents of the Rapprochement with China (1977-1978)

Since the very beginning, the New Order's foreign minister, Adam Malik, had made it clear that Indonesia never cut its ties with China. Instead, the relations were frozen or *dibekukan*. Although, theoretically the relationship was non-existent, Indonesia still recognized China.[2] By maintaining this position, Malik cleverly appeased Indonesia's domestic audiences who were determined to completely sever ties with China and it would make it easier to restore relations when the time came. However, there was no challenge whatsoever to the military and government perception of China as a threat. This was mainly due to three conditions. First, the military were still actively crushing the PKI and its followers, while the wave of anti-communism in Indonesia remained high. Second, the New Order was preoccupied with its efforts to create stability. Third, China was still actively supporting Communist movements in Southeast Asia, including the PKI. Therefore any idea or suggestion to embark on rapprochement with China would have been considered as political suicide.

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[2] Indonesia is always consistent in maintaining a one-China policy. Relations with Taiwan are mainly confined to trade and economic activities.

Eventually, in 1977, the issue of China emerged in the discourse of Indonesian domestic politics, particularly the issue of normalization of diplomatic relations. The initiative did not originate from domestic sources, rather it was the result of an external factor. On his return from China, Papua New Guinea Prime Minister Michael Somare visited Indonesia and delivered a signal from China for the improvement of relations. While denying he was bringing a message from Beijing, he stated that China was ready to open diplomatic relations with Indonesia, should Indonesia be willing to do so.[3] This development opened the issue of Indonesia's relations with China, and unavoidably attracted opinions among the Indonesian elite and mass media. As predicted, Indonesian military leaders expressed skepticism and suspicion. The Deputy Chief of the powerful and influential National Coordination Intelligence Agency (BAKIN) Ali Murtopo, for instance, stated that there was no urgency to hastily thaw diplomatic relations with China, and even warned about intensified communist activity in Thailand.[4] Objections to such a move were strong as China appeared to support the ex-PKI leadership, particularly by officially receiving Jusuf Adjitorop in May 1977,[5] in his capacity as the Head of the delegation of the PKI.[6] This development was interpreted as proving that China continued its support for the PKI.

In October 1977, for the first time under the New Order regime, Malik met his Chinese counterpart Huang Hua in New York. It was later revealed that both ministers discussed the issue of normalization. In responding to Chinese willingness to reopen ties with Indonesia, Malik told his counterpart to be patient.[7] On another occasion, the Chinese Deputy Prime Minister was quoted as stating that: "The normalization of Sino-Indonesian relations depends on President Suharto. Whenever he wants, we are ready for it. But if he thinks the situation is not yet ripe, we are willing to wait."[8] Nevertheless, Malik fully realized that the question of normalization remained a

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[3] *Suara Karya*, 15 January 1977.

[4] *Sinar Harapan*, 7 February 1977.

[5] A. Dahana, "Cina dengan Dunia, Asia dan Indonesia [China with the World, Asia and Indonesia], *Prisma*, No. 9, Year 6, September 1977.

[6] Y. Endi Rukmo, *Suara Merdeka*, 3 March 1989.

sensitive issue in Indonesia as it directly challenged the very notion of the New Order's perception of China as a threat. While continuing his support for normalization, Malik underlined that the issue very much depended on developments in Indonesia's domestic situation, especially over the security concerns.

However, against prevailing domestic opposition, Malik often expressed his support for normalization. In an interview with a Singaporean newspaper in 1977, he surprisingly stated that Indonesia and China had reached an agreement in principle on the main issue to be resolved prior to normalization,[9] namely the question of dual-nationality. While maintaining that Indonesia was still busy reeducating and registering the ethnic Chinese, Malik recognized that the decision to normalize relations rested with Indonesia. However, in his view, this objective was conditional upon people feeling secure and the government being assured that there was no subversion from China.[10] Malik seemed to defy the opinion of military leaders and surprised many of them. Nevertheless, he denied that normalization would be soon realized, instead he diplomatically indicated that it "will take place soon." Malik's repeated calls for normalization were designed to keep the issue alive and open for examination, while at the same time appeasing military circles by highlighting the necessity of resolving problems prior to normalization.

Parliament's view on normalization was supportive of the government's position. Indeed, the military supported by the Islamic faction and Golkar ruling party maintained their suspicion of China. A Member of Parliament stated that the normalization depended on China, as Indonesia could not eliminate the feelings caused by past history.[11] Other members warned that Indonesia should be vigilant towards the PRC's approach to ASEAN and Indonesia.[12] Another member from a different party

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[7] *Merdeka*, 3 October 1977.

[8] Quoted in *Kompas*, 8 November 1977.

[9] *Sinar Harapan*, 9 May 1977.

[10] *Antara*, 29 July 1977.

[11] Amin Iskandar, Member of Parliament of the Islamic PPP, *Antara*, 13 November 1977.

[12] Expressed by V.B. da Costa, from the Indonesian Democratic Party (PDI), *Kompas*, 25 April 1978. In

also expressed his concern about the PRC, this was because of suspicions towards China's political ambition in Southeast Asia.[13] Generally, they shared the opinion that it was not timely yet for Indonesia to normalize its relations with China. The bitter experience of the involvement of China in the G-30S/PKI and the danger to domestic security, particularly towards the national ideology of *Pancasila* was often put forward. Apparently, the views expressed by members of parliament were similar to the view that prevailed among ABRI members regarding the danger of China. This fact also underlined that parliament was dominated by the presence of the military faction.

The change at the top level of foreign ministry, with the appointment of Mochtar Kusumaatmadja in April 1978, did not bring a breakthrough in the relationship between China and Indonesia. He argued that there were still many problems to be resolved, particularly the issues of the nationality and loyalty of ethnic Chinese and security. Up to this point, it underlined that Indonesian foreign policy making on China was in the hands of top executive President Suharto who eventually concluded the direction of the debate by addressing the issue before the general assembly meeting of the MPR in 1978. He stated that,

> There are no obstacles whatsoever to befriend and cooperate with other nations that follow social or political systems that are different to us. This is the reflection of the implementation of free and active foreign policy. These relationships are surely based on the main principles of mutual respect and non-interference in the domestic affairs. Based on these principles, we are currently developing preparatory activities that would enable the restoration of diplomatic relations with the People's Republic of China, which are still frozen, while keeping increasing our alertness due to past bitter experiences.[14]

Suharto's intervention in the debate guided the direction of Indonesian political discourse on China, and set clear preconditions if Indonesia was to have its relations with China restored. First, Indonesia recognized the need to normalize diplomatic relations with China as part of Indonesia's free and independent foreign policy. Second,

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this context, the PRC also appealed ASEAN to create a united front aimed at combating the interest of big powers in Southeast Asia.

[13] Expressed by Kamil Kamka of Golkar, *Kompas*, 25 April 1978.

Indonesia needed assurances and guarantees from China not to interfere in the domestic affairs of Indonesia. Third, Sino-Indonesian relations should be based on the principles of non-interference and mutual respect. Fourth, past history would remain a factor in the development of Sino-Indonesian relations. Fifth, it was recognized that Indonesia was in the process of preparing for normalization.

However, events soon proved that there was still a long way to go on the road towards normalization. Indonesia's resistance to responding positively to China's proposal of restoring diplomatic relations had so far mainly been based on domestic considerations. Nevertheless, China's ambiguous attitude towards Southeast Asia as a whole, let alone Indonesia, had further lengthened the prospect of normalization. For example, during his visit to Malaysia in 1978 Deng Xiaoping stated that China was interested in creating good relations with Southeast Asian states on government-to-government basis, but he reaffirmed support of the Communist Party of China (CPC) for the outlawed communist parties of the region.[15] On the occasion of the commemoration of the 28th anniversary of the PRC in October 1978, he also described ethnic Chinese that already held nationality in the country where they lived as remaining within the Chinese people's family, although they were also expected to strengthen the friendship between China and those countries.[16] Furthermore, the 1979 event when China attacked Vietnam through its limited war from 25 February to 5 March was received with great alarm in Indonesia. It was interpreted as proof that China was willing to take military action to protect its fellow Chinese, regardless of the fact that they had already become citizens of another country.[17]

In the end, China's initiative to normalize diplomatic relations did not receive a positive response from Indonesia. There are three factors that contributed to this

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[14] Suharto's Statement before the General Assembly of the MPR, delivered on 11 March 1978.

[15] Donald H. McMillen, "The Maintenance of Regional Security in the Southeast Asian Region: China's Interests and Options", in T.B. Millar, *International Security in the Southeast Asian and Southwest Pacific Region* (London: University of Queensland Press, 1983), p.250.

[16] *Sinar Harapan*, 24 April 1978.

[17] Manai Sophiaan, *Merdeka*, 30 October 1979.

situation. First, Indonesian leaders generally remained suspicious of China. Although recognizing the need to maintain relations with any countries regardless of their political systems, Suharto was still throwing his support behind the military's position that refused to normalize relations with China. Second, China sent an ambiguous message to Indonesia with regard to its attitude on the ethnic Chinese and communist movements in Southeast Asia, including Indonesia. Third, any hope of early rapprochement has been tarnished by China's action against Vietnam. It was interpreted as indicating China's readiness to embark on military action, should its national interest be threatened.

It should be stressed that any shift in Indonesia's attitude towards normalization with China had only been made possible after changes had taken place in China as well as the dynamics in Indonesia's domestic politics. That is why the following part will review the transformation that took place in China as well as its implications towards the Southeast Asian region. It will be followed by an examination of Indonesia's domestic politics, particularly of determinant factors that pushed Indonesia towards normalization.

4.2. Developments in the External and Regional Environment: China and Southeast Asia (1978-1985)

Due to its size, historical perspective and strategic importance, China has been at the center of the world's attention for many years. When a wave occurs in China, a wide repercussion on the international scene, let alone the regional, would undoubtedly be felt far beyond China's border. This impulse was felt more strongly among its neighbours, particularly those who that had long considered China as a threat to their security, including Indonesia. Indeed, one of the most significant changes in China was without doubt the transfer of power from the radical regime led by Mao to the reformist Deng Xiaoping. It was followed by significant changes through the introduction of modernization of China, the opening-up policy and economic development. The transformation in domestic politics had been epitomized by the replacement of the ideological cause by the drive to bring China into a modern state.

A. China in Transition: From Political Imperative to Economic Pragmatism

The idea of modernization was introduced by Zhou Enlai at the first National People's Congress convention in 1954. He called for China's modernization in industry, agriculture, transportation, and defense. In 1964, the term 'Four Modernizations, referring to agriculture, industry, defense, and science and technology, was formally put forth to the Chinese people.[18] Due to the dynamics of Chinese domestic politics the idea of modernization experienced a period of ups and downs and had been neglected for sometime. It nevertheless gained a new momentum after the ending of contention between Deng Xiaoping and Hua Guofeng, that centered on Deng's advocacy of thoroughgoing economic and educational reforms and his status as senior surviving victim of the Cultural Revolution.[19] It was the Third Plenum in December 1978 that appeared to be the beginning of the ascendancy of Deng to power. Thus the starting point of the current modernization effectively began at the end of 1978 when the Party's Central Committee endorsed Deng Xiaoping's call to "seek truth from facts". This was a clear departure from the old pattern of following blindly any policies associated with Mao.

In a previous speech to the National Science Conference in March 1978, then-Vice Premier Deng Xiaoping declared:

> The crux of the Four Modernizations is the mastery of modern science and technology. Without the high-speed development of science and technology, it is impossible to develop the national economy at a high speed.

Thus it was clear from the very beginning that modernization in China was intended to support economic development. The first reforms affecting China were instituted between 1979 and 1984. The programs were systemic economic reforms aimed at

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[18] Li Ping, *Kaiguo zongli Zhou Enlai* [The Founding Premier Zhou Enlai], Beijing, 1994, Zhonggong zhongyang dangxiao chubanshe, as quoted by Quansheng Zhao in *Interpretating Chinese Foreign Policy*, (Oxford: Oxford University Press, 1996), p.50.

[19] Hua was more inclined to increase reliance on Maoist symbols and slogans to buttress his own authority.

revising China's foreign economic relations and refocusing the country's agricultural system. In this regard, one of the most important steps taken by China's government was the decision to open China's economy to the outside world. It was seen as an answer to the desire to purchase foreign equipment and technology needed for China's modernization. This policy was also expected to eventually bring foreign exchange through tourism, exports, and arms sales.[20] However, the most important aspects of the policy were concerned with foreign investments, international trade and the creation of Special Economic Zones.[21]

Historically, foreign investment is not something new to the Chinese people. Mao himself encouraged an opening policy in the 1950s, when China received massive technical assistance and capital investment from the Soviet Union. The introduction of key projects such as metallurgy, motor vehicles and coal production laid the basis of Chinese economic growth until 1960, when Kruschev abruptly cut off aid. Soviet assistance undoubtedly boosted the Chinese economy as China's foreign trade grew rapidly, two-thirds of it in 1950s with the Soviet Union and East Europe.[22] However, the characteristics of Deng's open door policy are totally different from the one applied by Mao. While the latter emphasized the relationship with fellow communist states, Deng embarked on a policy which mainly opened relations with most capitalist states such as Japan, European countries and US. Deng's policy is often called a "policy of opening to the outside" or *duiwai kaifang zhengce*, which in effect means the integration of the China economy into the international economy. At the same time this policy inevitably made China more dependent on the world economy, thus reversing the Maoist commitment to the ideal of self-reliance.

In rural areas, the economic reform program was initiated by decollect agricultural activities through a contract responsibility system based on individual

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[20] The opening up policy also includes the activity of the sending large numbers of students abroad to acquire special training and needed skills.

[21] Robert Kleinberg, *China "Opening" to the Outside World: The Experiment with Foreign Capitalism* (Oxford, Westview Press, 1990), p.3.

[22] Deng Weizau in Xu Dixin (ed.), *China's Search for Economic Growth* (Beijing, New World Press, 1982), p.167-170, as quoted by Robert Kleinberg,*China "Opening" to the Outside World*, p.9.

households. The *people's communes* established under Mao were largely replaced with a system of family-based farming. The rural reforms successfully increased productivity, the amount of available arable land, and peasant per capita income. Their success stimulated substantial support in the countryside for the expansion and deepening of the reform agenda. Thus modernization replaced class struggle as the focus of Party work. In the late 1970s rural reforms restoring the production team and eventually the family household as the basic agricultural unit were pioneered in Sichuan and Anhui. In 1981, another plenary meeting of the Central Committee adopted a resolution on Party history that repudiated the Cultural Revolution, the Great Leap Forward, and most of the other programs associated with Mao's later years. Furthermore, the Twelfth Party Congress in September 1982 approved new reforms policies including rural decollectivisation, more autonomy for industrial enterprises, expansion of free urban markets.

The establishment of the special economic zone (*jingyi tequ*) is an important policy in which investors receive special facilities and favorable treatment and regulations such as low income tax, cheap land rental, electricity and water bills.[23] In the end, the changes brought about by Deng inevitably attracted many foreign companies. From the enterprise point of view, there are at least two reasons why they went to China. First, investors pouring their money into China must be seen in the context of their global strategy in which China's market provides a large potential for investing enterprises in terms of size and, increasingly, quality. Many Western Multinational Corporations (MNCs) also consider China vital, particularly those from Japan, US and Western Europe in their efforts to control the world market. Western MNCs fear that Japanese competitors could attain leadership in the Chinese market which eventually will result in cost reductions, helping to undercut prices in the US or

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[23] Further discussions on the special economic zones see: Y.C. Jao and C.K. Kung (eds.), *China's Special Economic Zones: Policies, Problems and Prospects* (Oxford, Oxford University Press, 1986); George T. Crane, *The Political Economy of China's Special Economic Zones* (London, M.E. Sharpe Inc., 1990); Kwan Yiu Wang (ed.), *Shenzhen Special Economic Zone: China's Experiment in Modernization* (Hongkong, Tai Dao Publishing Co., 1982); Kwan-Yiu Wang and David Ky Chu (eds.), *Modernization in China: The Case of the Shenzen Special Economic Zone* (Oxford, Oxford University Press, 1985); Thomas P. Lyons and Victor Nee (eds.), *The Economic Transformation of South China: Reformation and Development in the Post-Mao Era* (Ithaca, Cornel University, 1994); and 'Hainan, China's Youngest Province', *China Today*, Vol. XLVII, No. 4, April 1998.

developing countries. This is what is referred to by Daniels, as a reason for the Western investors seeking a strategic presence in China. [24] Second, foreign firms migrate to China as the result of a weakening position in their respective home markets.[25] Therefore, the underlying forces driving foreign investment to China are mainly based on economic considerations.

During the early part of reform up to 1984, the mood for changes was very high and many reformists went further for change. This upbeat, even ebullient, ideological atmosphere was reinforced by the publication of Deng Xiaoping's book, *Building Socialism with Chinese Characteristics*, in December 1984.[26] In the following year, there had been growing criticisms of the handling of the economy raised by the conservatives that took the advantages of policy errors and economic problems. The first criticisms related to macro-economic factors in which the rate of high economics and industrial growth created imbalances in the economy and that the central leadership had been raising unrealistic expectations for continued high growth.[27] In the end, these criticisms ended in the devolution of economic decision-making authority and the market-oriented approach that lay at the core of reform. As far as the opening to the outside world was concerned, criticisms centered on the decline of China's foreign-exchange reserves. The conservatives even publicly attacked Deng's opening policy and dismissed the slogans "Time is money; efficiency is life". It was clearly expressed by Politburo member Hu Qiamu in his visit to Fujian province.[28] However, the culmination of criticism towards the open door policy took place in the summer of

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[24] J. Daniels, J. Krug, and D. Nigh, 'US Joint Ventures in China: Motivation and Management of Political Risk', *California Management Review*, Vol.27 (1985), pp.46-58, as quoted by Stefan Kaiser, David A. Kirby and Ying Fan in *Greater China: Political Economy, Inward Investment and Business Culture*, p.52.

[25] See W.H. Newman, 'Launching a Viable Joint Venture', *California Management Review*, Vol. 35 (1992), pp.68-80.

[26] It was been the view of Deng on building socialism with Chinese characteristics expressed in August 1984. It signaled Deng's determination to push ahead with reform. See Joseph Fewsmith, *Dilemmas of Reform in China: Political Conflict and Economic Debate* (London, M.E. Sharpe,Inc, 1994), p.148.

[27] The imbalance was meant to be between state revenues and expenditures. In 1984 China had a deficit in its trade balance (58.05 billions yuan of export and 62.05 billions yuan of import). Other aspects of macroeconomics include money supply, capabilities of China's national resources, and budget deficit, that may threaten economic stability and inflation.

[28] Fujian Ribao, 7 February 1985, translated in FBIS, February 26, 1985. Quoted also by Joseph

1985 after the revelation and publication of a report on corruption in Hainan Island.[29] Up to this period, it was evident that the radical forces remained on the map of Chinese politics.

However, by the end of the 1980s this process had begun to show tangible results. China was accordingly often referred to as an 'emerging power' whose economic prowess had become a reality. In this regard, Charles Morrison and Allen S. Whiting noted that since China had a strong rate of internal growth, it had been one of the dynamos of economic growth in the region over the past 10 years.[30] In other respects, China had also shown a potential to become a formidable military power in the region.

B. China's Foreign Policy: Embarking on a Friendlier Attitude

Once in power, Deng embarked on reform and the most dramatic change that altered the direction of Chinese politics was the reform of Marxism, especially Mao's ultra-leftist political line.[31] First, Deng replaced the essence of the "great leap forward" through the implementation of "communes" with four strategic Modernizations, namely the application of science and technology to achieve modernized industry, agricultural and defense technology. Second, against the teaching of Karl Marx, Deng introduced opening a policy aimed at attracting foreign investment, mixing planned and market economy. Third, he even adopted liberalization, which included both social-economy and social-political sectors. In foreign policy, Deng also embarked on the Five Principles of Peaceful Co-existence as elaborated in *Beijing Review* of January

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Fewsmith, in *Dilemmas of Reform in China: Political Conflict and Economic Debate*, p.152.

[29] An investigation by the Central Discipline Inspection Commission (CDIC) in March 1985 reported that cadres in Hainan island found guilty of using an excessive amount of foreign exchange to import some 89,000 foreign automobiles and 2 million television sets with the intention of reselling them in China's interior. In fact the CDIC reported an extensive corruption extending from the island to Guangdong and elsewhere. See "Investigation Report of the Cental Discipline Inspection Commission," Xinhua, July 31, 1985, translated FBIS, August 6, 1985, pp.1-8, as quoted by Joseph Fewsmith, Ibid, p.153.

[30] Charles Morrison & Allen W. Whiting, 'China's Role in the Asia-Pacific Region', in *Pacific Century: The Emergence of Modern Pacific Asia*, Mark Borthwick (ed.), (Boulder, Westview Press, 1992) p.456.

[31] Hardi, *Sinar Harapan*, 14 August 1985.

1983.[32] These Principles are implemented as a base for developing international relations between China and other countries, including socialist states, and the third world that apply a different system to China as well as the Soviet Union and US.

More importantly, Beijing adopted a pragmatic approach in the sense that the conduct of Chinese foreign policy was projected to support national interest and the creation of world peace. Bearing in mind the pragmatic approach and the importance of national interest, it seemed that Beijing had revised the Marxist assumption of international solidarity among communists in the world.[33] In this regard, one Indonesian scholar and Director of Center for Strategic and International Studies Jusuf Wanandi observed that in the past few years there had been changes in China, particularly the victory of moderate elements led by Deng Xiaoping.[34] Consequently, the PRC needed a friendlier environment with ASEAN countries, particularly in its effort to combat the then enemy of Soviet encirclement.

As far as Indonesia is concerned, for decades, the New Order had consistently followed political developments in China. The advent of Deng did not go unnoticed. However, the early perception of China under the new pragmatic regime tended to be cautious, as China had not definitely withdrawn its support for Communist movements in Malaysia, Thailand and the Philippines.[35] At the same time, the unfinished rivalry between radical and pragmatic forces gave a justification for the military to continue warning of the potential danger should the radicals regain control of power in China. At the same time, the development of China as a potential super power invited suspicion.[36] This was particularly with regard to the uncertainty of how China would

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[32] The Five Principle of Peaceful Co-existence was firstly declared in Bandung in 1955.

[33] This tendency has been shown in the context of Sino-Soviet border conflict in Usury River and the rapprochement between the US and China through the signing of the Shanghai Communiqué in 1972.

[34] *Tempo*, 29 March 1980.

[35] In a press conference during his visit to Beijing, Prime Minister Mahathir Mohamad of Malaysia stated that China is not yet ready to cut the link between Chinese Communist Party and Malaysian Communist Party, See *Sinar Harapan*, 27 November 1985.

[36] *Suara Karya*, 27 February 1980.

project its economic power. Would they embark on militarization, would they try to expand their influence towards its neighbors?

In line with the new policies introduced by Deng, China was seen as showing its moderation towards Indonesia. The Chinese press began reducing its hostility towards Indonesia. The congratulatory messages that used to be sent by the Chinese mass media to the PKI began to disappear from 1979.[37] At the official level, Zheng Weizhi, member of the National People's Congress and the advisor to the Foreign Affairs Committee denounced Mao's approach of cultivating influence over communist parties in other countries.[38] Consequently, the Chinese government had shown its readiness to respect the Indonesian sovereignty and not interfere in the domestic affairs of Indonesia. These should be seen as a change of direction in which the Chinese government began distancing itself from the PKI, which was seen as the biggest obstacle to normalization. One of the indications that the Chinese government no longer supported the PKI was by allowing many of the PKI members to move to other countries. However, the Chinese government had not yet formally informed the Indonesian government of this policy, and at the same time Indonesian leaders continued to wait for a change to be more visible shown by the Chinese Communist Party.

Nevertheless, Indonesian leaders recognized that in recent years China had gradually changed and begun abandoning its closed-door policy and undertaking reform. In foreign policy, for instance, its orientation was intended to support the development process, which meant that China abandoned its leftist and adventurist foreign policy. The then Foreign Minister Kusumaatmadja recognized that Indonesia was following developments in China, particularly after the coming to power of Deng Xiaoping in 1978 as well as the growing closeness of China and the US.[39] He also noted that there was a strong indication that China was different from twenty years ago.

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[37] *Tempo*, 4 March 1989.

[38] Interviewed by Hardi, "Deng, Mau Kemana? [Deng, Heading to Where?], *Sinar Harapan*, 14 August 1985.

[39] *Sinar Harapan*, 2 January 1985.

C. ASEAN and China: Improved Relations

China had expressed strong misgivings about the formation of ASEAN by calling it an alliance of US stooges, and accusing the Association of being for economic cooperation in name only and of being a military alliance directed specifically against China. The Chinese attitude was hostile, and it was almost certainly so because the Vietnam War was reaching its peak with US military strikes being launched from bases in Thailand and the Philippines, both members of the ASEAN. China indicated that she would develop bilateral relations with each Southeast Asian country, but it had no intention of having relations with ASEAN as an organization. Accordingly, diplomatic relations with Malaysia were established in May 1974, followed by the Philippines and Thailand in June and July 1975 respectively. Singapore decided to be the last country among ASEAN states to recognize China,[40] while Indonesia's powerful military leadership remained extremely suspicious of the Communist threat. By mid 1970s, China further developed her relations with those ASEAN countries in the fields of trade, sports and medicine, and refrained from supporting revolutionary movements as publicly as she had done before.[41]

In line with its deteriorated relationship with the Soviet Union and the latter's closer relations with Vietnam, China began appreciating the work of ASEAN and even went so far as supporting the Declaration of Zone of Peace, Freedom and Neutrality (ZOPFAN). In this regard, China suggested that countries in the region must not commit themselves to any kind of military alliance with any powers.[42] The best option was of course Neutralism. Therefore, ASEAN was positively praised in its effort to rely on itself and to cooperate in establishing a stable region. As far as China was concerned, apart from slowing the permeation of Soviet influence through Asia,

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[40] This position was later confirmed by Singaporean Foreign Minister Dhanabalan. See, *Sinar Harapan*, 23 January 1985.

[41] Takashi Tajima, "China and Southeast Asia: Strategic Interests and Policy Prospect", in *Security in East Asia*, by Robert O'Neill (ed.), (Hants: Gower Publishing Company, the International Institute for Strategic Studies, ADELPHI Library no. 9, Hants, 1984) p.96.

[42] A. Dahana, *Prisma*, No. 9, Year 6, September 1977.

ASEAN exemplified the Three World Theory, illustrating the kind of cooperation among Third World Countries, and cooperation between the Third World and the Second World, which the theory advocated. China considered the activities of ASEAN to be a blow to the ambitions of the super-powers, Soviet social imperialism in particular, to dominate Southeast Asia. For many ASEAN member countries, China could be useful to contain their worry about Vietnam, then in possession of five billion dollars worth of American military equipment, as well as the possibility of the withdrawal of American forces from the region.

Indeed, China's shifting policy on ASEAN was officially shown when Thailand's Prime Minister Kriangsak Chamanand's visited China in 1978. On that occasion, Vice-Premier Deng Xiaoping expressed his recognition of the increased activities and role of ASEAN as a regional organization in the international arena. Accordingly, by 1978 China appeared to have already scaled down its support for the communist movements in Southeast Asia. And since the Vietnam invasion of Cambodia in 1978 – with full Soviet backing – China pursued the policy of seeking a significant reduction of the Soviet presence in Indochina.[43] The signing of a twenty-five-year Treaty of Friendship and Cooperation between Vietnam and the Soviet Union in June 1978 was also regarded as an effort to encircle China as it was further followed by the Soviet invasion of Afghanistan in late 1979.[44] China's reply to the Soviet and Vietnamese move was also in the form of closer relations with the US.

As the 1980's got underway, Chinese leaders undertook an abrupt and major change in foreign policy. Support for coalition or alliance was dropped, and the new theme was 'non-alignment', and identifying politically with the Third World,[45] thus opening a way to a better relationship with ASEAN. Accordingly, cooperation between ASEAN and China was shown in their joint efforts to end the Vietnamese occupation

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[43] Robert R. Ross, "China and the Cambodian Peace Process", *Asian Survey*, Vol. 31, No. 12, December 1991, p.1170-1171.

[44] This Treaty is considered significant as a symbol not only of political closeness but also a de facto military alliance between the two countries.

[45] Robert A. Scalapino, *Major Power Relations in Northeast Asia*, (London: The Asia Society, University Press of America, 1987) p.31.

of Cambodia both diplomatically and militarily. Although there was still reluctance in the attitude of ASEAN members, particularly Indonesia, Thailand formed a close cooperation with China, and even allowed its territory be used as a supply basis for the resistance movement against the Vietnamese backed Cambodian government. This was mainly aimed at militarily weakening the Phnom Penh regime. At the diplomatic table ASEAN supported Thailand's position and worked together with China in search of a peaceful settlement and bringing Sihanouk back to power. Improved relations between ASEAN and China, to a certain extent, facilitated the success of the settlement of the Cambodian problem.

Thus, during the 1980s China has no longer considered ASEAN a threat to its security. On the contrary Beijing believed that ASEAN was very important for the creation and maintenance of peace and stability in the region, especially the settlement of the problems in Indochina. China significantly improved its relations with every ASEAN member state.[46] In this situation, Indonesia seemed to be being left behind. The growing confidence and cooperation between ASEAN and China had its effect on Indonesia as the latter had to cooperate and maintain direct and frequent contacts with China in the context of ASEAN, thus paving the way for the normalization process. In this regard, the then Indonesian foreign minister stated that, "The freezing of diplomatic relations with China are not going to continue for a thousand years. Because the ASEAN member countries have normalized their relations with China, therefore we also have to open and normalize our relation with China."[47]

4.3. Differing Views of China in Indonesia: Between Security Interest and Economic Necessity

By the late 1970s, there were three developments that had compelled Indonesia to take a different look at China. First, it was related to changes in China's domestic politics as the result of the introduction of a reform and modernization program.

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[46] Further discussions on this matter see: Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djiwandono (eds.), *ASEAN and China: An Evolving Relationship* (Berkeley: Institute of East Asian Studies, University of California, 1988) and Leo Suryadinata, 'Indonesia-China Relations: A Recent Breakthrough', *Asian Survey*, 30 (7), July 1990.

[47] *Pelita*, 8 March 1978.

Second, it was related to the adoption of a new orientation in Chinese foreign policy. Third, China had also embarked on a cooperative and friendlier attitude towards ASEAN member countries. These developments were surely followed by Indonesian leaders.

A. Normalization Issue: Political/Security Considerations and Lack of Assurance

Entering the 1980s, China reiterated its readiness to reopen ties with Indonesia, as it was clearly expressed by foreign minister Huang Hua during his visit to Manila.[48] As expected, Indonesia's elite reactions to this statement were divided between those who opposed and supported normalization. Unlike previous years, it became obvious that Indonesian leaders were not always totally united on the normalization issue.[49] Those who opposed normalization generally comprised military officials, particularly in the Ministry of Defense and BAKIN. Meanwhile, the group supporting normalization was centered on the late vice-president and longtime serving foreign minister Adam Malik and individuals at the Ministry of Foreign Affairs who had for many years advocated normalization. However, the Indonesian parliament's view on the issue was split. Those in favor were the civilian factions of the Golkar ruling party and a large segment of the Indonesian Democratic Party faction, while those in opposition were the military and the Islamic factions. According to an informed source, there was within the Indonesian Ministry of Defense and Security a group of younger officers who are "inward-looking" as opposed to a few older generation generals who were "outward-looking". It was the "inward-looking" group that persuaded the military faction in the parliament to oppose resumption of diplomatic ties with China.[50]

The military's mistrust was well reflected by Admiral Sudomo's statement, chief of the National Security Agency and deputy commander of the Indonesian armed forces who stated that, "We had two bad experiences with...communism in 1948 and

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[48] *Kompas*, 12 March 1980.

[49] Leo Suryadinata, "Jakarta Faces up to the Peking Bogy", *Far Eastern Economic Review*, 28 February 1985.

[50] *Asian Research Bulletin*, Vol. 9, No. 10, 31 March 1980.

1965. I don't think we can afford it for a third time".[51] Meanwhile, the proponents of normalization reiterated their position that Indonesia should reestablish its ties with China because of its increasingly significant role in the world. Consequently, China could no longer be ignored, as it was crucial to stability in the Asian region as a whole. China was a major country, a permanent member of the Security Council, with a population of over one billion, and had an important role in determining the political future of Indochina and the settlement of the Cambodian problem, and economically was one of the biggest potential markets for Indonesian commodities. Adam Malik also underlined that it was the right time to take the opportunity because "PRC is currently busy consolidating its development and has no time to conduct subversion abroad".[52] He later underlined that normalization with China was a must, if Indonesia wanted to take a leadership role, and because China paid most attention to Indonesia in Southeast Asia. It was only Indonesia that could speak firmly, strongly and straightforwardly to China.[53]

Interestingly, in the 1980s there had been a significant shift in the attitude of Indonesia as the Indonesian Permanent Mission in New York was officially assigned to channel the effort to restore diplomatic relations. This also indicated that the general attitude of Indonesia towards China was not as hostile as in the 1960s and 1970s. The reason was well put by a Member of Parliament who stated that, "The PKI elements that received protection from the Chinese government had become old and they no longer posed a force to worry about. Thus there is no regeneration of PKI in China."[54] Although Indonesian leaders began recognizing the process of change in China, they remained cautious and unsure about the attitude of China. Therefore, from Indonesia's point of view, the key to normalization was in the hands of the Chinese government,

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[51] Ibid.

[52] *Tempo*, 17 March 1984.

[53] *Kompas*, 9 March 1984.

[54] Chalid Mawardi, Member of Parliament from the United Development Party (PPP) as quoted by *Tempo*, 29 March 1980.

particularly in the form of a formal declaration of the termination of China's support for the PKI.[55]

Though signs of a diplomatic thaw were appearing, Indonesia seemed in no hurry to resume its ties with China. At least the support for normalization appeared to increase. While admitting the need for normalization, the Indonesian former foreign minister and prominent nationalist figure Roeslan Abdulgani argued that there was no need to be in a hurry, as some issues that had caused the freezing of diplomatic relations remained unresolved. He made it clear that Beijing had to clarify its position about the PKI and its policy towards the ethnic Chinese.[56] A Member of Parliament also stated that there was no reason not to normalize relations with China, and it was irrelevant to relate the diplomatic relations of a state to ideological factors.[57] However, he made it clear that the obstacles to normalization were psychological and related to security, particularly the G30S/PKI incident. Accordingly, to enable the normalization to materialize there needed to be concrete action conducted by Beijing. In this regard, China should renounce its support for ex-leaders of the outlawed PKI who lived in exile in Beijing, cease its anti-Indonesian propaganda; and refrain from interfering in the domestic affairs of Indonesia.

In line with the general tendency in both domestic realities, the relations between these two countries were gradually improving. In this regard, Indonesia issued an invitation to China to attend the commemoration of the 30th Anniversary of the Asian-African Conference. It was widely expected that on this particular occasion the Chinese delegation would state its position concerning the issues of the PKI and ethnic Chinese. However the Chinese foreign minister Wu Xueqian was regarded as having failed to deliver this expectation, which to some Indonesians was seen as quite regrettable.[58] He was also unable to formally meet the Indonesian President, due to

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[55] Some of the military hard-liners even insisted that China must formally apologize for its involvement in the 1965 coup.

[56] *Tempo*, 29 March 1980.

[57] Chalid Mawardi, Ibid.

[58] Indonesian leaders, particularly among the military, expected the Chinese Foreign Minister to bring a letter of apology. However, China considered it as a too expensive price to pay for the normalisation as

time difficulties on both sides.[59] Nevertheless, both foreign ministers concluded that there was no rush for normalization.[60] Wu also made it clear that Indonesia had little reason to demand that China should cease supporting the PKI because China had not supported the PKI for 18 years.[61] In the end, there was no breakthrough towards the restoration of diplomatic relations. To say the least, such a high level official visit to Indonesia created an opportunity towards a better understanding between the two countries, and the Indonesian Foreign Minister stated that Indonesia should adjust to the new realities in China.[62]

As far as Suharto was concerned, he seemed to be reluctant to get involved in the debate directly. Instead, he let the debate continue and only interfered when it was deemed necessary. There was no doubt that up to this stage, Suharto remained behind the military's position. Nevertheless, a new reality in the Indonesian economy began to emerge which eventually compelled the government to embark on economic cooperation with China that clearly could not be pursued without Suharto's support.

B. Pushing towards the Opening of Trade Relations: Serving Economic Interest

Domestic Reality

By the 1970s, Indonesia joined the exclusive ranks of oil producing countries or OPEC (Organization of Petroleum Exporting Countries). The revenues from oil enabled Indonesia to implement a remarkable program of development. The economic

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Indonesia would easily use that apology as a proof of China's involvement in the 1965 attempted coup. In this regard, Chinese officials believed that Indonesian military was still dominated by the anti-Chinese group, which perceived China as Indonesian main threat in the long term. See, *Far Eastern Economic Review*, 24 May 1985.

[59] Foreign Minister Wu managed to speak with Suharto for four minutes at a palace banquet, but failed to hold a formal dialogue because his foreign minister had to go back soon to Beijing to fulfill his prior engagement with Danish foreign minister.

[60] *Sinar Harapan*, *Kompas*, *Berita Buana*, *Jakarta Post*, 25 April 1985.

[61] *Jakarta Post*, 24 April 1985.

[62] The realities mention are the trial of radical groups, the opening for investment, China's intention to be a major power and its willingness to present a new face. See, *Suara Karya*, 22 May 1985.

development program, especially in macroeconomics, has stabilized the Indonesian economy and saved Indonesia from the brink of economic disaster. There is no doubt that Indonesia, and of course Suharto himself, was fortunate with Indonesia's natural wealth. The sudden increase of oil prices in 1970s has given the regime a massive boost for its development process, as revenues from Indonesia's main commodity brought about unprecedented help. In the period of 1970-1981, export revenues from oil increased at a rate of 45.5 per cent. Oil and gas accounted for 37 per cent of total export revenue in 1970; by 1981 this proportion had climbed to 82 per cent. During this period the country's growth rate (GDP) averaged 7-8 per cent per year. The Indonesian economy was further boosted by the increase of foreign investment, particularly from Japan.[63]

Apart from the increase in income per capita, the country has been able to reach a level of being nearly self-sufficient in foodstuff, and to provide basic health and education facilities. Indeed, Suharto's policy to create order and stability had paid off as Indonesia began enjoying the results of development.[64] One of Suharto's most successful achievements had been turning Indonesia from one of the world's largest rice importers for many years to self-sufficiency by the mid 1980s.[65] In tackling the population problem, Suharto succeeded in controlling its growth through the introduction of an extensive family planning program. All these success stories and his paternalistic rule earned him the name of *Bapak Pembangunan* (the Father of Development) in mid-1983. Accordingly, Suharto's legitimacy was strengthened through his success in the realization of development and in promoting the standard of living of Indonesian citizens.

However, the Indonesian route to economic development was not without problems. By the mid-1980s, there was an external factor that forced Indonesia to review its position towards the communist states. It was the beginning of economic

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[63] In 1967 Japan had only two investment projects with the total value of US$6.7 million. Two years later this figure had risen to seventeen projects with a total value of US$132.3 million.

[64] Indonesia's income per capita increased from US$260 in 1970 to over U$500 in 1980.

[65] Pantjar Simatupang et.all, "Economic Efficiency and Policy Incentives of Rice Production in Indonesia, *Indonesian Quarterly*, Vol. 17, No. 4, Fourth Quarter, 1989, p.296.

difficulties caused by uncertainty in the international economy. The fluctuation of the price of Indonesia's main export commodity and the emergence of protectionism in the Western countries compelled Indonesia to increase its non-oil exports and to find new markets.[66] This inevitably necessitated Indonesia to include the communist countries as potential markets for Indonesian products. Thus Indonesia began exploring other markets, including the Soviet Union and Eastern Europe. It was to this area that Indonesia sent trade missions. From this tendency, it seemed very clear that Indonesian foreign policy began paying attention, not only to the Western countries, but also to the socialist/communist countries. In this respect economic factors became increasingly important in the evolution of Indonesian foreign policy.

The Resumption of Direct Trade

In line with the freezing of diplomatic relations in 1967, the trade links between Indonesia and China were also officially closed. Trade activities however remained active, albeit through third states, namely Singapore and Hong Kong. This meant that the absence of diplomatic relations did not necessarily halt trade activities. Like the case of diplomatic normalization, the initiative to hold formal direct trade with China became a contentious issue among Indonesian leaders. In this regard, Leo Suryadinata pointed to the existence of different bodies of opinion.[67] Those in favor of direct trade included the foreign minister, many Jakarta businessmen and some Indonesian newspapers such as *Jakarta Post*. The central argument presented by this group was the benefit of direct trade with China.[68]

Indeed, the proponents of direct trade argued that such a link would be beneficial to Indonesia and the time was ripe for it, given the coming of a pragmatic

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[66] Indonesia's heavy reliance on oil exports made it vulnerable to the fluctuation of oil prices in the international market. In the period of 1982-1986, oil export revenues declined from SUS14.7 billion to under $US7 billion, decreasing by 16.4 per cent per year, as oil prices plummeted from $US30 per barrel to under $US10. Accordingly, the national economic growth was cut by half, and reached as low as two per cent in 1985.

[67] Leo Suryadinata, "Jakarta Faces up to the Peking Bogy", Ibid.

[68] The conduct of indirect trade has resulted in Indonesian commodities being less competitive as well as making Chinese goods more expensive.

regime with which many states in the world were more than pleased to deal. They further argued that direct trade could be conducted without diplomatic ties as already happened between Indonesia, Taiwan and Singapore with China. They also believed that the local Chinese community was now "under control" and no longer posed any major security problems. On the contrary, the opponents of direct trade, particularly the generals in the military circle, believed that the mere presence of Chinese representatives at a trade mission in Jakarta would in itself pose a security risk. They repeatedly quoted China's involvement in the coup and its role in communist subversive activities in various Southeast Asian countries. At the same time, they also stated that there was no need for Indonesia to have diplomatic relations with China, as Indonesia had not encountered any difficulty on the world stage.

The second body of opinion took a more cautious stand. They channeled their opinion through the *Merdeka* nationalist newspaper, which was well known for its anti-Beijing stance. They maintained that Beijing might use a trade link to encourage improvement in the field of foreign policy. Meanwhile, the Indonesian armed forces newspaper, *Angkatan Bersenjata,* argued that the opening of direct trade was natural given the already large amount of commodities from China entering Indonesia and the big demand for primary products in China.[69] However, Indonesia needed "a mature preparation, because with the direct trade there will be a presence of representatives offices in each country which would lead to two possibilities ... diplomatic normalization or (the destruction of) the hope of improving relations."[70]

Eventually, Suharto threw himself in favor of opening direct trade, while keeping the normalization issue aside. Foreign Minister Kusumaatmadja revealed that he made a request of President Suharto some eight months ago for normalization with China, but was told the time was not opportune.[71] Indonesia immediately sent an unofficial trade mission to China in 1985 that was aimed at gaining a significant

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[69] *Angkatan Bersenjata*, 9 November 1984.

[70] Ibid.

[71] *Jakarta Post*, 10 March 1984.

segment of the growing Chinese domestic market. This move was understood to be in the context of Indonesia's effort to diversify its economy away from dependence on oil exports over the past few years. China was considered to be a trading partner.[72] Many Indonesians argued, particularly among businessman and civilian leaders, that Indonesia should conduct direct trade with China.[73] The opening of direct trade would also provide an opportunity for Indonesia to redress its trade balance with China, which so far had benefited China. Therefore, Indonesia's readiness to embark on direct trade relations was intended to serve national interests, particularly the export of Indonesian commodities such as cement, urea, plywood, timber and steel.[74]

Table 4.1 below reveals that Indonesia had suffered a trade deficit with China, meaning that the yearly trade balance was always in favor of China from 1968 to 1984.

Table 4. 1: Indonesia-China Balance of Trade (000 US$)

Year	Export	Import	Balance
1968	38	38.418	-38.380
1969	13	43.026	-43.013
1970	-	32.759	-
1971	-	27.552	-27.552
1972	-	39.013	-39.013
1973	-	48.813	-48.813
1974	-	113.945	-113.945
1975	-	203.476	-203.476
1976	-	131.789	-131.789
1977	-	153.495	-153.495
1978	-	112.171	-112.171
1979	0	131.777	-131.777
1980	-	197.273	-197.273
1981	8.295	253.549	-245.254
1982	14.174	230.887	-216.713
1983	26.945	204.032	-177.087
1984	6.524	209.602	-203.078

Source: Indonesian Statistic Central Bureau (BPS), 1985.

Even worse, from 1970 to 1980 Indonesia had not exported any goods to China. On the contrary, China's exports to Indonesia had steadily increased. However, the record was the result of indirect trade conducted through third countries of Hong Kong and

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[72] This was particularly prevalent after the Western countries, including the US exercised the so-called 'protectionism' in their economy.

[73] Lie Tek Tjeng, "Analisa Tentang Hubungan Perdagangan Langsung RI-RRC" [The Analysis of Direct Trade between Indonesia and China], *Suara Karya*, 1984.

[74] *Pelita*, 20 January 1986.

Singapore. The thinking among Indonesian leaders was that there was a significant amount of benefit for Hong Kong and Singapore from this activity, while at the same time the economic cost of holding indirect trade should be reduced. Thus, this economic cost should be reallocated in the interest of Indonesia.

One of the main forces behind the idea to push for direct trade with China were the businessmen who joined the Indonesian Chambers of Commerce (KADIN).[75] Despite domestic opposition, KADIN with the government blessing conducted pioneering activities to open direct trade with the Chinese Center for the Promotion of International Trade (CCPIT) as its counterpart in China. KADIN's first move was to attend the Canton Fair in November 1977, calling it a "good-will mission". It later developed into intensive contacts between KADIN and CCPIT through the exchanges of businessmen, trade delegation, and government officials to explore market opportunities during the first part of the 1980s. The Indonesian government maintained that KADIN's mission was purely for business purpose and had nothing to do with the government position on normalization. In other words, trade relations with China should not be interpreted as a signal that Indonesia would soon normalize its relations with China.[76] The government also showed its cautiousness by emphasizing the possibility of direct trade links being manipulated for political purposes by China.[77] On 5 June 1985, CCPIT and KADIN signed a Memorandum of Understanding on direct trade between Indonesia and China. The Indonesian government through the publication of Presidential Decree No. 9/1985 later endorsed this agreement.[78] However, Indonesia maintained its suspicion of China over the potential danger of the influx of Chinese nationals into Indonesia. In anticipating this threat, the government confirmed that visas could only be obtained either in Singapore or Hong Kong – not in

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[75] The reason why KADIN played a crucial and unopposed role is simply because of the involvement of Suharto's close family in the organization, namely Sukamdani Sahid Gitosardjono and Probosutedjo. Additionally, KADIN is a private organization, therefore Suharto could distance itself from the accusation of sacrificing the military opposition.

[76] *Sinar Harapan*, 19 December 1985.

[77] It was stated by Indonesian State Minister Soedharmono before the Parliament, as quoted by *Kompas*, 19 December 1985.

[78] It consists of articles dealing with commodity trade, commerce, immigration, method of transaction, transportation, and communication and coordination. *Antara*, 26 July 1985.

their respective capitals – and Indonesia only designated certain ports of call for Chinese vessels.

The lengthy process of resumption of direct trade underlined, once again, that political considerations remained supreme over economic factors. However, domestic and international economic realities had forced Indonesia to moderate its position towards China, especially as Indonesia needed to diversify its export commodities. In this regard, China was considered a potential market for Indonesian commodities. At the same time, this new perception would undermine the position of those who perceived China to be a threat. In the end, the decision to resume direct trade could be considered as a compromise or middle range approach that could accommodate Indonesia's economic needs as well as to appease the military. This situation also revealed the emergence of KADIN as a new player in the conduct of relations with China. However, as direct trade relation with China began to operate, Indonesia's position on diplomatic normalization remained unchanged. Suharto himself stated that Indonesia was not in a hurry to thaw its relations with China as long as there was no assurance from the government and Communist Party of China that it no longer supported the banned communist movement in Indonesia.[79]

4.4. Towards Normalization of Diplomatic Relations: The Interaction between Domestic, Regional and External Dimensions (1985-1990)

By the mid 1980s, there were factors that ought to pave the way for normalization, namely Indonesia's economic reality, China's economic development and new departure in its foreign policy. Nevertheless, the Indonesian government was still reluctant to restore relations. Their concern continued to revolve around the danger of the PKI and communism. Thus, Indonesia's attitude on normalization was more determined by its domestic domain. What factors influenced Indonesia to restore relations with China?

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[79] *Pelita*, 9 October 1985.

A. The Primacy of Suharto in Indonesian Politics

The challenge towards Suharto's authority did not come until the mid 1970s, as indicated by the emergence of student demonstration against the growing influence of foreign investment and corruption, as it was later manifested in the *Malari* (Fifteen January Incident). As the facts unraveled, it was apparently not only against the Suharto regime, but it was also caused by the rivalry between two trusted assistants of Suharto, namely the then president's special assistant, Ali Murtopo and the then Chief of the Command for the Restoration of Order and Security (Pangkopkamtib) General Sumitro.[80] This event proved that Suharto was a master of strategy. The rivalry between his assistants easily diverted attention from his regime, foreign investment and corruption.[81]

Approaching the presidential election in 1978 there had been some calls among army officials for Suharto to step down. However, the following events showed that Suharto was unwilling to relinquish his power and avoid open discussion of leadership succession. Despite student protests and some resentment from military quarters, Suharto was elected for the third consecutive time in 1978. However, in order to restrict student activities directed against Suharto, the same year witnessed the introduction of *Normalisasi Kehidupan Kampus* (Normalization of the Campus Life), which banned students from any political activity. Consequently, the political activity in the universities has practically been neutralized since then. It became clear that Suharto was willing to implement every possible measure to silence critics and resentment.

A new development in Indonesian politics sparked a row over the Suharto presidency. It was triggered by his speech on 27 March 1980, when he referred to the threat to *Pancasila* and UUD 45 from those who still associated themselves with the

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[80] See David Jenkins, *Suharto and his Generals: Indonesian Military Politics 1975-1983* (Ithaca: Cornell Modern Indonesian Project, 1984); Interview with General (Ret.) Soemitro, I have never offended Pak Harto", See, *Gatra*, No. 14/IV, 21 February 1998.

[81] It also proved at a later stage that opposition against Suharto would have a devastating effect if accompanied by disagreement or competition between the elite politics.

value systems of the past, such as "Marxism, Leninism, Communism, Socialism, Marhaenism, Nationalism, and Religion". He also urged ABRI to select "its partners from like-minded groups who truly defend *Pancasila*, and have no doubts whatsoever in *Pancasila*".[82] This speech, as the expression of his ideas about the role of *Pancasila* as a national ideology, indeed provoked a new controversy among his old supporters and upset a large number of Indonesians, and prompted a challenge to him by asking him to clarify his speeches. This materialized in the emergence of the Petition-50 Group that challenged Suharto. This group was considered to pose a serious and more powerful threat to Suharto as it consists of prominent Indonesian figures, such as former vice-president Muhammad Hatta, and former Prime Minister Mohammad Natsir. Its quality was further strengthened with the backing of a heavyweight political elite with a military background, such as former Minister of Defense and Security General (Ret.) A.H. Nasution, former commander of West Java-based Siliwangi Military Division and the Secretary-General of ASEAN General (Ret.) H.R. Dharsono, former Governor of Jakarta Lieutenant-General (Ret.) Ali Sadikin, former Police Chief of Staff General (Ret.) Hugeng. The group presented a petition called a "Statement of Concern" and submitted it to the People's Representatives Assembly (DPR) for its consideration. The main concern of the statement stated that the President's speeches had misunderstood *Pancasila* and caused controversy within the society. The Group further rejected Suharto's way of using *Pancasila* "as a means to threaten political enemies" rather than as "a basis for unity".[83]

Suharto's reaction to the Petition Fifty Group was rather hostile and again cited the presence of a threat to national stability, rather than trying to meet the criticisms. The government, through the Chief of National Co-ordinating Intelligence (BAKIN General Yoga Sugomo) and the Commander of KOPKAMTIB Admiral Sudomo, stated that there was a plot to assassinate government officials, including President Suharto.[84] While the credibility of this statement was questionable, the President

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[82] *Kompas*, 8 April 1980.

[83] Quoted in John Bresnan, *Managing Indonesia: The Modern Political Economy* (New York: Columbia University Press, 1993), p.207.

[84] Ibid. p. 208

further reiterated that, "in order to implement development, we must all be able to maintain dynamic national stability.[85] In the end, the military authorities invoked the ever present communist threat waiting to exploit every opportunity resulting from any challenge to the New Order government. Those involved in the petition were politically isolated and denied access to any business activities. On 19 April 1980, Suharto delivered another speech in which he expressed his public anger at rumors orchestrated by "certain subversive groups" directed at him and his family.[86]

Other opposition also came from the Muslim quarter, especially over the proposal to establish *Pancasila* as the only ideological basis for the state or *azas tunggal*. This resistance had turned into a violent riot that is known as the Tanjung Priok affairs in September 1984, in which the demonstrators were brutally put down by the military. This ruthless suppression, in which up to 200 people may have died, is an event yet to be erased from the minds of many Indonesian Muslims. The armed forces, under the leadership of a Christian general, L.B. Moerdani, angered many Muslim leaders as ABRI tried to cover up the victims and blamed the protesters for the outbreak of the incident.[87] For many Muslims, the incident remains a mystery. The blame is without doubt pointed at Moerdani. In the end, *Pancasila* was officially declared as the sole ideology. Accordingly, all political parties and organizations were obliged by law to adopt *Pancasila* as their sole ideological basis. In some cases, the armed forces drove Muslim radicals to spread terror so as to give justification for the regime to further suppress Islamic forces.[88] Some even speculate that Murtopo

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[85] *Kompas*, 18 August 1980.

[86] See, Ulf Sundhaussen, "Regime Crisis in Indonesia: Facts, Fiction, Predictions", *Asian Survey*, Vol. XXI, No. 8, August 1981, pp. 815-37.

[87] Muslim's account on this incident See, *Tanjung Priok Berdarah: Tanggung Jawab Siapa? Kumpulan Fakta dan Data* [Bloody Tanjung Priok: Whose Responsibility? The Compilation of Facts and Data] (Jakarta: Gema Insani Press, 1998).

[88] One infamous example is Ali Moertopo's involvement in the creation of Komando Jihad (Holy Command) in 1977 by to persuade men associated with past Muslim rebellions to launch a renewed drive for an Islamic state. See Asia Watch, Human Rights in Indonesia and East Timor (New York: Human Rights Watch, 1989), pp. 76-85.

orchestrated the dramatic hijacking of a domestic airliner by Muslim radicals to Bangkok in 1981 for the same purpose before the 1982 general elections.[89]

Thus by the late 1980s, Suharto's policies to suppress any possible challenger, to effectively put ABRI under his control, to declare *Pancasila* as the sole ideology of state, and to put down any dissent and criticism towards him, resulted in a degree of order and political stability that had been absent in Indonesian society for many years.[90] This period undoubtedly witnessed the emergence of Suharto as the dominant force in Indonesian politics. Many scholars have described Suharto as a tactician and not as a strategist which means that he was a master in manipulating and overcoming short term problems, while he had no idea exactly how to bring Indonesia into a more institutionalized and democratic country. It was also clear that a voice questioning the longevity of Suharto in power began to emerge. In this regard, former foreign minister and president's advisor on the ideology of *Pancasila*, Roeslan Abdulgani stated: "Suharto is the person who knows when to start, but unfortunately does not know when to finish".[91]

Accordingly the dynamics and path of Indonesian politics revolved around Suharto. His formidable figure, with the support from ABRI, was at the apex of all political power in Indonesia. However, it is misleading to assume Suharto and ABRI were a solid and compact unit. When faced by an external enemy, it was clear that Suharto was the highest commander of the Indonesian armed forces. However, domestically, ABRI always strove to portray themselves as the guardians of the state, thus placing themselves above the state. Consequently, the challenge towards Suharto often came from ABRI quarters. In many cases, it also came from the students' movement. Thus a serious challenge would emerge if there were a convergence between these two camps. Given the fact that Suharto had succeeded in silencing

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[89] Michail R.J. Vatikiotis, *Indonesian Politics under Suharto: Order, Development and Pressure for Change* (London: Routledge, 1994), p. 30.

[90] To silence his critics, Suharto adopted a policy of "stick and carrot" by rewarding with lucrative business opportunities or promotions in government and private institutions to those who supported him. On the other hand, he had no hesitation in punishing those who showed their disagreement, dissent or simply were critical. The severe punishment was if they were accused of supporting communism.

[91] Interview with former foreign minister Roeslan Abdulgani on 4 December 1998.

previous criticisms and regulated *Pancasila* as the sole ideology, he had full confidence in his ability to alter Indonesia's foreign policy towards China for two reasons. First, the military's resistance could easily be overcome, and second the ideology of *Pancasila* should be able to confront communism.

B. Increasing Indonesia's International Prestige

Having secured his own backyard, Suharto paid more attention to foreign policy. Indeed, given his relative success in bringing economic development and political stability and order by the mid 1980s, Suharto started to indicate his interest in foreign policy, and showed his readiness to play a larger role in international forums. An award given by the International Food Organization as an acknowledgement of Suharto's success in achieving self-sufficient production of rice, certainly boosted Suharto's determination and confidence to enter the international stage, the area that had been neglected for two decades. Accordingly, he began to be more involved in the process of foreign-policy decision making. Accordingly, Suharto's fourth term (1983-1988) marked the beginning of Indonesia's more assertive foreign policy, as Jakarta began to reaffirm its claim to a leadership position. This was signaled in April 1985, when Indonesia hosted a gathering of eighty nations to commemorate the thirtieth anniversary of the Afro-Asian Conference in Bandung to reaffirm the relevance of the Bandung principles.[92] This new development reflected a growing self-confidence on the part of Suharto as a leading voice in the nonaligned world and provided an extra-regional platform to claim proper international standing. Suharto, secure domestically in an environment of political stability and economic growth, prepared to assume the mantle of statesman.

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[92] The 10 Point Principles are: (1) Respect for fundamental human rights and for purposes and principles of the Charter of the UN; (2) Respect for the sovereignty and territorial integrity of all nations; (3) Recognition of the equality of all races and of the equality of all nations large and small; (4) Abstention from intervention or interference in the internal affairs of another country; (5) Respect for the right of each nation to defend itself singly or collectively, in conformity with the Charter of the UN; (6) a. Abstention from the use of arrangements of collective defense to serve the particular interests of any big powers: b. Abstention by any country from exerting pressures on other countries; (7) Refraining from acts or threats of aggression or the use of force against territorial integrity or political independence of any country; (8) Settlement of all international disputes by peaceful means, such as negotiation, conciliation, arbitration or judicial settlement as well as other peaceful means of the parties' own choice, in conformity with the Charter of the UN; (9) Promotion of mutual interests and co-operation; (10) Respect or justice and international obligations. See 'Some facts about the 1955 meeting', *Jakarta Post*, April 24, 1995.

As further implementation of its new foreign policy approach, Indonesia was then involved in a major campaign to host the Non-Aligned Movement (NAM) meeting initiated in 1985. Indonesia's aim was to gain a chairmanship position that would enable it to authoritatively speak on behalf of the third world countries. Ironically, Indonesia was one of the founding members of NAM but had never hosted its summit. Indonesia's determination to enhance its international standing by performing in the context of NAM showed another consistency of Indonesian foreign policy, as was the case with the Sukarno era. Thus chairing the Movement would definitely answer the critics that Indonesia was too close to the West, at the same time lifting Indonesia's prestige on the international stage, as well as increasing Suharto's stature as a statesman. However, Indonesia's bid did not receive enough support from its members, and Indonesia had to face competition from Nicaragua.[93]

In fact, the situation was unfavorable to Indonesia's candidacy in certain respects. First, there was an unsympathetic attitude shown by socialist countries, because of Indonesia's anti-Communist stand. Second, the former Portuguese colonies in Africa rejected the bid as a result of the Indonesian occupation of East Timor. Third, Indonesia's solidarity with ASEAN, particularly on the question of Indo-China had cost Vietnamese support. Finally, the absence of normal relations with the biggest member of the Non-Aligned group, namely China, had prevented the availability of support from the biggest Movement member. Of these factors, it was clear that the absence of support from China had made it impossible for Indonesia to host the summit. Therefore, the normalization of diplomatic relations with China would definitely provide Indonesia with a better chance.

Another major initiative in foreign policy was concerned with the regional perspective. Along with other ASEAN members, Indonesia had adopted a long-term objective of establishing a regional order in Southeast Asia to include all ASEAN countries, the Indo-Chinese states and Myanmar. The main idea was to create a zone of

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[93] For Nicaragua, being the host of the summit would allow it to mobilize international support of the Sandinista government against the so-called colonialist and imperialist United States interference in its

peace, freedom and neutrality (ZOPFAN) in the region.[94] This conception rests on the basic tenet as stipulated in the Treaty of Amity and Co-operation in Southeast Asia concluded in 1976, regarding the peaceful settlement of conflicts and disputes in the region.[95] However, the Cambodian problem prevented the realization of this idea and even caused a rift among ASEAN fellow members.[96] That is why the Cambodian problem was the issue that needed to be addressed immediately.

Indonesia also actively pursued a solution to the Cambodian problem. In close cooperation with other ASEAN members, it kept the issue alive through various forums, such as the NAM meeting and the United Nations bodies. Jakarta also made an extra effort by hosting the first major breakthrough when the warring factions came to Jakarta on several occasions to attend Indonesian initiative of the Jakarta Informal Meeting (JIM) in July 1988 and February 1989. These were historic meetings as for the first time, the warring factions sat down together and discussed their own problems. In the end, the Jakarta Meeting had paved the way for the convening of the International Conference on Cambodia in Paris, 1989. In this context also the restoration of diplomatic relations with China could provide a better opportunity for both Indonesia and China to encourage a comprehensive solution to the Cambodian problem and to bring peace, freedom and neutrality in the Southeast Asian region. In the end, Indonesia learned that in order to create order and comprehensive peace and stability in the region, co-operation and normal diplomatic relations with China were essential.[97]

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domestic affairs. The decision-making process of the Movement is only made possible through consensus, thus ruling out any possible voting.

[94] See: "Zone of Peace, Freedom and Neutrality Declaration" (Kuala Lumpur Declaration). Kuala Lumpur, 27 November 1971. *ASEAN Document Series 1967-1986*, Jakarta: ASEAN Secretariat, 1986.

[95] "The Treaty of Amity and Co-operation in Southeast Asia", 24 February 1976. *ASEAN Document Series*. Jakarta: ASEAN Secretariat, 1986.

[96] Further discussion on Cambodian problem, See: Frank Frost, "The Cambodian Conflict: The Path towards Peace", *Contemporary Southeast Asia*, Vol. 13, No. 2, September 1991; Milton Osborne, *Before Kampuchea, Preludes to Tragedy* (London: George Allen & Unwin, 1979); Michael Vickery, *Cambodia 1978-1982* (Boston, MA: South End Press, 1984), especially Chapter 2.

[97] By the end of 1980s, these obstacles have disappeared as a result of the changing global political economy. As a result, Indonesia was eventually elected chair of the movement and host of the September 1992 Jakarta Summit. In the preparation for the summit, as incoming chair, Suharto undertook the longest foreign tour of his career that lasted for twenty-three days (November - December 1991). He visited two Latin American countries and three African countries and attended the meetings of the Group of Fifteen (South-South Co-operations). Thus Indonesia formally abandoned its low profile, domestically and

4.5. Final Steps towards Normalization: Suharto's Decision

A. Early Resistance: The Implication of the Tiananmen Incident

Although trade relations continued to be encouraging from Indonesia's perspective, normalization remained off the agenda. Nevertheless, Suharto's closest aide and State Minister Moerdiono encouraged Indonesian businessmen not to hesitate in conducting trade with China.[98] On their part, the military maintained their suspicions and presented new findings to highlight the danger of the PKI. In February 1988, for instance, the Chief of BAKIN disclosed that the outlawed PKI still had young cadres abroad, as the international communist party in Budapest was also attended by thirty-five participants who claimed to be PKI delegates and not known to BAKIN. The existence of such new cadres showed that communists continued to pose a potential threat to national stability.[99] Support for the opponents of normalization also came from Islamic factions that pointed to the communists as a latent danger as in the case of the New People's Army in the Philippines that received support from China.[100] In his statement before the 1988 General Assembly of MPR, President Suharto also underlined that Indonesia still linked normalization of diplomatic relations with the willingness of China not to interfere in the domestic affairs of other countries, especially Indonesia, by supporting the communist remnants.[101]

According to the military, there were three preconditions for the resumption of diplomatic relations with China.[102] First, China had to acknowledge its involvement in the 1965 coup attempt. Second, China had to apologize for its interference, and thirdly,

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regionally focused foreign policy.

[98] *Suara Pembaruan* and *Suara Karya*, 17 June 1988.

[99] *Jakarta Post*, 20 February 1998.

[100] As expressed by Husnie Thamrin, deputy secretary general of Islamic PPP. *The Jakarta Post*, 22 April 1988 and Imron Rosyadi, Member of the Parliament from PPP, *Pikiran Rakyat*, 25 April 1988.

[101] *Suara Pembaruan*, 13 April 1988.

[102] It was expressed by Chief of BAKIN Yoga Sugama before the Parliament on 18 February 1988. *Pelita*, 27 February 1988.

China had to promise not to repeat its interference in Indonesian domestic affairs. Sugama further stressed that, bearing in mind political and security developments, there was no urgency to thaw the relationship. Informal meetings between two officials could be held, but more time was required to restore diplomatic relations. When questioned whether China would be able to fulfill those three conditions, he did not answer the question. Instead, he emphasized these three preconditions as sensitive issues and quoting the foreign minister's previous statement that President Suharto remained sad deep inside his heart, particularly with regard to the fate of the army general killed by Gestapu/PKI.

However, to the surprise of many observers, Suharto decided to normalize diplomatic relations during the funeral of the Emperor Akihito of Japan. After a meeting between Suharto and Chinese foreign minister Qian Qichen on 23 February 1989 the move became clear as both agreed on the basic principles underlining the normalization of diplomatic relations, including the settlement of outstanding issues. These were the issues of Indonesian debt to China,[103] the granting of passports to Chinese citizens in Indonesia[104] and Chinese illegal immigrants. In fact, the meeting between Suharto and Qian Qichen has been preceded by the latter's meeting with Indonesia's State Secretary which apparently has laid down a general agreement on the principles of normalization.[105] Although there was no official statement of apology from the Chinese officials, as demanded by the military hard-liners, Moerdiono made it clear that, "I felt that I have received an assurance that the Chinese Communist Party and the Chinese government would not maintain its contact, let alone support the

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[103] According to Indonesia, its debt to China is amounted at SF91,87 million and £5,73 million, while China's record stands at SF117,06 million and £1.86 million. In the end both governments agreed to come up with the figure of US84, 222,475.14.

[104] Indonesian delegation to the technical meeting of normalisation of diplomatic relation presented that there were 299.224 Chinese citizen in Indonesia. It was the result of the Presidential Decree No. 10/1959 in which they decided to opt for Chinese nationality or go back to China. However, because the ship that was supposed to carry them to China did not turn up, so they have been staying in Indonesia ever since.

[105] There are three basic agreements towards normalisation. *First*, both parties will take further steps towards the normalisation of diplomatic relation. *Second*, the foundation agreed by both parties are *Dasa Sila Bandung*, while they agreed on 5 principles of (i) mutual respect for sovereignty and territorial integrity; (ii) non-aggression; (iii) non-interference in their respective domestic affairs; (iv) the similar level of the two nations' degrees; and (v) benefits and peaceful co-existence. Third, each respective representatives in the United Nations should continue effort to normalize the relations, and should be its necessary both foreign minister could meet.

remnants of G30S/PKI".[106] In an interview with an Indonesian magazine, *Editor*,[107] he underlined the fact that there was no third party involvement in the preparation of the meeting between two high officials and it was China who initiated the meeting.[108] He also observed that China had changed its position on supporting the remnants of the PKI. Indonesia and China also agreed to develop the relations based on the principles of *Dasa Sila Bandung*.

On the way back to Indonesia, Suharto explained that maybe because of reform and other factors, the Chinese government had eventually adopted the policy of not supporting the remnants of G30S/PKI, in accordance with Indonesia's pre-condition.[109] His claim that China had bowed to Indonesia's demand was definitely aimed at his domestic audience. However, in order to accommodate the opponents of normalization, President Suharto reaffirmed that Indonesia should maintain its guard towards China. As the result of Suharto's agreement on making preparations for the restoration of diplomatic relations with China, there was no choice for the military but to harmonize its voice and to line up behind Suharto, as the military leadership showed its conformity with Suharto's decision. The then Minister for Defense and Security Gen. Moerdani stated that,

> As a big nation enough nation, we should think rationally in developing relation with other countries, including China. Because in developing these relations we should not question communism but its system, and Indonesia should also distinguish between China and ethnic Chinese in Indonesia. We are more advanced than China. Indonesian GNP is higher. Therefore, we should be convinced of our own ideology. If we are afraid that our ideology would be threatened simply because of developing relations with China, it means that we question our own ideology's resilience.[110]

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[106] *Suara Pembaruan*, 24 February 1989.

[107] *Editor*, 4 March 1989.

[108] There was speculation that the Japanese had arranged the meeting between Suharto and Chinese Foreign Minister.

[109] *Antara*, 27 February 1989.

[110] *Angkatan Bersenjata*, 2 March 1989.

However, since this Tokyo agreement did not state any time frame, those opposed to normalization argued that it should not be done in a hurry. While welcoming the agreement, Chief of ABRI Gen. Try Sutrisno said that ABRI would secure the government's decision to normalize official diplomatic relations with China.[111] Nevertheless, this did not mean that Indonesia would lower its guard against China. Governor of ABRI think-tank *Lemhanas* (National Defense Agency) Gen. Subijakto also expressed his opinion by reminding the Indonesian people of the dangers of communism. He underlined the fact that one decision in a communist state should not be considered as a final one, because the party is the most influential decision-maker.[112] This suggested that Indonesian military thinkers might be waiting for authentic and genuine evidence from both the government and the Chinese Communist Party in Beijing to ensure that normalization would not lead to a communist revival in Indonesia. This opinion was supported by one of the Muslim leaders, H.J. Naro, a Member of Parliament from PPP who stated that Indonesia should be cautious because China's approach was only at ministerial level.[113]

Apparently, the opponents of the normalization followed the Tiananmen incident with great apprehension. One retired general stated that China after Tiananmen meant going back to adventurism.[114] Thus Indonesia should review its preparations for the normalization. On the contrary, the Indonesian Foreign Minister was reluctant to condemn the incident and refrained from making strong remarks.[115] The reason was that Indonesia did not want to get involved in the domestic affairs of another country.[116] While emphasizing that Indonesia remained committed to the agreement with China on normalization, Alatas refused to link normalization and the Tiananmen incident. However, in the eyes of the military, Beijing's image had been undermined,

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[111] *Jakarta Post*, 2 March 1989.

[112] *Merdeka*, 2 March 1989.

[113] *Angkatan Bersenjata*, 28 February 1989.

[114] Ret. Gen. Soemitro, *Suara Pembaruan*, 23 October 1989.

[115] *Kompas* and *Merdeka*, 17 June 1989.

[116] It might also be used as a precedent for other countries to interfere in the domestic affairs of Indonesia. Indeed, Indonesian leaders are sensitive to any kind of outside interference.

and it even raised doubts about Chinese sincerity in improving relations with Indonesia. While the possibility of China being dominated by radicals or conservatives was still in question, there was no doubt that the Indonesian military exploited the incident as justification for their reluctance towards normalization.

To support the military's resistance, Gen. Subijakto, Governor of Lemhanas stated that the choice of Jiang Zemin to succeed Zhao Ziyang in China's premiership position could be expected to result in the Chinese Communist Party's becoming more inward looking.[117] Therefore, a party led by such a conservative and less progressive figure would focus its attention on internal party matters and consequently, have little willingness to build friendship with the outside world. He further said that he did not think it would be wise to accelerate the normalization process in the near future. On the contrary, Indonesian Minister for Defense and Security Gen. Moerdani seemed not to share the views expressed by Gen. Subijakto by stating the normalization process that was currently being undertaken should be continued.[118] There was no doubt that his opinion was intended to balance ABRI's voice and to avoid ABRI from being seen as antagonizing Suharto's decision.

As a result of the Tiananmen incident, there was a wide and strong criticism towards the Chinese government, especially from the Western countries. Even worse, the Western countries were leading an intensive campaign to isolate China as a member of the international community and to impose economic sanctions. This situation was a kind of blessing in disguise for Indonesia, as China seemed prepared to soften its position and accepted Indonesia's terms of normalization. Indeed, China appreciated Indonesia's position not to criticize and condemn the incident, which was against the overwhelming tendency of Western countries. Indonesia was also considered to be holding an important diplomatic key as China was trying to restore its image after the Tiananmen incident. Indeed, the normalization of diplomatic relations

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[117] *Jakarta Post*, 27 June 1989.

[118] *Kompas*, 5 July 1989.

with Indonesia would give a boost of confidence for the Chinese leadership in reestablishing China's international stature.

B. The Importance of Normalization

While the decision to freeze the diplomatic relations was in the hands of Indonesia, accordingly the initiative to normalize the situation would also need to come from Indonesia. On the occasion of attending the ESCAP meeting in Jakarta in April 1988, the Chinese Deputy Foreign Minister Liu Shuqing made a further clarification of China's position on normalization.[119] First, Beijing had no difficulty in restoring diplomatic relations with Indonesia, and developing a friendship with Indonesia in accordance with *Dasa Sila Bandung*. Second China never interfered and would never do so in the domestic affairs of other countries. Third, China denied its involvement in the Gestapu, as it was the result of the internal conflict in Indonesia. Indonesia and China should forget past history.

Eventually, the sign of diplomatic normalization emerged in October 1989 when President Suharto sent a congratulatory telex to President Yang Shangkun on the occasion of the 40th Anniversary of the PRC. Many Indonesian observers such as Jusuf Wanandi, Juwono Sudarsono and A. Dahana interpreted it as a step closer to normalization.[120] It was the first time since the freezing of diplomatic relations in 1967 that President Suharto had congratulated the Chinese leader on the occasion of the National Day 1 October 1989. At one seminar, Juwono Sudarsono reiterated that it was time for Indonesia not to be haunted by PRC, Chinese Communist Party and PKI. Although, Indonesia could not forget the bitter experience 24 years ago, but its vigilance should not prevent the restoration of diplomatic relations.[121] In the same forum, former Chief of BAKIN, Yoga Sugama presented a different view on normalization by stating the need to wait until the Chinese domestic political direction

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[119] See, *Angkatan Bersenjata*, *Jakarta Post*, *Antara*, 13 April 1988, *Suara Karya*, 14 April 1988.

[120] *Kompas*, 7 October 1989.

[121] *Kompas*, 16 October 1989.

became clear.[122] His statement once again indicated the military's apprehension of the radicals in China staging a possible come back.

At the end of 1989 as a follow up to February's agreement in Tokyo, a group of Chinese representatives visited Indonesia to discuss details of normalization. They held meetings with Indonesian counterparts on the agreements that had been signed and selected which one of these agreements where the commitment is still there.[123] The meetings ran smoothly and agreement was reached on the outstanding problems. After a series of meeting held from 5 to 9 December in Jakarta, a joint statement was agreed thus clearing the way for normalization. Entering 1990, the normalization of diplomatic relations became a matter of time, as both parties were actively involved in various preparations to solve the outstanding problems. It was during that meeting that China reiterated its assurance not to support communist movements in Indonesia.[124] Alatas' visit to Beijing also set the time for a formal re-opening of diplomatic relations, when China and Indonesia agreed that Chinese Prime Minister Li Peng was to visit Indonesia in early August 1990.

Eventually both governments agreed that the official normalization would be conducted on 8 August of the same year. The Chinese government also agreed that the ceremony should take place in Jakarta where its Prime Minister would visit. Again, it symbolized Suharto's victory, at least in front of his domestic public, that a Chinese representative was willing to come and sign the agreement in Indonesia. The signing of a Memorandum of Understanding on the normalization of diplomatic relations eventually took place on 8 August 1990. The document contains provisions on non-interference in the internal affairs of other countries and the need for peaceful co-existence. Suharto and Li Peng also discussed the issue of Cambodia. The latter reiterated the attitude of the Chinese government towards ethnic Chinese living outside

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[122] Yoga Sugama argued that is still uncertain to the future of Chinese domestic politics whether it would be dominated by the conservative, the progressive or the status-quo groups.

[123] Up to 1965, Indonesia and China signed 19 agreements, which consists of 14 agreements on economic, 3 agreements on socio-cultural and 2 joint communiqué. Indonesia cancelled the 1955 Dual Nationality through the Law No. 4/1969.

[124] *Kompas*, 7 February 1990.

China.[125] He expected ethnic Chinese descendants, especially those living in Indonesia, to become good citizens, and China would not use them to promote its interest.

During that meeting, China also expressed its support for Indonesia's role in the settlement of the Cambodian problem. For its part, Indonesia requested China to convince the conflicting parties in Cambodia to solve their differences through negotiation, and not by force. Indonesia fully realized that the non-inclusion of China, as the principal supporter of the Khmer Rouge, in the two meetings on Cambodia in Jakarta had barely borne a fruitful result. Cambodia was a complex problem since it involved Cambodian factions as well as outside powers, particularly China and Vietnam.[126] For Indonesia, the normalization would enable her to take a more active role in the building of peace and regional order in Southeast Asia. Furthermore, the improvement of diplomatic relations with China would surely pave the way for Indonesia's bid to chair the Non-Aligned Movement. Above all, the most basic reason for Indonesia to normalize its ties with China was based on the need to implement a free and active foreign policy.[127] As proof of Indonesian consistency on these principles, Indonesia maintained its "One China Policy" that ruled her out from diplomatically recognizing Taiwan.

Domestically, the timing of the normalization of diplomatic relations proved that Suharto was in control of Indonesia's foreign policy. His success in bringing economic development, creating stability and order had boosted his power and increased confidence in foreign policy. His decision to restore relations was indeed against the prevailing military opinion. Thus, once again he proved who was the master. Nevertheless, his move on China could not be seen as eventually taking the

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[125] This explanation was given by State Minister Moerdiono, See *Kompas*, 8 August 1990 and *Suara Karya*, 8 August 1990.

[126] The Cambodia conflict was a complex issue, since it involved both domestic political factions as well as external power interference. The political factions consisted of political factions that were divided and hostile towards each other. Vietnam, supported by the Soviet Union, was also directly involved after its military intervention into Cambodia in 1979. Thus domestic rivalries had been complicated by the presence of external patron, namely China and Vietnam. In a broader context, the Cambodian conflict also involved the competition between China and the Soviet Union.

[127] State Secretary Moerdiono as quoted by *Kompas*, 7 February 1990.

side of the proponents of normalization. This is because it was not in his character to give credit and appreciation to others. Instead, he always tried to get credit for himself. Therefore, the timing of the decision was taken to show that the credit is his. In a broader context, the normalization was also intended to increase Indonesia's international stature and prestige.

As far as China is concerned, its relations with Indonesia were also considered to be very important. Generally, as indicated by Harris, close ties with the Third World are very crucial because they provide China with an essential international buffer against the superpowers, an expanded base for reference and authority, and the potential for mutual economic assistance and co-operation.[128] China saw Indonesia as the biggest country in Southeast Asia with its economic potential and strategic location in her southern backyard.[129] China obviously did not want Indonesia to be too close to Japan, the US and the Soviet Union, as it related to Indonesia's control of the strategic Malacca Straits that channeled trade to Europe and the Middle East. Thus China needed a peaceful and stable environment that was conducive to its development plan. Moreover, the normalization of diplomatic relations could be seen in the context of China's effort to rehabilitate her international standing, particularly after the Tiananmen incident.

4.6. Conclusion

For more than two decades, Indonesia had maintained its projection of China as a threat to Indonesia's security. While the domestic enemy of the PKI was banned, China as its external ally had been kept at bay by the freezing of diplomatic relations. Due to the dominance of the military in the New Order regime, it was their views, supported by Suharto, which had prevailed in Indonesian domestic politics. The word 'normalization' was rather taboo during the first decade of New Order as it might challenge the very basis of the government's interpretation of China. However, the

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[128] Lilian Craig Harris, *China's Foreign Policy toward the Third World* (New York: Praeger Publishers, 1985), p.62.

[129] Interview with officials of the Chinese Embassy in Jakarta, 16 November 1998.

bandwagon of normalization was only moving forward after China began signaling its willingness to improve its relations with Indonesia. There is no doubt that the coming of the moderate and progressive leader Deng Xiaoping in 1978 significantly played its part in creating a more conducive environment, especially through the introduction of modernization and open door policy. These policies made it necessary for China to create a stable and peaceful external environment. Thus restoring relations with Indonesia should also be seen in this direction.

China's initiative towards normalization was received with mixed feelings among Indonesian elite leaders. The opponents of normalization mostly came from the Ministry of Defense (Hankam) and the influential intelligence body of BAKIN. They presented various reasons of objection ranging from the security dimension, the issue of ethnic Chinese as well as Chinese political ambition in Southeast Asia. They argued that there remained considerable obstacles to a restoration of diplomatic relations. At the forefront was the thorny, two-dimensional 'Chinese problem' – communism and the ethnic Chinese. Indonesia's staunch anticommunist military leadership also remained bitter over China's alleged role in the 1965 abortive communist coup attempt. On the contrary, the proponents of normalization that were centered to be around Adam Malik, argued that normalization was a necessity due to the increasing role of China in the world. Additionally, it should also help facilitate the settlement of the Cambodian problem, bring benefit for Indonesia's economy and more importantly, pave the way for Indonesia's intention to play a leadership role, especially in the context of the Non-Aligned Movement.

Up to 1978, Indonesia's perception of China followed the views of the military, which was fully shared and supported by Suharto. China's initiative to normalize the relations with Indonesia was regarded as the biggest challenge to the military's perception of China. To a lesser extent, the changes in the international environment, particularly the Sino-US rapprochement, the improved relations between Malaysia and Thailand with China which culminated in the opening of diplomatic relations in the mid 1970s, had certainly put more pressure on Indonesia. In the end Indonesia did not budge at all, as the military's opposition remained strong against such a move, while Suharto put himself behind the military. This sequence also underlined that

normalisation was more a domestic issue for Indonesia and subject to the dynamics of Indonesian politics. Despite Suharto's intervention in March 1978 that underlined Indonesia's willingness to cooperate with China as long as Beijing respected the principles of non-interference and mutual respect, it appeared that the opponents of normalization remained reluctant to embark on the restoration of diplomatic relations. Thus the road to normalization still had a long way to go.

However, the development of the international economy affected Indonesia's development, particularly over the drop in oil prices in 1984. As a result, the government was compelled to make a structural adjustment by reducing its dependence on oil exports and diversifying its non-oil commodity exports and to expand the market for its commodities. China in this regard was seen, particularly among private and business quarters, as a market opportunity. Indeed, the emerging Chinese economy, in this context, has been regarded as one of the potential cures for Indonesia's economic problems. Thus to protect Indonesia's interest of economic development, Suharto finally agreed to formally reopen direct trade with China which was realized in 1985. It was expected that China would become one of Indonesia's export commodities markets. Suharto appeared to be behind this idea and cleverly played the card of the KADIN as a force seemingly behind the move. For the military, they had no other option but to reluctantly support Indonesia's move to conduct a direct trade with China. However, to appease the opponents of the normalization, Suharto's government made it clear that the opening of direct trade should not be interpreted as leading to normalization of diplomatic relations. On their part, the military maintained vigilance by issuing regulations to prevent the arrival of communist subversive elements from China.

To the surprise of many, in 1989 President Suharto and the Chinese Foreign Minister agreed to restore relations during the funeral of Japanese Emperor Hirohito. One year later, relations were fully restored. Indeed Indonesia's decision to normalize diplomatic relations with China was influenced by several factors. First, it was the result of Suharto's success in creating stability and order. This is particularly evident after Suharto successfully declared Pancasila as the sole ideology by 1985 and its subsequent acceptance by all political parties and other organizations. In this context

Pancasila should help to provide ideological protection for Indonesia from the threat emanating from China, communism and the ethnic Chinese. Second, Suharto's success in securing his own backyard through the creation of economic development and stability had boosted his confidence. Accordingly, he began paying more attention to foreign policy. Thus the decision of diplomatic normalization with China should be understood in part as deriving from Suharto's primacy in Indonesia's foreign policy decision making process.

Third, the normalization of diplomatic relations with China should be understood in the context of Suharto's effort to increase Indonesia's international prestige by playing a bigger role on the world stage, while at the same time emphasizing Indonesia's free and active foreign policy. In this context, Indonesia needed China's support to actively participate in the solution of regional and international problems, especially those faced by the developing countries. Fourth, Suharto considered China as an opportunity from which Indonesia might benefit. Indeed, the trade balance between both countries since the convening of direct trade showed an encouraging record in favor of Indonesia. Finally, China's guarantee not to support the PKI, and not to interfere in Indonesian domestic affairs and not to exploit the Indonesian ethnic Chinese had definitely given an impetus towards better relations.

Chapter Five

Redefining the Perceptions of China:
The Emphasis on Domestic and Economic Perspectives
(1990 - 1997)

The normalisation of diplomatic relations with China could broadly be understood as the result of the interaction between three factors, namely developments in the domestic political and economic contexts in Indonesia and China, as well as changes in the international environment. As the final decision to restore relations was made by Suharto, he also proved his domination in foreign policy decision-making. One of the biggest consequences after the normalization has been Indonesia's change of perception of China from a threat to an economic opportunity and a possible aid in boosting Indonesia's international stature. However, the decision to restore diplomatic relations with China left unanswered questions. What was the Indonesian elite's perception of normalization, particularly the military? How has the issue of the ethnic Chinese been affected by the dynamics of Indonesian politics? How has the military readjusted its perception of China and how have they viewed the role of ethnic Chinese?

Therefore, the aim of this Chapter is to analyse how the Indonesian elite leaders have redefined the perception of China and to find out how the perceived the link between China and Indonesian ethnic Chinese has been affected. In so doing, this Chapter is divided into five parts. The first part focuses on the perception of the restoration of diplomatic relations with China. The second section examines the dynamics of Indonesian domestic politics, particularly the shifting balance of power and the emergence of Islam. The third portion discusses the issue of the ethnic Chinese. The fourth segment examines and analyses how threat perceptions of China have gradually shifted from political and security concerns to economic considerations. The last part is the conclusion.

5.1. Indonesian Elite Views of the Implication of Normalization: Purposes and Advantages

A. Reactions towards Normalization: Maintaining Security Concern and Suspicions of Ethnic Chinese

What was the Indonesian elite's reaction to the normalization of diplomatic relations with China? Mostly, they were in agreement with Suharto's decision to reopen the formal link with China that was regarded as having significant benefits at the socio-political, economic and strategic levels. As discussed in the previous chapter, the decision to normalise ties with China came from Suharto. Consequently, the majority of the domestic audience supported this move, as they were not prepared to be seen as antagonising Suharto. However, this move did not necessarily receive full support from other elite groups, particularly the military and some elements of the Muslim right wing. While the enthusiasm and expectation from the opening of diplomatic relations was high, there was also concern expressed that economic interest should not sacrifice other interests, particularly the security of the nation. Several statements expressed by military officials explained their attitude. In explaining why it took so long for Indonesia to agree to the restoration of diplomatic relations with China, Defence and Security Minister L.B. Moerdani, for example, told reporters that Indonesia required a long period to resume ties with China because of strong anti-China feelings in the country.[1]

While maintaining the need for vigilance, the military also believed that Indonesia's social and political condition was strong enough to resist any external ideological challenge. Chief of Armed Forces (ABRI) General Try Sutrisno, for instance, stated that the normalization of diplomatic relations with China did not mean the loosening of Indonesian vigilance towards the communist threat or danger. The reason why Indonesia decided to normalise its relations with China was because "the Indonesian nation is currently strong enough, that is why [we] should not be afraid of other parties that are trying to disseminate their ideology."[2] However, one should not underestimate the importance of national conditions that may decide the fate of communism. In this regard, Indonesian former foreign minister Roeslan Abdoelgani stated Indonesia should not be worried about the communist threat, as long as the

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[1] *Jakarta Post*, 6 August 1990.

[2] As quoted by *Antara*, 8 February 1990.

conditions where communist seeds grow can be eradicated.[3] The fertile place for communism to expand is, among others, where there are conditions of poverty, social injustice and domestic political pressure. Given that Indonesia's economic situation was rather good, the communist issue should not be a problem in Indonesia. As far as the revival of the PKI was concerned, he considered it impossible as the Indonesian government officially outlawed the party, and the Chinese government had clearly declared no it longer supported the communist party in Indonesia.

However, the military officials also realised the importance of the economic dimension of normalization. In this regard, former Head of State's Intelligence Coordination Agency (BAKIN) Sutopo Juwono also shared the view that Indonesia could not maintain its rigid position towards China and changes should be undertaken. He explained, "We cannot always look back. Everything now has changed. And more importantly, whether you like it or dislike it China has more than one billion people. It certainly cannot be ignored."[4] This view was obviously shared by many Indonesian businessmen who had been in favour of the opening of diplomatic relations. In this regard, one prominent Indonesian businessman and a close family member of Suharto stated, "We cannot ignore the fact that the PRC with a population of more than one billion is a huge potential market.[5]

A cautious view was also expressed by eight Islamic Youth organisation leaders just one day before the arrival of Li Peng in Jakarta in August 1990. They made their opposition known by issuing a warning on the possibility that diplomatic normalization might be used by "certain quarters" to promote their own self-interest.[6] It is strongly believed that their concern was directed towards the Indonesian ethnic Chinese tycoons.[7] While understanding the government decision that was intended to serve the national interest and the interest of Indonesian people, they asserted that the relations

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[3] *Kompas*, 5 Juli 1990.

[4] Interview with *Suara Karya*, 6 August 1990.

[5] H. Probosutedjo, known as younger brother of Suharto, is one of Indonesia's tycoons. As quoted by *Antara*, 2 August 1990.

[6] *Pelita*, 7 August 1990, *Jakarta Post*, 7 August 1990.

[7] In the Indonesian parlance, they are called "conglomerate" which means big businessman or tycoon.

with China should be based on five principles.[8] This statement further reminded all Indonesians to be vigilant against the communist threat in all its forms. Communism is a latent danger therefore the developments relating to the ideology in the world should not carry us away as if it has collapsed. This statement appeared to reflect the military's line of thinking, particularly on the part of ethnic Chinese and communism.

The Muslim group in parliament, which did not cherish the normalization with China also, expressed its concern over security. A leading legislative figure from the Islamic United Development Party (PPP), Jailani Naro, warned that Indonesia should not lower its guard against a possible communist revival now that it had decided to re-establish official diplomatic relations with China.[9] Although he could not deny the importance of the restoration of diplomatic ties, efforts should be made to ensure that the 1965 incident should not reoccur. He clearly referred to Jakarta's claims that the coup attempt was conducted by the Chinese-backed communist party or the PKI. China should have by now learned "a lesson" from the absence of its official relations with Indonesia, that it would pay dearly if it interfered in the internal affairs of other countries.[10] In expressing the implication of diplomatic normalization, the spokesman of the PPP even went further by warning that if indigenous businessmen were not given more leeway to develop their business activities, the ethnic Chinese would soon monopolise the economy and control the government as a whole.[11]

In its editorial, a Muslim oriented newspaper stated that although the assurance from China not to interfere in the domestic affairs of Indonesia had been guaranteed, Indonesia should receive it with vigilance, as there were many issues to be observed thoroughly.[12] For example, the normalization should not impede the realisation of the

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[8] First, before the relations could be further developed, Prime Minister Li Peng, on behalf of the Chinese government and people must apologise to Indonesia for China's involvement in the communist attempt of September 30, 1965. Second, as proof of good will, the Chinese government/the Communist Party must repatriate PKI figures to Indonesia so they can be brought to trial. Third, China must not (any longer) interfere in Indonesia's domestic affairs. Fourth, PRC must not revive the outlawed PKI and must not spread communist ideology in Indonesia. Fifth, PRC must not grant citizenship for ethnic Chinese who have become Indonesian nationals.

[9] *Jakarta Post*, 7 July 1990.

[10] Jailani Naro, interview with *Jakarta Post*, 7 August 1990.

[11] Thaheransyah, as quoted by *Jakarta Post*, 10 August 1990.

[12] *Pelita*, 19 November 1990.

nation building process that had consistently been pursued by the government. On the contrary, the Central office of *Muhammadiyah Youth Organisation* welcomed the normalization and appealed to all Indonesians to use this normalization to the maximum for the wealth of the people and the success of national development.[13] This mixed reception towards normalization among the Islamic groups underlines that there was no agreement among the Muslims over normalization.[14] *Muhammadyah* represents the progressive movement, while Naro is known for his close relations with the military.

Additionally, the normalization also raised the issue of ethnic Chinese in Indonesia, particularly over their position and domination in the structure of the Indonesian economy. In this context, the opening of diplomatic relations was perceived by some as threatening the Indonesian economy, especially because of the potential flight to China of capital owned by Indonesian ethnic Chinese tycoons. This once again underlined the widespread suspicions of the ethnic Chinese loyalty. The Chairman of Indonesian Assimilation Foundation, Jusuf Hamka, stated that, "After the restoration of diplomatic relations, the ethnic Chinese community that had lived in Indonesia for decades should not be indecisive, rather they must strengthen the sense of nationalism and their love of Indonesia.[15] Meanwhile, Vice-President Try Sutrisno was quoted as saying that the government never promised to allow the Chinese to retain their outward cultural attributes. He further stated that the Chinese should forget their ethnic origins as much as possible.[16]

The above expressions reflect the fact that there was still concern that Indonesian ethnic Chinese may be drawn by their identity and cultural links to turn their loyalty to Beijing. Anther opinion underlining this concern was also expressed by a member of KADIN that the question of nationalism among the ethnic Chinese played a

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[13] *Kompas*, 7 August 1990.

[14] Those who opposed the normalization from the Islamic forces were known close to the military. This is also the case with Jailani Naro who received military backing in the run up of vice-president election in the parliament in 1989.

[15] Interview with *Merdeka*, 14 February 1990.

[16] *Asiaweek*, 31 March 1995.

significant role in trade and economic relations. [17] Thus, a relationship that is based on primordialism should be avoided. Consequently, the issue of assimilation or integration between *pribumi* and the ethnic Chinese need to be further addressed. As long as the Indonesian ethnic Chinese conglomerates contributed to the promotion of national interests, their presence should create no harm. On the contrary, should they become the channels for foreign interest to penetrate Indonesia's domestic market without social awareness, then the problem must be there. Moerdani underlined that "That role would remind us of the status of *comprador* in the colonial period."[18]

For its part, China has made its position with regard to the ethnic Chinese clear. Premier Li Peng was quoted saying that they [ethnic Chinese settling abroad] were "no longer Chinese nationals" and therefore they should "fulfil their obligations to their adopted country just like other citizens."[19] He further stated that, "As for those ethnic Chinese who retain Chinese nationality, we have all long requested and educated them to observe the laws and decrees of the country of their residence, respect the local customs and live in friendship and harmony with the local people of other ethnic groups and contribute their share to the nation building." A similar confirmation was later repeated during his meeting with Indonesian senior editors that the Chinese government had no intention at all to use ethnic Chinese for China's interest. He also welcomed those ethnic Chinese wishing to come to China, to visit families, give respect to their ancestry or for other motives.[20]

B. The Optimistic Perception of Normalisation: Promoting Trade and Realising Regional Peace and Security

For those who supported the normalization, the move to restore diplomatic relations with China was considered as a necessity. It was a positive response to domestic dynamism, regional and international realities, and particularly the changes

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[17] Jacob Hendrawan, Vice-Chairman of Chinese Committee of KADIN as quoted by *Merdeka*, 14 February 1990.

[18] *Kompas*, 26 July 1990.

[19] *Jakarta Post*, 9 August 1990.

[20] Premier Li Peng's interview with newspapers chief editor and head of news agency: Jacob Oetama (*Kompas*), Sabam Siagian (*Jakarta Post*), Ani Bertha Simamora (*Suara Pembaruan*) and Parni Hadi (*LKBN Antara*), See, Kompas, 11 August 1991.

that had been taking place in China, as well as enabling Indonesia to play a greater role on the international stage. They generally welcomed the improvement in Sino-Indonesian relations and expected that it should contribute towards Indonesia's interests, especially in economy and trade. It should also pave the way for the solution of regional and international problems to which Indonesia was willing to contribute. Therefore, the positive reception was mainly concentrated on two aspects, namely the benefit for Indonesian economy, and the creation of peace and stability in the region.

As far as the economy was concerned, normalization was seen as, at least increasing the opportunities for the export of non-oil and gas commodities to China. As the first non-governmental organisation that pioneered the reopening of trade contacts with China, Indonesian Chamber of Commerce (KADIN) welcomed the normalization. Its Chairman reminded the nation of the fact that there has been a significant increase of trade volume between these two countries.[21] Therefore the opening of diplomatic relations should create a favourable atmosphere that should eventually create a further increase in trade volume. In this regard, the massive population in China has been considered as a large potential market for Indonesian goods. Nevertheless, it remains to be seen whether the majority of the Chinese population would automatically consume Indonesian products. This is a major question since China is in the same position as other members of the developing countries. Thus instead of absorbing Indonesian products, there is a possibility of China becoming a competitor of Indonesian commodities.[22] While exploring the potential opportunities in trade, Indonesia should maintain its vigilance and prevent the negative implication towards domestic industry from competition with Chinese products.

It was expected that the restoration of diplomatic relations would also contribute to the creation of peace and security in the region. Indeed, the most immediate concern for the countries in the region has been the settlement of the Cambodian issue that had on some occasions put the ASEAN member countries' respective positions at odds with each other. The settlement of the Cambodian problem

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[21] Indonesia- China trade volume in 1986 amounted US$424 billion and it was expected to reach US$800 billion by 1989. *Antara*, 12 February 1990.

[22] For example, these similarities can be found in natural gas and oil, and other products using a simple industrial technology.

should eliminate one source of conflict and enable countries in the region to embark on more important issues. In practice the existence of diplomatic relations between Indonesia and China would facilitate and expedite the settlement process of the Cambodian problem. This is the case because as mediator it was thought that Indonesia should be able to persuade China to use its influence on the Khmer Rouge. Premier Li Peng also underlined that both Indonesia and China sought the creation of peace and stability in Southeast Asia, especially on the settlement of the Cambodian problem.[23] One Indonesian scholar stated that, "With the settlement of Cambodian problem, the effort to realise Zone of Peace, Freedom and Neutrality (ZOPFAN) in Southeast Asia becomes more apparent.[24] This view was shared by another Indonesian prominent scholar, Juwono Sudarsono.[25] In the end, the restoration of diplomatic relations would enable both countries to develop good relations in overcoming regional problems.[26]

In a wider context, the proponents of normalization presented their support and underlined various advantages from which Indonesia would gain. A Member of Parliament from Golkar further stated that the normalization was the most significant achievement in Indonesian diplomacy, which also opened the horizon for a greater role for Indonesia in Asia.[27] Singapore, for instance, had long awaited this move, since they had previously made it clear that improvement in their own relationship with China would only be possible soon after Indonesia had sought normalization.[28] Meanwhile, one Indonesian nationalist and former foreign minister Roeslan Abdulgani underlined that the reopening of ties gave the Indonesian government an opportunity to follow the situation in China directly which used to be conducted through Indonesian embassies in

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[23] As quoted by *Kompas*, 11 August 1990.

[24] A. Dahana, interview with *Merdeka*, 9 February 1990.

[25] *Merdeka*, 9 July 1990.

[26] *Kompas*, 26 July 1990.

[27] Marzuki Darusman, *Suara Karya*, 4 July 1990.

[28] As a country with the majority of its population being ethinc Chinese, Singapore did not want to upset its big neighbour by an early opening of diplomatic relations which might arouse suspicion against Singapore. Statement of the Singaporean Ministry of Foreign Affairs, as quoted by *Antara*, 5 July 1990. Other countries that welcome the normalization are Vietnam, Thailand Japan, Malaysia, Australia Soviet Union, See: *Antara*, 5, 7, 8 July and 7 August 1990; *Merdeka*, 9 and 14 July 1990; *Kompas*, 14 July 1990.

Singapore and Thailand.[29] Indonesia would also be able to develop economic relations without third party involvement. Thus Indonesian commodities should be marketed to China directly and *vice versa.*

5.2. The Development of Indonesian Domestic Politics: The Shifting Balance of Power and the Emergence of Islam

A. Challenges to Suharto: Resistance from the Military

By March 1988, Suharto was elected for his uninterrupted fifth term in office. And nearly a decade after the imposition of *Normalisasi Kehidupan Kampus* (the Normalization of the Campus Life) in 1978, students began to make themselves heard through protests. All the expression of dissatisfaction directed against Suharto did not materialise into threatening his regime. Any dissent was effectively silenced through arrests, as Suharto remained sensitive to any form of criticism. The oppositions were curbed, and the political mechanisms serving the maintenance of stability and order remained in place. Thus, by the late 1980s, the only viable challenge to Suharto came from the military quarters that had long supported him.

Indeed, the establishment of stability and order under Suharto without a doubt enjoyed full backing from the military. In its development, under the leadership of influential Gen. Moerdani, the military established itself further as a dominant player in Indonesian domestic politics.[30] The growing support among military officials for Moerdani and his ability to effectively put ABRI under his command did indeed compel Suharto to re-examine his overall relations with the military. One of his immediate actions was to remove Moerdani shortly before the beginning of the People's Representatives Assembly (MPR) session in March 1988, thus leaving him without direct access to ABRI's command system.[31] It appeared that Suharto's policy of

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[29] *Kompas*, 5 Juli 1990.

[30] For the background of Gen. Moerdani, See, Julius Pour, *Benny Moerdani: The Profile of a Statesman Soldier* (Jakarta: Yayasan Kejuangan Panglima Besar Sudirman, 1993).

[31] It is widely believed that Moerdani's criticism of Suharto's family conduct in business as well as his tacit support towards PDI has put his relation with Suharto aloof.

divide and rule applied to civil society was also being implemented against the military. He immediately introduced a new and unprecedented policy by filling the military's top offices with members of the army that used to serve as his adjutants.[32] In describing the relation between Suharto and the military in the structure of Indonesian politics, one Indonesian observer noticed that though the military clique rule was still widely employed outside Indonesia, inside the country it was clear that only Suharto ruled.[33]

Nevertheless, Moerdani remained an influential figure among the military officers. The military's resistance to Suharto was later shown in the process of the selection of vice-president.[34] This new development in Indonesia's politics indicated the emergence of friction between Suharto and the military, particularly after the removal of General Moerdani.[35] Other events suggested further that the rift between Suharto and ABRI had become apparent. Suharto's decision to punish military officers involved in the Dili incident of November 1991 was taken against the military, and their sources have since insisted the army was not entirely to blame for the tragedy.[36] In the same year, after the annual commanders meeting in September 1991, Suharto invited the assembled ABRI command to his favourite place, the *Tapos* ranch outside Jakarta. During this meeting Suharto gave a lecture about his favourite subject of *Pancasila*. However the essence of the lecture was a kind of warning from Suharto to ABRI: dare not threaten the state; *l'etat c'est moi*.[37] The event was considered as an embarrassing moment for ABRI as it was later broadcast through Indonesian national television.

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[32] One of the obvious choices has been the appointment of former adjutant Gen. Try Sutrisno who to the surprise of many observer did not come from the elite mainstream ABRI.

[33] Vatikiotis, *Indonesian Politics under Suharto*, p. 5.

[34] ABRI's rejection of Sudharmono is mainly because of the following: (a) He is not coming from mainstream ABRI. He is a lawyer by training and spent his military career as a prosecutor; (b) his policies of giving lucrative government tenders away from the military to civilian business associate of Suharto had angered military leaders; and (c) His position as Chairman of Golkar had enabled civilian to dominate the institution and giving him a strong support.

[35] General Moerdani had been the Commander of ABRI for five years. He had done a lot for the military, particularly in overhauling its structure, trimming down the forces, and overseeing the generation transition of leadership. He also gained high respect for profesionalising and modernising ABRI. However, his removal remains a matter of speculation, ranging from Suharto's concern of Moerdani's increased popularity and influence among members of ABRI and Suharto's anger because of Moerdani's warning about his children.

[36] Vatikiotis, Ibid. p. 186.

[37] Ibid. p. 187.

From the above events, it became clear that Suharto dominated ABRI, while for their part ABRI showed resistance to Suharto. In effect, Suharto began losing the support of ABRI's officials who felt humiliated by a series of events that had damaged the integrity and image of the military. Additionally, Suharto also began reducing the role of the military in the Golkar through the candidacy of Suharto's civilian favourite, Harmoko as chairman.[38] Although he was later appointed as the first civilian to hold the job, the military reacted bitterly to this appointment. A retired general insisted that Harmoko was not a genuine leader and he could only survive under Suharto's patronage. He further said that the military might be excluded from Golkar's board of leadership, but it would remain a decisive force in the process of presidential succession. In this regard, he further warned, "Golkar without the military support will be nothing. If in the next election the military decides to support the PDI, this party will surely be the winner, not Golkar".[39]

In the beginning of the New Order era, it was simply impossible to dissociate Suharto and the military. For over thirty-years the two were inseparable in dominating the power structure and the direction of Indonesian politics. As time went by, regeneration among the military officials has left a gap between Suharto and young officers who wanted to serve the country in a more professional way. The military also began questioning the longevity of Suharto in power and the involvement of his family in business activities. Suharto's decision to appoint top military leaders from his own circle created a dangerous situation for the military, as people could not distinguish them from Suharto. Suharto also embarked on the process of clearing Moerdani's elements from the military, particularly those among the intelligence services. At the same time, Suharto seemed to realise the need to develop political support to counter the danger of decreasing influence over ABRI. One option for him was to turn to the Islamic forces that seemed to work enthusiastically with Suharto.

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[38] See, *Kompas*, 24 April 1993; *Editor*, 22 May 1993 and 7 October 1993; and *DeTik*, 13-19 October 1993.

[39] See, *Editor*, 11 November 1993; *Tempo*, 6 November 1993.

B. Changes in Power Structure: The Reintroduction of the Islamic Forces

Islam is the religion embraced by the majority of Indonesians, and it previously played a major role in national politics in the first two decades of independence. However, the influence of Islam in Indonesian politics was practically curtailed after the coming of the New Order regime. Intervention by a largely secular state significantly reduced its unity as well as influence over the course of Indonesian politics. For many Muslim politicians, life under the New Order was marked as a long series of defeats. While the Islamic inspired United Development Party (PPP) was allowed to contest in Indonesian politics, its real participation only emerged in general elections.[40] Suharto did not have any intention of reviving Islamic political parties that flourished in the previous era. In fact, Suharto borrowed the Dutch colonial policy of suppressing the Islamic movement as a potential rallying symbol of anti-establishment views. Under these conditions, Islam was confined to the mosque and its political expression was limited. This conscious separation of theology from the state has been considered as the national consensus among Indonesian leaders.

Accordingly, under the New Order the Islamic forces were suppressed and frequently discredited for any social and political upheavals. The incidents in *Aceh*, *Tanjung Priok* and *Lampung* were three events that are often referred to as examples of how the government and the military had no hesitation to use force to check the emergence of Islamic forces.[41] The military also adopted a doctrine that viewed Islam as a danger from the extreme right in Indonesia. However, in the late 1980s there emerged the revival of religious sentiment. At an individual level, the use of Islamic symbols was certainly increasing.[42] Even Suharto's family showed new behaviour by adopting those symbols and supporting Muslim charity organisations.[43] At the

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[40] The government adopted a policy of floating-mass meaning that political participation is only allowed in the process of general election and political parties, except Golkar, were forbid to establish branches at village level.

[41] These resentments did not necessarily related to religious reason, as in many cases it was caused by imbalance of development between regional and central government.

[42] Some of the symbols are the use of the Islamic greeting, A*ssalamu'alaikum* which means "may peace be with you" and the use of veil (head-dress for woman).

[43] It was widely believed that this tendency was aimed at garnering political support, particularly for Suharto's ambitious daughter, Siti Hardiyanti Rukmana.

institutional level, the government adopted a new outlook that favoured the Muslim. This was followed by various measures that enabled the Islamic forces that had long been ignored to reclaim their position. The election of the Chairman of the Islamic United Development Party in August 1989 was surprisingly conducted without any interference from the government.[44] Subsequently, the party was allowed to voice a more united stand. The recognition of Islam by the government was later symbolised in matters related to concern for their followers' everyday life. The passing of the Law on Religious Courts in 1989 was a manifestation of the acceptance by the government of the legitimate role of Islamic law (*syariah*) in public life.[45]

Why did Suharto reintroduce Islam? There are several explanations of this new tendency. First, since the coming of the New Order regime, Islam had been banned from participating directly in politics. As a result, their energies had been channelled towards deepening their study of Islam. Thus the revival of Islam was the consequence of that long process. Second, Suharto was getting older and became more religious. He also wanted to "repay" his mistakes in previously suppressing the Muslims. As he grew older, Suharto became more religious and even performed a *Haj* to Mecca, which was extensively covered by the Indonesian media and television. Third, it was an attempt by Suharto to widen political support, as the succession issue hotted up. In this context, Suharto also wanted to secure his position that may have been threatened by disillusionment among members of the military, as the 1992 general election was approaching. What is clear is that this new situation gave a momentum for efforts of the Islamic forces to legitimise themselves to re-enter politics.

However, the most important and controversial development was the creation of ICMI, the Association of Indonesian Muslim Intellectuals (*Ikatan Cendekiawan Muslim Indonesia*) in December 1990.[46] ICMI is an organisation pioneered by

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[44] See Syamsuddin Haris, "PPP and Politics under the New Order", *Prisma* (Jakarta), No. 49, June 1990, pp. 31-51.

[45] The *Syariah* is only applied to issues of marital and inheritance disputes. However, its implementation among the Muslim is uneven and the government does not officially encourage it.

[46] For various comments on the establishment of ICMI, See, Lukman Hakiem, Tansil Linrung and Mahmud F. Rakasina (eds), *Mereka Bicara tentang ICMI* [They Talk about ICMI] (Jakarta: Penerbit Amanah Putra Nusantara, 1995).

prominent Muslim intellectuals, such as Dawam Rahardjo, Soetjipto Wirosardjono, and Amien Rais. They perceived a need to create an organisation to distil the views of different Muslim groups in order to formulate a united position in negotiations with the government. The establishment of ICMI was with full backing and blessing from Suharto as he officially opened its first conference in December 1990. His close associate, the Minister for Research and Technology, B.J. Habibie, was elected as its chairman. Interestingly, there were no military officers attending the meeting. Their absence from the meeting underlined three things. First, the rift between the military and Suharto had become prevalent. Second, the military did not support the creation of ICMI. Third, Suharto's support for ICMI should be seen in an attempt to shore up his power base amongst a large section of the population in response to the military's move to distance itself from Suharto.

Suharto's attitude in opening the gate for Islamic forces was indeed being challenged by the military and Abdurrahman Wahid.[47] For the former, the reintroduction of the Islamic card into politics violated the New Order commitment to separate the state and religion. Thus, the military as the guardian of the state saw a risk of Indonesia returning to sectarianism. On the other hand, Wahid was suspicious of the attitude of his fellow Muslims in using Islam to enter politics. He considered ICMI as a "Trojan Horse" to power through which the elements of its members have maintained a close link with Habibie. To express his disagreement, Wahid initiated the creation of a Democracy Forum aimed at balancing ICMI. Its member is varied, ranging from Islamic, nationalist and even Christian scholars and political activists. From this perspective, it is clear that Islam is far from a united force. Rather, it consists of various groups that regard political reality in a different way.[48]

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[47] Chairman of the biggest Islamic organisation, the Nahdatul Ulama, with over twenty millions followers, mainly in East Java province. Although to western observers he was seen as a true democratic, many Muslim regard him as a controversial and ambiguous figure. There are many young *kyai* (priest) who do not agree with his political activity, including his own uncle Wahid Hasyim. This is one of the reasons why approaching the 1999 general election, NU has been divided into several parties, such as NU Party, PKB and PBB. While other NU's leader, Hamzah Haz, leads PPP.

[48] The conventional division of Islam is between the so-called *santri* (devoted Muslim) and *abangan* (secular Muslim). However, *santri* consist of those modernist and conservative groups.

Why did Suharto turn to Islam and what was its connection with the restoration of diplomatic relations with China? The normalization of diplomatic relations with China had challenged the very foundation of the military doctrine that portrayed China as a threat to Indonesia. In effect, it reduced ABRI's support for Suharto. Thus to maintain his grip on power, Suharto had used the Islam card to balance the loosening of ABRI's support. Suharto's idea to reintroduce Islam was received with enthusiasm by the Muslim groups that by the end of the 1980s it had shown signs of revival. Therefore, Suharto's initiatives in foreign and domestic policy had further alienated him from the military. At the same time, the situation had exposed the military's suspicion towards ethnic Chinese, an issue where Suharto and the military had a different view.

5.3. Revisiting the Issue of Ethnic Chinese: A Shift from Political and Security Concerns to Economic Aspects

The New Order position had perceived the ethnic Chinese in the context of their alleged involvement in the 1965 coup. Apart from their association with the PKI, they were also regarded as close to China. Thus domestic and external considerations converged in the person of the ethnic Chinese in Indonesia. In this situation, the views towards the ethnic Chinese had been predominantly based on political considerations. In principle, the improvement of the relationship with China eliminated China as a source of external threat, while the revival of the PKI was practically in check. What has been the consequence of normalization with China for the ethnic Chinese, bearing in mind the dynamics of Indonesia's domestic politics?

A. Ethnic Chinese under the New Order: The Persistence and Complexity of the Ethnic Chinese Issue

Scrutinizing the Ethnic Chinese

The ethnic Chinese constitute three and a half percent of the Indonesian population. In 1995, it was estimated that around 5.4 million ethnic Chinese were living in Indonesia. They were mostly concentrated in urban centres and, as a group, enjoying economic advantages.[49] Contrary to their numbers, ethnic Chinese in Indonesia occupy

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[49] The wealth of the ethnic Chinese is not evenly distributed, and even many of them are poor.

a dominant role in the country's economic sector. Some estimations indicate that the ethnic Chinese control around 70% of the vast country's economic wealth.[50] Of the top fifteen private Indonesian companies, eleven are owned by the ethnic Chinese.[51] The fate of the ethnic Chinese has been complicated as a result of their ventures in the political field. Under the radically nationalist Sukarno regime, the ethnic Chinese organised itself in the BAPERKI (Consultative Council of Indonesian Citizenship) for social and political organisation. This organisation was later aligned with the PKI in order to protect themselves and their interests. Accordingly, the ethnic Chinese had been implicated by the 1965 coup attempt. Since then the involvement of the ethnic Chinese in politics has been curbed, and its linkage with the PKI and China was portrayed as a danger to Indonesian security. All Chinese schools were either closed or converted to government schools. Chinese language and media were banned, and the expression of Chinese culture and symbols, even the use of ethnic Chinese names was "discouraged". Subsequently, ethnic Chinese political organisations were replaced by a government agency, called BAKOM-PKB (Communicative Body for the Appreciation of National Unity) with its main task to promote the assimilation of ethnic Chinese into Indonesian society.[52]

Under the Suharto regime, Indonesian central government policy has adopted the policy of naturalisation in accordance with 1958 Citizenship Law[53] and demanded that they assimilate into the Indonesian community. However, the government policy to achieve total assimilation through *Indonesianisation* of names and inter-marriage

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[50] Indonesian sociologist George Aditjondro questioned the view that 3.5 per cent of ethnic Chinese dominate 70 per cent of Indonesia's economy. He argued that the myth originates from a passage in the 1995 study of Michael Backman, Executive Officer at the East Australian Unit of the Australian Department of Foreign Affairs and Trade in Canberra. However, ethnic Chinese minority is far from controlling 70 per cent of Indonesia's economy. The reason is because many "instant specialist" on Chinese Indonesians miss the extremely important footnote that explains the term of "market capitalisation" that states: "Control by market capitalisation has been determined after listed firms control by governments or foreigners are discounted." See, George J. Aditjondro, "The Chinese Economic Domination Myth", 10 August 1998, http://www.huaren.org/focus/id/081098-07.html.

[51] *Asiaweek*, 31 March 1995.

[52] The government did not allow the ethnic Chinese to form a political party and limited their entrance into the bureaucracy. However, they were given to play their role in the economic field. Thus, their concentration was mainly in economic activities.

[53] See Mely G. Tan, "The Ethnic Chinese in Indonesia: Issues and Identity", in Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians* (Singapore: ISEAS, 1997).

remains the unfinished business of the integration process. In the words of one Indonesian scholar, the concept of assimilation is a never-ending effort.[54] The government has indeed adopted a policy that this part of the special ethnic group should be included in the development process. However, there remain the political, psychological, social and cultural obstacles towards assimilation.[55] Thus, instead of progress and achievement in the assimilation process, it was the domination of the economic activities that has prevailed.

Indeed, prior to 1997 Indonesia's economic success in economic development was widely recognised. This success was measured in terms of growth rates, the development of physical infrastructure, the achievement of near self-sufficiency in food, and declining rates of population growth and absolute poverty. However, from these successes there were two implications that were widely perceived as the necessary price to pay. First, there was the growing gap in standards of living between the rich and the poor. This gap was mostly evident in the urban centres. Unfortunately, the rich were perceived to mostly consist of ethnic Chinese. Second, there was a growing gap in the levels of development and an acute imbalance in the distribution of investment in different parts of the country. For instance, in 1994, Java-Madura enjoyed the largest share of total investments, while the eastern part of Indonesia had merely 7.7 of the overall investment for that year.[56]

Entering 1990, the issue of ethnic Chinese domination in the Indonesian economy suddenly took off in Indonesian political discourse. It was definitely triggered by Suharto after he summoned thirty-one of the most successful Indonesian businessmen at the beginning of March 1990. Interestingly, the majority attending the meeting that was held in his favourite *Tapos* ranch were ethnic Chinese tycoons. In that particular meeting, which was later broadcasted on the national television, Suharto called on them to promote social equality by selling 25 per cent of the equity to co-

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[54] Jusuf Wanandi, *Kompas*, 26 July 1990.

[55] See, among others, Lie Tek Tjeng, *Masalah WNI dan Masalah Huakiau di Indonesia* [The Problems of WNI and Huakiau in Indonesia] (Jakarta: LIPI, 1969); Leo Suryadinata, *Pribumi Indonesians, the Chinese Minority and China* (Kuala Lumpur: Heinemann, 1978).

[56] Leonard C. Sebastian and Reza Y. Siregar, "Indonesia: Setting the Stage for Soharto's Re-election," *Southeast Asian Affairs 1996* (Singapore: ISEAS, 1996), p. 188.

operatives firms. Suharto was quoted as saying, "I invite you to prevent the possibility of social unrest as early as possible," to the businessmen that have flourished through his patronage.[57] There were calls from senior economists that Indonesia must build up its small-scale businesses to help stem the concentration of economic power and wealth in the hands of mainly ethnic Chinese businesses. In responding to these calls, the Planning Minister said that Indonesia's potentially explosive income gap was widening and will probably worsen unless steps are taken to support small businesses.[58]

What did the meeting mean and what was its relation to the problems facing Indonesian imbalance of economic development? First, Suharto was aware of growing criticism towards his family business link with the ethnic Chinese and the issue of the economic gap. Thus the meeting would divert the attention from the real problem to the greed of ethnic Chinese businessmen. Second, this meeting showed the extraordinary power of Suharto. Although the nature of his speech was a kind of appeal, in practice his minister was hurriedly asked to prepare the implementation of the scheme. Third, Suharto's intervention questioned his determination to apply liberalisation policies that began moving beyond his control. That was why the growth in the private sector was been balanced by the call to redistribute their investment to co-operatives.

What should be underlined from this meeting is that Suharto opened and legitimised the attack on the wealth and privilege of the ethnic Chinese. Several Indonesians, including Suharto's half-brother Probosutedjo demanded that the government restrict the domination of Indonesian economy through the enactment of anti-monopoly laws. He also asked that Chinese conglomerates sell shares to Workers' Co-operatives to narrow the gap between ethnic Chinese and *pribumi*. If necessary financially strong businessmen who enjoyed facilities could be forced to limit their businesses so as not to make small and medium sized-businesses go bankrupt.[59] What Suharto did to ethnic Chinese businessmen was just like a boomerang. This was the case since those ethnic Chinese businessmen have flourished with the co-operation of his own family and the military.

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[57] *Tempo*, 10 March 1990.

[58] *Reuters*, 14 August 1994.

[59] As quoted by *Antara*, 13 March 1990.

Ethnic Chinese as A Problem

Indeed Suharto's attack reopened the sensitive issue of the ethnic Chinese, since the ordinary people became more aware of their wealth and domination of the Indonesian economy. Indeed, the ethnic Chinese were involved in the economic development under the New Order.[60] In line with Indonesian economic progress, they have developed into what is perceived as rich and exclusive groups. Many Indonesians also believed they had achieved economic success due to their collaboration and collusion with government officials and the military. In this regard, one of the founding members of ICMI, Nasir Tamara, explains:

> ... the ethnic Chinese are those rich people, receive privileges from the government, are close to the generals, and they are traders and tycoons. That is their image is as a minority but they act as a determinant factor. And because the perception is that they are rich, they are consequently exclusive, and unwilling to maintain contact with the *pribumi*, that is the perception, which does not necessarily, correspond to the reality. Basically, that perception is untrue, manipulated and exacerbated by the New Order's interests. Although it is not necessarily the Order itself, but some of its leaders gave that line of thinking. There are also some leaders and generals who exploit them. If there is any political problem, they may become an easy target or a scapegoat. This is the case because they could not blame other ethnic groups.[61]

It is true that there should be a distinction between reality and perception. Although perception does not necessarily reflect the reality, it nevertheless constitutes part and parcel of reality, which could not be ignored. Accordingly, the perception of the ethnic Chinese consists of a picture of a rich and exclusive class, small in number but economically powerful, and unwilling to co-operate with *pribumi*. What is interesting is that this perception has enabled the ethnic Chinese question to be manipulated in the New Order's interest, or at least some of its leaders. And the worst is that they have been used as a scapegoat when there are any social or political problems.

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[60] According to Kwik Kian Gie, development strategy under the New Order regime was absolutely centred on several tycoons or conglomerates that have been used as development locomotive. They were regarded to be able to "get things done" and needed to achieve a sustainable development. See, Kwik Kian Gie & Nurcholish Madjid, *Masalah Pri dan Non Pri Dewasa Ini* [The Current Problem of Pri and Non Pri] (Jakarta: Pustaka Sinar Harapan, 1998).

[61] Interview with Nasir Tamara on 24 November 1998.

There is no question that the perception of the ethnic Chinese has mostly been negative. One Indonesian *pribumi* businessman and Chairman of the Indonesian Chamber of Commerce (KADIN) Aburizal Bakrie, for instance, explained that the problem of ethnic Chinese conglomerate and businessmen stems from a bad image spreading among the people.[62] "Image is more important than the substance itself," he reiterated. The negative perception that has been in the minds of the people was caused by their domination of the Indonesian economy. This situation has created and become a source of jealousy, and it is also a potential to trigger riots because the have-nots [mostly *pribumi*] feel they have the right to take something from the haves [ethnic Chinese minority]. Similarly, retired General Sayidiman stated that as a result of the ethnic Chinese domination in Indonesian economy, there emerges an emotional condition that exists among ordinary people.[63] As long as that emotional condition is still there, it would be very difficult to consider the ethnic Chinese the same as others. Thus, the factor of jealousy because of their economic dominance has become the underlining factor of an ethnic Chinese problem in Indonesia.

Indeed, Indonesia's economic development has created a disturbing gap between the haves and the have-nots. A study conducted by a leading Indonesian economist, Christianto Wibisono, revealed that ten of the largest local tycoons contributed 30 per cent of the national gross domestic product (GDP) in 1994. In the previous year, Indonesia's top 300 conglomerates recorded a total turnover of Rp.144.4 trillion or 48.1 per cent of the GDP, while their assets reached Rp.227.3 trillion or 75.8 per cent of the GDP. This fact clearly indicates that few economic players dominate the Indonesian economy. He described how some ethnic Chinese conglomerates in Indonesia became big businessmen because of facilities or concessions from certain government officials. This group of people have been branded by Wibisono as "crony capitalist conglomerates", which amounted to 4,67 per cent out of 300 companies in Indonesia.

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[62] Aburizal Bakrie, as quoted in *Republika*, 11 August 1998, from a Seminar in Jakarta, 10 August 1998, entitled "Apa yang Salah di Negeri ini" [What's Wrong in this Country].

[63] *Kompas*, 27 October 1989.

Indeed, the negative perception of the ethnic Chinese was exacerbated by the acts of their counterparts who were involved in activities such as smuggling and bank credit problems. One of the infamous scandals involved an ethnic Chinese, Eddy Tanzil. He was convicted of taking more than US$430 million in a credit scam from the state-owned Bapindo bank between 1989 and 1991 for the construction of several chemical factories under his Golden Key Group. He was serving the second year of a 17-year sentence for corruption and violation of bank contracts but he escaped in 1996.[64] Up to now, the Indonesian government is still tracking down the escaped tycoon-convict Eddy Tansil but to no avail. To make matters worse, the trial process only resulted in a relatively light sentence, which was seen by many Indonesians as unfair. The government has also asked the Chinese government to help find him,[65] and it is rumoured he may live in China. In this regard, former minister of finance Mari'e Muhammad also argued that the government should have taken a firm action on the bankers - mainly ethnic Chinese - who are really dishonest (*nakal*). If necessary, they should be brought to justice.[66]

In responding to the attitude towards Indonesian ethnic Chinese, Mochtar Riady argued that the negative sentiment towards the ethnic Chinese should not be generalised. He stated that there might be around 170 ethnic Chinese, including him, out of 200 Indonesian big businessmen.[67] However, they should not be seen as representing the whole Indonesian ethnic Chinese. He gave details that ethnic Chinese in Indonesia consist of 5,000 middle-range people conducting various businesses from shop-owners to export-import services, and around 250,000 are involved in small business. The rest are farmers, fishermen, teachers and ordinary workers. Many of them are poor and there is no difference from the *pribumi*. Therefore, they must be treated

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[64] Eddy Tanzil saga also involved top level New Order former ministers, namely Soedomo and J.B. Sumarlin, as well as one of Suharto's business family. It is believed his escape from prison was facilitated by "those in power" as part of the deal with Tanzil not to reveal the true nature of his business and the involvement of others in power.

[65] Indonesian foreign minister, Ali Alatas, said "We are still waiting for an official response from the Chinese government." *Tempo*, 1998.

[66]Marie Muhammad, as quoted in *Republika*, 11 August 1998, from a Seminar in Jakarta, 10 August 1998, entitled "Apa yang Salah di Negeri ini" [What's Wrong in this Country]. Mari'e Muhammad is widely known as Mr. Clean in Suharto's cabinet as he was often known to refuse giving favourable treatment to Suharto's family and cronies.

[67] Mochtar Riady, as quoted in *Republika*, 11 August 1998, from a Seminar in Jakarta, 10 August 1998,

equally. This is very important, and there should not be any tendency to believe that every Chinese descendant is always forced into a corner, or become the target of the infuriated masses. On the contrary, it may be true that a number of ethnic Chinese businessmen carry a set of problems (*bermasalah*). For instance, in conducting the business, they always allow any practices, including collusion, corruption, monopoly or other. But he underlined that not all businessmen behave in that way. Riady also explained that nearly all-big businessmen, regardless of their ethnicity practise collusion. Corruption and collusion are not the choice of the businessmen, rather it was because the government officials "sell" the power in their hands, thus indirectly forcing the businessmen to "buy".

In describing ethnic Chinese under the New Order, one Indonesian scholar Tengku Luckman Sinar presented the rationale behind the perception of ethnic Chinese by linking historical, economic and political aspects.[68] From various periods of history, there has been a generalisation of perception among Indonesian *pribumi* of ethnic Chinese as an exclusive and rich people. Many Indonesians perceive their achievement was the result of collusion with those in power. Indeed, there has been a consistent pattern of the New Order in which its leaders have been working very closely with the ethnic Chinese.[69] Additionally, he stated that for the past 32 years, the ethnic Chinese businessmen have colluded with the elite New Order. As a result, there emerged a wide economic disparity where most of the *pribumi* live in poverty. Consequently, when a riot takes place, all the ethnic Chinese are seen as the personification of the practice of corruption, collusion and nepotism. "Because the people have no courage to hit the elite, thus the ethnic Chinese become an easy target." Luckman Sinar also recognised that "Not all the ethnic Chinese are wicked. There are some good people. However, when riots occur, no one can distinguish between the good and the wicked one."[70]

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entitled "Apa yang Salah di Negeri ini" [What's Wrong in this Country].

[68] Tengku Luckman Sinar, a Chinese expert, historian and lecturer at North Sumatra University (USU), the biggest university in North Sumatra, as quoted by *Latar*, 20 October 1998 from the convening of the Symposium and Panel Discussion held by 66 Exponent, in Medan, 17 October 1998.

[69] Suharto has maintained a close relation with Liem Sioe Liong and Bob Hasan. Even the military is also doing its business in cooperation with the ethnic Chinese.

[70] Ibid.

In a desperate attempt to counter a growing resentment over the influence of the powerful businessmen, in January 1995 Suharto defended the role of the ethnic Chinese tycoons. He also assured that the big businessmen who are mainly controlled by ethnic Chinese, are not planning to leave the country and take their business with them. In August 1995, the armed forces warned that national stability could be disrupted as the economic power of the ethnic Chinese was widening the country's income gap.[71] The government has attempted to encourage Chinese businesses to help smaller businesses with capital, training, and marketing, in order to spread wealth more equitably. Further implementation of this effort has been the creation of *Kelompok Jimbaran.*[72] Apparently, this initiative was seen as purely for cosmetic purposes only. According to one Islamic prominent political activist and member of ICMI Adi Sasono this effort was not appropriate, and intended only for public relations, for it did not structurally solve the problem. What the government needs is to set up regulations aimed at limiting the ownership of product assets by the ethnic Chinese. He underlined that there must be something wrong in Indonesia.[73] How could a minority with 3% in number be able to dominate 70% of the Indonesian economy, he questioned. As an alternative, Sasono suggested that Indonesia should refer to Malaysia as an example of how to handle *bumiputra* and the ethnic Chinese. And it is timely now for the Indonesian *pribumi* to be given a special treatment so as to enable them to catch up with the ethnic Chinese.

From the above discussion, it can be seen that there has been increased attention to the ethnic Chinese issue. The difference is that the focus is now more on the economic perspective, instead of communism. However, the core issue remains the same, namely suspicions about their loyalty. At the same time, the government had no answer to address the issue of the ethnic Chinese. One Indonesian prominent scholar Juwono Sudarsono argued that Indonesians need to treat Indonesian-Chinese in a proper way. The policy should no longer emphasise the importance of assimilation with the majority, it should probably emphasize how the majority can better accommodate

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[71] *Reuters*, 21 January 1995.

[72] Kelompok Jimbaran was created in August 1995 in Jimbaran, Bali Island. It was the meeting among 95 big businessmen aimed at showing their commitment towards partnership and the implementation of the development of business partnership, particularly between the big (mostly consists of ethnic Chinese) and small businesses (*pribumi*).

[73] Interview with Adi Sasono on 16 November 1998.

and improve its understanding toward minorities.[74] Christianto Wibisono, an economic observer of Chinese descent noted that the government needs to adopt better policies, which are progressive, modern and not discriminatory in order to totally implement the integration of the Indonesian-Chinese into Indonesian society.[75] He further stated that without the ability to create such a situation that is not discriminatory, Indonesian economic structure would not become very strong, because people of Chinese origin might feel it is more convenient to move their capital to other countries which do not have discriminatory policies. It is not surprising that the ethnic Chinese in Indonesia has been seen more as a liability than an asset.

B. Increased Anti-Chinese Feelings: The Implication of the Dynamics of New Order Politics

It had been a recurring feature of the New Order period that any resentment of the government or public disorder that manifested itself in the form of mass demonstrations often developed and exploded into riots in which the ethnic Chinese become the victim. While the cause of the incident was not necessarily related to the issue of the ethnic Chinese, its implication would definitely affect the ethnic Chinese. In 1980, for instance, anti-Chinese riots broke out in several big cities, such as in Ujung Pandang, the capital of South Sulawesi Province, a three-day anti-Chinese riot with a more devastating effect in Solo (Central Java) on November 19 which five days later spread to Semarang (the capital of Central Java), and to other smaller towns such as Pekalongan, Kudus and Magelang.[76] Similar outbreaks also took place in Aceh and North Sumatran cities. They were all initially as the result of the growing tension between the government and Muslim community over the government effort to force Pancasila as *azas tunggal*. Following the infamous Tanjung Priok incident in 1984, the Muslim protesters directed their anger against the ethnic Chinese shops and properties in downtown Jakarta in which a series of bombings took place.[77] While the government

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[74] *Jakarta Post*, 16 October 1989.

[75] Ibid.

[76] Guy Sacerdati, "Small Fight with big Results", *Far Eastern Economic Review*, 5-11 December 1980.

[77] See "Tiga Ledakan di Ubukota, Pangab: ABRI bertanggungjawab Atas Keselamatan Semua Warga Negara" [Three Explosions in the Capital, ABRI Commander: ABRI is Responsible for the Safety of all Citizens], *Kompas*, October 5, 1984; and Susumu Awanohara, "Bombs in Chinatown," *Far Eastern*

dutifully blamed the Islamic extremists, there are strong indications that the government either instigated or encouraged actions that it later prosecuted.[78]

Indeed, anti-Chinese violence of one form or another had accompanied virtually every outbreak of social, political unrest during the New Order tenure. Given the depth of anti-Chinese feelings, they became very vulnerable to any political change in Indonesia. Indeed, Suharto seemed to ignore the fact that the riots against ethnic Chinese were also the expression of frustration towards his family involvement in business that in many cases had collaborated with ethnic Chinese. To make matters worse, a large number of the conglomerates are controlled by non-indigenous businessmen or the ethnic Chinese, while the majority of the fast-rising businesses are operated by the children of government officials, notably Suharto's family.[79] Instead of recognising the existence of a racial problem and economic gap between the majority of *pribumi* and the ethnic Chinese, the government always diverted the attention by blaming the third party as a scapegoat. Accordingly, the government often launched allegations that those who were allegedly involved in any public dissent had political motives and an agenda to overthrow the legitimate government. It was then followed by security personnel searching for organizations or masterminds behind these events. In many cases, it was easily linked to communist or PKI with the help of outside forces. Indeed, the government response to redress the incidents involving anti-Chinese sentiments has been slow. They would quickly break their silence if a scapegoat could be found.

Due to the sensitivity of the issue of the ethnic Chinese in the history of Sino-Indonesian relations, Beijing kept silent about any attack towards Indonesian ethnic Chinese prior to normalization. There are two reasons why Beijing adopted a low profile position. First, China did not want to be accused of interfering in the internal

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Economic Review, October 18, 1984.

[78] "Violence in Lampung", an *Asia Watch Report*, 16 March 1989.

[79] Futher details and discussion on co-operation between ethnic Chinese, Suharto's family and the military, See, among others, Richard Robison, *The Rise of Capitalism* (Sydney: Allen & Unwin, 4th edition, 1988); *Prospek*, No. 46, Year VII-6, July 1988; *Eksekutif*, 25 April 1992; Iswandi, *Bisnis Militer Orde Baru: Keterlibatan ABRI dalam Bidang Ekonomi dan Pengaruhnya Terhadap Pembentukan Rezim Otoriter* [New Order Military Business: The Involvement of ABRI in Economic Field and its Implication on the Establishment of Authoritarian Regime] (Bandung: PT Remaja Rosdakarya, 1998).

affairs of Indonesia. Second, should China express its high-profile position, it would have been counter-productive and might have triggered Indonesian nationalism which manifested in further anti-Chinese sentiments. However, for the first time China responded to the 1994 anti-Chinese rioting in Medan.[80] Beijing expressed concern over this riot that left one Chinese businessman dead, scores of Chinese-owned shops destroyed and dozens of cars overturned or set ablaze.[81] Indonesian Foreign Minister, Ali Alatas, assured Beijing that his country could handle anti-Chinese rioting in Medan, northern Sumatra.[82] The event indeed alarmed government and business leaders who feared that the violence could spread to other parts of Indonesia, which has an economy dominated by ethnic Chinese and a work force consisting of mainly *pribumi*. China's concern in fact did not infuriate the Indonesian domestic audience. This was due to the gravity of the incident in Medan as well as constraint from the press in not exposing China's concern. The Indonesian government later denied that the Chinese government had made a formal complaint, instead it was only an answer by a Chinese foreign minister spokesman to a question from a Singaporean journalist in a routine weekly briefing.[83] As far as the May 1998 riots in which many ethnic Chinese and their properties were targeted, Beijing again appeared not to upset Indonesia. The Chinese government hoped that Indonesia took effective measures to protect the physical safety of the Indonesian nation, including those of Chinese descent.[84]

Given the closeness of ethnic Chinese businessmen with Suharto, many analysts believed that once Suharto retired, the ethnic Chinese community would be the most vulnerable to any instability. The most affected would be poor and small-scale

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[80] Medan is the third largest city in Indonesia, located 870 miles Northwest of Jakarta. Unlike most Indonesian cities, Medan has a large ethnic Chinese community making up a third of the city's 2.2 million people.

[81] The riots began as thousands of labourers took to the streets demanding higher wages and an explanation for the mysterious death of a union activist.

[82] See, *Tempo*, 30 April 1994.

[83] Interview with the then Indonesian Ambassador to China, Juwana, *Jakarta Post*, 27 May 1994.

[84] Press Release of the Chinese Embassy in Jakarta, quoted by *Suara Karya*, 18 May 1998. Chinese Deputy Foreign Minister, Yang Wenchang, underlined that China was concerned about May riots and the violations against their rights. However, this incident would not weaken the good relations between Indonesia and China. China also believed that Indonesia would investigate the incident and take necessary actions. See, *Suara Pembaruan*, 1-2 October 1998.

Chinese business people. This assumption was proved during the May 1998 riots prior to the fall of Suharto.[85] There is no doubt that the government and the military officials had exaggerated the sentiment of anti-Chinese. For example, in an attempt to prevent the further deterioration of the value of Indonesian currency, the government launched the "I love Rupiah" campaign. In the process, the Armed Forces Chief claimed that the ethnic Chinese Indonesian family businesses had sent money overseas and called on the owners of conglomerates to return and gave an estimate of US$80 billion which the military claimed had been sent overseas.[86] Still in the context of this campaign, thirteen business tycoons were reported to have received "threatening phone calls" from the military.[87]

The Chief of the Armed Forces was also reported to have met with Indonesian journalists and editors advising them to write articles critical of ethnic Chinese Indonesians.[88] Without specifically mentioning the ethnic Chinese, Lieutenant General Syarwan Hamid was reported to have stated that Indonesia needed to "eradicate rats" from the economy. He was further reported as saying "These rats took away the fruits of our national development and work for their own self interest... Don't think that the people do not know who these rats are. It is time to eliminate these rats".[89] Meanwhile the military continuously denied the existence of a campaign to incite discrimination against ethnic Chinese and claimed that they were not discriminating against them.

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[85] The involvement of ethnic Chinese issue during this particular time should also be seen in the context of struggle for power among ABRI officials, particularly between Gen. Wiranto and Gen. Prabowo (Suharto's son-in-law) factions. Some of Muslim right-wing, especially KISDI (Committee for Islamic Solidarity) - known as close to Prabowo – was also involved through its alienation with Prabowo. The attack on ethnic Chinese was regarded as an attempt by Prabowo to undermine Wiranto in which case it would enable Prabowo to become top military leader. Although the fact Joint Fact-Finding Team (TGPF) recommends to uncover and make sure the role of Prabowo, the follow-up of this recommendation has never been implemented. Instead, Prabowo was fired from the military. Some believed it might endanger those who remain in power, such as Gen. Feisal Tanjung and Gen. Wiranto. See, *The Final Report of the Joint Fact-Finding Team (TGPF) on the May 13-15 May 1998*; Ariel Heryanto, "Flaws of Riot Media Coverage", *Jakarta Post*, 15 July 1998; Ita Sembiring, Catatan dan Refleksi: Tragedi Jakarta, 13-14 Mei 1998 [Note and Reflection: Jakarta Tragedy, 13-14 May 1998] (Jakarta: PT Elex Media Komputindo, 1998); Julius Pour, *Jakarta Semasa Lengser Keprabon* [Jakarta During the Resignation] (Jakarta: PT Elex Media Komputiondo, 1998).

[86] *Sydney Herald Morning*, 27 January and 16 February 1998.

[87] Bruce Gilley, John McBeth, Ben Dolven, "Entrepreneurs: Ready, Set..." *Far Eastern Economic Review*, 19 February 1998.

[88] *Sydney Morning Herald*, 16 February 1998.

[89] *American Reporter*, February 1998.

However towards Suharto's fall, ABRI associated itself with ordinary Indonesian people in criticising the ethnic Chinese. The military's motive was clearly to attract sympathy from the people or to create an opinion that they come from and belong to the people, as they always claim, as part of their campaign to anticipate the fall of Suharto. It was in this situation that ABRI's unity was tested.[90]

What is appalling is that sporadic anti-Chinese riots have indeed occurred more frequently in the 1990s. Why did this happen? There are several explanations for this situation. The first is that Suharto's much publicised attack on ethnic the Chinese businessmen has reopened the "Pandora's Box" of the dominant role of the ethnic Chinese in Indonesian economy. Follow up calls by government officials and military leaders have indeed increased the awareness of many people of the depth of the problem. Secondly, there has been a growing dissatisfaction among ordinary Indonesians towards Suharto, particularly over the involvement of his family in various business sectors. Their business activities are not based on expertise, rather because of special treatment awarded by the government. In these circumstances, their businesses always involve ethnic Chinese businessmen. Thirdly, it was the consequence of economic development that has enriched many ethnic Chinese, while many ordinary Indonesians become poorer. Thus the development process has widened the gap between the majority of *pribumi* and ethnic Chinese minority. Lastly, it was because of the emergence of cleavages among the New Order political elite, particularly between Suharto and ABRI as well as the internal rivalry among military officials. Thus the ethnic Chinese once again became caught up by the dynamics of Indonesian domestic politics.

C. Ethnic Chinese and ABRI: A Conspiracy against Islam

In the 1950s, the ethnic Chinese were under attack as a result of the issuing of the 1959 decree that expelled ethnic Chinese traders from rural areas so as to give

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[90] It was particularly between Gen. Wiranto and Gen. Prabowo camps. It is the latter that was believed to be anti-Chinese and has been working closely with one of right-wing Islamic group called KISDI (Indonesian Committee for Solidarity with Islam).

pribumi more opportunity to develop trade activities.[91] This purge was widely known to be carried out by a Muslim group, although the involvement of the army officials was well known. The unfortunate saga of the ethnic Chinese in Indonesia continued in the aftermath of the 1965 coup in which many ethnic Chinese were killed and they were suspected of being communists, particularly in East Java. Ironically, many of the killings were conducted by the Islamic group and condoned by local military leaders. What could be learned from these two incidents is the continuity in which a Muslim group in co-operation with the military attacked the ethnic Chinese. First, economic factors were a key issue since many members of the indigenous traders and businessmen in Indonesia mostly came from West Sumatra and the coastal towns of Java which embraced Islam. Second, there was a linkage between ideology and politics insofar as many Islamic leaders were against the ethnic Chinese because they had allegedly been part of the PKI.

Generally, the religious orientation of the ethnic Chinese in Indonesia mostly follows Taoism, Confucianism, Buddhism or a mixture of these three teachings. While there is no figure that describes the exact number of their religious orientation, Leo Suryadinata noted that the interest of the ethnic Chinese in Confucianism was decreasing.[92] On the contrary, as protection against accusation of being communist sympathisers, many ethnic Chinese converted to Christianity, some embraced Niciren Syosyu Indonesia (NSI) and the rest turned to Islam. However, those who chose Islam are only estimated to be around 10 per cent of the whole ethnic Chinese, or equal to around 500,000.[93] Therefore, the majority of ethnic Chinese did not blend into the religion of the majority as they had in Thailand and the Philippines. Why didn't they turn to Islam? According to one Indonesian respected scholar, Nurcholish Madjid, one of the reasons is because of the presence of a certain "mind set" among the ethnic

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[91] As discussed earlier in Chapter 3, this policy was fully supported by the army leaders, aimed at undermining the growing close relations between Indonesia and China, in which the Indonesian Communist Party was the only beneficiary from this development.

[92] Leo Suryadinata, "Kong Hu Cuisme dan Agama Kong Hu Cu di Indonesia: Sebuah Kajian Awal," [Confucianism and the Religion of Confucian: A Preliminary Study] in *Konfusianisme di Indonesia: Pergulatan Mencari Jati Diri* [Confucianism in Indonesia: A Struggle to Find Identity], Seri Dian III Tahun II (Yogyakarta: Interfidei, 1995), pp. 201-202.

[93] See, Junus Yahya, *Islam di Mata WNI* [Islam in the Eyes of Ethnic Chinese] (Jakarta: Yayasan Haji Karim Oei, no year); Leo Suryadinata, "Chinese Seek Allah to Find a Place in the Sun," FEER, 28 August 1986.

Chinese who perceived Islam as the religion of the *pribumi*.[94] Thus embracing Muslim had the connotation of joining the religion of the lower classes.

Under the New Order regime, the ethnic Chinese were banned from social and political activities. They were only allowed to express their aspirations through various organisations that had been created by the government, such as Bakom-PKB (Co-ordination Body for the Appreciation of the Unity of the Nation), CSIS (Centre for Strategic and International Studies) and *Golkar* ruling party. The ethnic Chinese who preferred Islam, such as Yunus Jahja, were mostly low-profile figures and actively involved in social activities, particularly Bakom-PKB. On the contrary, those who did not embrace Islam and are considered as high profile figures such as Jusuf Wanandi and Harry Tjan Silalahi are more active in the CSIS.[95] It is this situation that later raised suspicion among the Muslim of the emergence of a new alliance between the ethnic Chinese and Christians. The Centre was widely known to formulate the New Order's policies, including those policies allegedly directed against the Muslims. Muslims considered the Centre a controversial institution since it represented the interests of the Christians, the military, the ethnic-Chinese, or as a combination of the anti-Islam forces.

Several indications seemed to support the existence of this alliance. In the 1970s, for instance, there was a new development that indicated a new tendency in relations between the ethnic Chinese, Christians and the ruling power. In this regard, the assimilationist ethnic Chinese Catholics worked with Indonesian army intelligence led by Suharto's trusted assistants, Ali Murtopo and Soedjono Hoemardhani to establish a think tank called the Centre for Strategic and International Studies (CSIS) in 1971. There is no doubt as to the work of the institution as a research body producing

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[94] Nurcholish Madjid, delivered in a Seminar on "Masalah Pri dan Nonpri Dewasa ini" [The Current Problem of *Pribumi* and Ethnic Chinese], See Kwik Kian Gie and Nurcholish Madjid, *Masalah Pribumi dan Nonpri Dewasa ini* (Jakarta: Pustaka Sinar harapan, 1998), p. 67.

[95] The CSIS was established on 12 July 1971 by "Yayasan Proklamasi" (Proclamation Foundation). Supported by Suharto's close aides Soedjono Hoemardani and Ali Murtopo, the founders of the CSIS are Sofyan Wanandi, Jusuf Wanandi, Harry Tjan Silalahi and Daoed Joesoef. This think-tank institution, as it is often called as the Centre, has played an important influence on Suharto's government. A number of issues such as investment, monetary tariff, trade as well as political issue such as de-politicization of campuses, and foreign policy have been discussed at the Centre. There was also unconfirmed report that military operation in East Timor has been discussed in this institution. Further discussion on the CSIS and its role, *Gatra*, No. 13. Vol. 4, 14 February 1998.

qualified political and economic studies. However, the institution has been widely seen as the think tank of Suharto's, or at least Ali Murtopo's policies, where the operations were covertly planned and formulated. Among other things, the infamous policies are those relating to the invasion of East Timor in 1975 and the creation of *Komando Jihad* (Holy War Command) in 1977.[96] The campaign against Muslims was also intended to provide a pretext for a more general round up of Muslim political activists.

The suspicion of the existence of a conspiracy between ethnic Chinese, Christians and the military was prolonged after General Moerdani, commander of the armed forces from 1983-1988 and himself a Catholic, succeeded Ali Murtopo as the patron of the CSIS. The suspicion among some Muslims of an ethnic Chinese-Christian-ABRI conspiracy gained a new momentum, particularly after the *Tanjung Priok* incident in September 1984. Thus the events of *Komando Jihad* and Tanjung Priok linked with Ali Murtopo and Moerdani to the CSIS were perceived as directed against the Muslims.[97] The immediate effect of the *Tanjung Priok* incident killings was a bombing, allegedly conducted by Muslim, aimed at the office of the Bank Central Asia owned by Liem Sioe Liong, an ethnic Chinese tycoon and a close confidant of Suharto.

The resentment against ethnic Chinese and Christian became more prevalent as the attacks against them were directed at their properties and churches. Events soon demonstrated that anti-Chinese and anti-Christian sentiment were becaming more intertwined. On 4 November 1995, for instance, more than 60 people were arrested following three days of riots in the Purwakarta district in West Java. The riots reportedly began when a 14-year old Muslim girl was allegedly slapped by her ethnic Chinese employees and the owner of a local shop for stealing chocolate. At its high point, more than 20,000 people rampaged the business centre. Over 20 shops and several cars and homes were seriously damaged. By 26 November, calm was reported

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[96] See, *Human Rights in Indonesia and East Timor* (New York: Human Rights Watch, 1989), pp. 76-85.

[97] CSIS was again under attack in January 1998 after one prominent ethnic-Chinese leader, Sofyan Wanandi, refused to support the "I love the Rupiah" campaign. While he was accused of his involvement in a bomb explosion in Jakarta (January 1998) allegedly conducted by members of the banned political organisation of People's Democratic Party (Partai Demokrasi Rakyat, PRD), a public demonstration was held outside the CSIS of which he and his brother, Jusuf Wanandi, are directors.

in the city of Pekalongan, 325 km east of Jakarta, following three days of anti-Chinese riots. The rioting reportedly began after an ethnic Chinese tore a page from the Holy Koran. The police have released 23 people arrested in connection with the violence. Property owned by the ethnic Chinese was ransacked.[98] On 30 November, the ethnic Chinese man, who reportedly instigated the riots in Pekalongan had died under mysterious circumstances in a jail. The results of an autopsy were not released.[99] In October 1996 in Situbondo, East Java, twenty-seven churches and one Chinese temple were wrecked after a local court handed down a sentence in a blasphemy case that local Muslim groups reportedly considered too light.[100]

The culmination against the CSIS took place in early 1998 when various Muslim groups held a meeting on 8 January in one of the biggest mosques Al-Azhar. Interestingly, the main theme of this meeting was "Membedah Jantung Centre for Strategic and International Studies" [Bypassing the Heart of the CSIS].[101] The organisation of the meeting was dominated by Muslim right wing activists. However, the convening of the meeting was part of a series of campaigns of similar protest. Initially, it was the alleged involvement of Sofjan Wanandi (brother of CSIS' Jusuf Wanandi) who was alleged for his involvement in the bombing in Tanah Tinggi Jakarta on 18 January. The security claim was based on the document in which Sofjan Wanandi and Jusuf Wanandi were mentioned as supporters of PRD. They were accused by the government as supporting the leftist movement in Indonesia and and initiating various riots in 1996.[102]

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[98] *Reuters*, 26 November 1995.

[99] *British Broadcasting Corporation* (BBC), 30 November 1995.

[100] Similar anti Chinese riots took place again in Tasikmalaya (26 December 1996), Rengasdengklok (January 1997), and banjarmasin (May 1997).

[101] *Gatra*, No. 13/IV, 14 February 1998.

[102] Since then criticism and demonstration were directed against Sofjan Wanandi and the CSIS. Tens of youths claimed as "Solidaritas Mahasiswa untuk Persatuan Indonesia" (Student Solidarity for Indonesian Unity) held demonstration on 26 January 1996, shortly before Sofjan Wanandi left the country. They demanded that CSIS be dissolved. In the following day a group of people called themselves as Forum Pemulihan Martabat Bangsa (The Forum of the Recovery of the Dignity of the Nation). At the same day, Forum Keluarga Besar Kesatuan Aksi Pemuda Pelajar Indonesia (FKB-KAPPI) Exponen '66 held a press conference attacking Sofjan Wanandi. Apart from supporting the security to examine Sofjan, they also condemned Sofjan's rejection to contribute dollar as the expression of support from conglomerate in overcoming economic crisis.

The situation became heated as Sofjan, the spokesman for the Jimbaran Group, left the country two days before the Immigration Office issued a letter temporarily banning him going abroad. The Mass media reported that Sofjan went to Australia without a specific purpose, while his case was being examined in Indonesia. KISDI also issued a list of the sins of CSIS and Sofjan Wanandi.[103] And now, the Muslims had to bear the responsibilities of economic disaster because of their conglomerate strategy. According to Ahmad Soemargono, Head of Daily Executive of KISDI, Sofjan had contributed to the worsening of economic crisis. He also stressed that the CSIS people used to have a negative view towards the Muslims, and it was they who inflicted losses on Muslim interests, particularly the Centre's input to the government on the 1973 marriage draft regulation. For its part, the CSIS denied all the accusations and underlined that the institution was a research body that focused on economics and international relations, and did not operate in the political field.[104]

5.4. The Perception of China: Adjusting the Concept of China as a Threat

Although this study does not specifically focus on the issue of the ethnic Chinese, this element has had a significant role in the relationship between Indonesia and China, particularly on the part of Indonesia. The negative perception of the ethnic Chinese used to focus on their alleged link with the PKI. While China was regarded as external enemy, the PKI was portrayed as a domestic ally of China. It is in this context that the presence of ethnic Chinese in Indonesia was considered a weakness that might revive the communist threat and China. The elimination of the threat of the Chinese communist as the consequence of normalization meant that the military had to find other means to maintain the idea of such a threat, which was critical for its own legitimacy. The question now was how to redefine the concept of a China threat after the normalization of diplomatic relations.. It appears that the decreasing factor of communism coincided with the re-emergence of concern over the ethnic Chinese role in the Indonesian economy and the dynamics of Indonesian politics, namely the friction between Suharto and the military.

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[103] Both were seen as playing a significant role in Indonesian political and economic fields for more than twenty-years. It was during that period the Muslims have been slandered and clashed with ABRI.

[104] Interview with Jusuf Wanandi, *Gatra*, No. 13/IV. 14 February 1998.

A. China as a Source of Threat: The Issue of Communism

With the normalization of diplomatic relations and a Chinese guarantee not to support the PKI, theoretically the issue of ethnic Chinese and the PKI remnants in China became a non-issue in Sino-Indonesian relations. Has the negative perception towards communist China and ethnic Chinese already disappeared or at least been decreasing? This is a question that needs to be seen and examined in more detail, particularly from the military's point of view. Why the military? The reason is because the perception of China has been dominated by the views of the military, although in some cases this coincided with the opinion of some Muslim factions. And it is the doctrine of the military that has long regarded China as a threat. Thus reorienting perceptions could not be done in a short time, since the military would surely find another justification to maintain the image of the China threat.

Since coming to power, the New Order regime as dominated by the military had conducted political socialisation through history teaching in schools and mass media. Every year, 1 October is commemorated as *Hari Kesaktian Pancasila* (Pancasila's Sacred Day). On the eve of this day, national television put on air the event of the 1965 coup attempt and even showed the savage acts of the PKI. Education was also part of the campaign through the introduction of *P4 (Penataran Penghayatan dan Pengamalan Pancasila*) or The Course for the Understanding and Implementation of Pancasila. Every government official was obliged to follow this program. The content of the course mainly dealt with the barbaric acts of the PKI that determined to replace the ideology of Pancasila with communism. Thus most young Indonesians knew the history of the coup, PKI's political sins, the involvement of ethnic Chinese and China as a consequence of the government's systematic indoctrination.

Nevertheless, Indonesian leaders seemed gradually to change their perception of Communist China and the PKI. Upon his return from Beijing in November 1990, for instance, President Suharto made it clear that Indonesia would accept ex-PKI members who lived in China, provided that they were accountable for their past conduct. If they

could prove that they were innocent, then they should be freed.[105] The head of the military Information Centre, Brig. Gen. Nurhadi Purwosaputro explained that the number of ex-PKI in China was predicted to be around 20 people.[106] Their average age was roughly more than 40 years old, and some of them even reached the age of 70. Nevertheless, he stated that the exact number of ex-PKI members living abroad was unknown, but the number was still significant. Apart from China, some of them lived in Eastern Europe and there were some that always moved from one country to another. Purwosaputro further identified them as students who were financed by the communist party to study abroad and PKI cadres who were abroad during the G30S/PKI. While elements of the PKI living abroad are still there, it is doubtful whether their presence would be considered as threatening to Indonesian security. But although the degree of suspicion became less, at least, they could function or be used by ABRI to remind Indonesian that PKI elements and cadres remain in existence.

In responding to a question asked by a foreign journalist on the possible revival of communism in Indonesia, the military's Chief Staff of Social and Political Affairs Gen. Syarwan Hamid underlined that the latent danger of communism remains alive.[107] While recognising that the biggest and oldest communist empire has gone bankrupt, it was not necessarily the case with China, as well as Cuba and North Korea. He also argued that the PKI cadres abroad and in Indonesia have been waiting to take revenge because of historical vendetta, obsession and idealism. In this regard, Hamid recognised that since economic development had not fulfilled the aspirations of all Indonesians, its shortcomings had been exploited and exaggerated to become a fertile soil of communist ideology. From this statement, it appeared that the military referred to China as a reminder of the possibility of a revival of threat, while the threat would be more imminent if the development process failed to fulfil the people's needs.

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[105] *Suara Karya*, *Suara Pembaruan*, 20 November 1990.

[106] Suara Pembaruan, 22 November 1990.

[107] "Pointers Kepala Staf Sosial dan Politik ABRI tentang Peristiwa Kerusuhan 27 Juli 1996 Di Depan Dubes/Kepala Perwakilan Asing di Jakarta" [Pointers Head of ABRI's Social and Political Staff Regarding 27 July 1996 Incident Before Ambassador/Head of Foreign Representative in Jakarta], Jakarta, 5 August 1996.

Do the ordinary people share the opinion of those government or military officers? Polling was conducted by *Tajuk and CESDA-LP3ES* in August 1998 and aimed at examining the attitudes of the respondents towards communism.[108] This survey reveals that the majority of Indonesian people remain suspicious of communism and consider it as a threat to Indonesia (73.1%). Those who did not consider communism as a threat still rejected the possibility of the establishment of a party with communist orientation (79.9%) and refused the rehabilitation of political rights of PKI members (64.3%). Thus the New Order regime perceptions of communism as a latent danger remains shared by Indonesian people. There is no doubt that it was the result of systematic campaign to create "fear" among the society and to discredit the PKI leaders and its members in the early days of the New Order regime. It was also accompanied by harsh measures such as *incommunicado* detention, imprisonment, death sentence, and isolation of their families from normal social life. Those who wanted to join government institutions or bureaucracies had to pass *Litsus* (*penelitian khusus*) or special investigation. Anyone that had kinship links with the alleged members of the PKI would definitely be declared as unqualified. What is important from this polling is the absence of a link between China and communism. Indeed, this survey also revealed that the source of threat was nothing to do with external forces or the interaction between domestic and external factors, rather it was the deterioration of economic development that might provide a fertile soil for the revival of communism and PKI (67.5%). Consequently, in the minds of many ordinary Indonesians, China was no longer considered as a source of threat.

The above survey indicated that the military's suspicion of communism remained shared by the ordinary people. However, the source of communist threat is no longer coming from China, rather from domestic conditions. Nevertheless, the military remained suspicious of China. This persistence is better illustrated in the case of visa application for Chinese nationals to visit Indonesia as well as clearances for Indonesian ethnic Chinese nationals to visit China. Unlike improvements in other fields, Indonesia was reluctant to loosen its visa regulations, thus the granting of Indonesian visas and the permission for an Indonesian national to visit China still requires a clearance from

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[108] The survey was conducted from 13-26 August 1998, with 1,000 respondents in Jakarta, Surabaya and Medan respectively. Its margin error is (+-) 3.7%. See, *Tajuk*, No. 15, 1-17 September 1998.

the influential military body, BAKIN. One senior military official stated that although Indonesia had reopened relations with China, this did not mean that there would be relaxation.[109] Indonesian officials were apparently concerned over the possible flood of people visiting China, in relation to the convening of the 1990 Asian games in Beijing.[110] In the end the government decided to limit the number of supporters to 1.500,[111] while maintaining that Indonesians who wanted to visit China needed government clearance.[112]

However, the government's handling of visa issue received criticism from various quarters. In its editorial, one Indonesian newspaper stated that while maintaining the need for vigilance, Indonesia should no longer place emphasis on a security approach as a pretext to prolong the visiting procedure to China.[113] It should be underlined that trade and economic relations required a speed that would determine the flow of business. It further added those who had been to China bore witness that the Chinese people did not care about ideology. The Tiananmen incident showed the world that there was an ongoing process of democratisation in China. The coming of foreign investment in order to accelerate and modernise the development process has questioned China's commitment to communist principles that strove for the creation of a communist society in mainland China. Thus, the military's strict administrative barrier was not in accordance with the requirements of economy and co-operation. The government's ambiguous and uncoordinated policy towards the flow of people reflected the fact that the military retained a significant say in determining policy in relation to China.

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[109] Brig. Gen. Nurhadi Purwosaputro, Head of Center for Information of ABRI, *Bisnis Indonesia*, 13 August 1990.

[110] Initially, it was linked with the convening of the Asian Games held in Beijing (22 September to 7 October 1990) where many Indonesians, allegedly with ethnic Chinese background, were anticipated to become supporter. One Indonesian senior minister also questioned the number of supporters as he accused them of wasting foreign exchange and urged them to cancel their trip. The government seemingly tough measures received with mixed reactions from parliamentary members and civilian leaders as many of them suggested that the government should not exaggerate the situation by exposing mass departure of ethnic Chinese. See, *Suara Karya*, 26 July 1990, *Suara Karya*, *Kompas*, *Jakarta Post*, 23 August 1990, *Kompas*, 24 and 25 August 1990.

[111] *Angkatan Bersenjata*, 6 September 1990.

[112] *Suara Karya*, *Merdeka*, 31 October 1990.

[113] *Suara Pembaruan*, 16 November 1990.

In August 1991, the Indonesian government reviewed the administrative restriction of its visa policy which meant that BAKIN's clearance was no longer required,[114] and Chinese nationals could also obtain a visa from any Indonesian embassy in the world.[115] Similarly, Indonesian nationals could travel to China without any restriction.[116] Nevertheless, the immigration authorities restricted the arrival of Chinese nationals to only a number of designated airports and seaports.[117] Unfortunately, the visa issue was far from being resolved, particularly over the length of its application process. Indeed, the government maintained its vigilance by arguing "who will be responsible if they do not return to China."[118] Accordingly, the Indonesian Embassy in Beijing signed an agreement with eight travel agents to improve cooperation on visa application.[119] This agreement was mainly related to the requirement of a sponsor in China and Indonesia for those Chinese nationals who want to travel to Indonesia. This policy was criticised by former Chairman of KADIN, S. Gitosardjono who said that it should be enough for the Chinese visitors to hold a return ticket and an adequate amount of cash for their visit.[120] Although rather strange and possibly to please the military, the Indonesian Ambassador to China, Juwana said that, "In the era of openness, it is not only soft wind that is entering Indonesia, but also putrid wind, therefore alertness is needed in regulating human traffic".[121] Eventually, by

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[114] *Media Indonesia*, 6 August 1991.

[115] Previously, Chinese nationals had to apply visa either from Hong Kong or Singapore.

[116] *Jakarta Post*, 21 August 1991.

[117] The airports are are Sokarno-Hatta Jakarta, Polonia Medan, Ngurah Rai Bali, while the seaport include Tanjung Priok Jakarta, Tanjung Perak Surabaya, Makassar Ujung Pandang and Belawan Medan. *Angkatan Bersenjata*, 27 September 1991.

[118] Juwana, Indonesian Ambasador to China, Suara Pembaruan, 7 September 1994. See also *Suara Pembaruan*, 27 September 1996.

[119] Those travel agents are: China International Travel Service, China Youth Travel Service, China Golden Bridge Travel Service Corporation, Fujian Overseas Tourist Enterprise Co., China Travel Service in Fujian and Guangdong Provinces, Guangdong Overseas Tourist Corporation and Hainan Tourist Corporation. See, *Suara Karya*, 1995.

[120] *Jakarta Post*, 10 September 1996.

[121] *Suara Karya*, 19 July 1995.

the end of 1998 the Indonesian government insisted that the visa issue was no longer a problem.[122]

B. Ethnic Chinese Connection and China: A New Threat from Chinese Nationalism and "the Greater China"

The period of the 1990s has witnessed the emergence of East Asian countries such as Taiwan, Singapore, Hong Kong and China as economic powers. One cannot deny the fact that these countries mainly consist of ethnic Chinese. This was a very interesting circumstance as at the same time China began showing its determination to further pursue economic development by appealing for overseas Chinese to help develop the mainland. Although the Chinese government has not formally abandoned the communist ideology, there is no doubt that in many ways, they have already adopted and implemented a market economic system. The Chinese economy, with a rate of growth that reaches 10% per year, has indeed attracted many other countries and foreign investors to benefit from the development in China. Even the criticisms in the aftermath of the Tiananmen incident did not, at least in the longer run, prevent the willingness of foreign investors to enter China.

Indeed, judging by the changes that have taken place in China, it appeared that economic interest, and not ideology, has been the driving force of China's foreign policy. For example, despite the traditional rivalry and claim of sovereignty and representation, Beijing increased its economic links with Taipei. What could be learned from this event is that there seemed to be an on-going process of de-ideologisation in China where ideological considerations no longer played a dominant role, as they are being replaced by pragmatism, business, economic and politico-economic realities. Indeed, the new reorientation in Beijing has enabled them to focus on economic development and attract more capital into China, particularly owned by the ethnic Chinese. In this regard, there is a strong connection between overseas Chinese and the development of China. Table 5.1 shows that China's economic development has been supported by the involvement of overseas Chinese in investing their capital in China, as

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[122] Interview with the Director-General of Political Affairs of the Ministry of Foreign Affairs, 4 December 1998.

foreign direct investment in China mainly came from countries dominated by ethnic Chinese, particularly Hong Kong, Macao and Singapore.

Table 5.1: The Origin of Foreign Direct Investment in China, 1979-94

Country Projects	Contracted Investment	
	Number	US$ billion
Hong Kong/Macao	139,959	200.39
Taiwan	27,002	23.61
United States	16,257	20.73
Japan	10,322	14.23
Singapore	4,567	8.63
United Kingdom	1,017	5.8
South Korea	4,247	3.78
Thailand	1,967	2.9
Germany	892	2.72
Canada	2,178	2.7

Source: Foreign Investment Administration, MOFTEC (Beijing), 12 June 1995.

Indeed, there are two immediate implications that need to be underlined as the result of China's economic development. Firstly, China needs more capital to maintain and increase its economic growth. Secondly, this also means that the Chinese government would attract capital, including that owned by the overseas Chinese.[123] The Chinese government policies to open a special economic zone and to give special treatments are clearly intended to attract foreign capital into China. Accordingly, the overseas Chinese, including Indonesian ethnic Chinese, would be tempted to invest their capital in China. In this regard, one Indonesian ethnic Chinese tycoon, Liem Sioe Liong, invested his capital in China in cooperation together with the Rong Chao group in Shangzeng Honglu and Guan Yuan.[124] This group also built Hotel Rong Chiao in Fuking and Yuan Hong Garden in Fuzhou.

Prior to normalization, there was no significant debate in Indonesia about investment in China. This may have been caused by several factors such as the low quantity of investment, the prevailing self-restraint among ethnic Chinese businessmen not to upset the authorities and not to be associated with communism and China, while China itself was not economically attractive yet. Only after the normalization did the issue become public and people began talking about capital flight to China. This

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[123] Indeed, the overseas Chinese who live in Southeast Asia alone have succeeded in accumulating the fortune amounted at $200 billion, which is twice more than Indonesia's GNP in 1990s. See, *Harvard Business Review*, March-April 1993.

[124] *Pelita*, 4 February 1991.

situation leads to the question of Indonesian perception towards ethnic Chinese and their link with China after normalization. In this connection, one Indonesian scholar presented her opinion that there are also many circles in Indonesian society who still regard the ethnic Chinese as having the same attachment as their relatives who live in mainland China.[125] Their loyalty and bond to China is considered more important than to Indonesia. It is widely known that the Chinese Embassy in Jakarta maintains contacts and holds regular meetings with the Indonesian ethnic Chinese. Something that is not surprising as it happened before at a higher level in November 1994, during which Chinese President Jiang Zemin attended a gathering of the ethnic Chinese community living in Jakarta.[126]

In anticipating such a tendency of the revival of an ethnic Chinese link with China, one Indonesian economic observer, Christianto Wibisono, warned that ideologically based solidarity as the pattern of relationships between the PRC and communist movements in ASEAN countries would shift towards a pattern of solidarity deriving from ethnic/racial considerations.[127] He further postulated that because of their racial and ethnic vulnerability, ethnic Chinese in ASEAN countries- even those who were anti-Communist or capitalists- with the liberalisation in China would be absorbed into the syndrome of Chinese cultural greatness in the 21st century, especially when they were continuously discriminated against. Thus for many Indonesian ethnic Chinese, their affiliation to PRC was not based on ideological considerations but rather their cultural orientation.

Indeed the cultural link has given Indonesian ethnic Chinese businessmen a good opportunity to enter the market of China. This is the consequence of the situation in which most of Indonesian *pribumi* businessmen do not speak Chinese neither do their counterparts from China speak *bahasa* Indonesia. In such a situation, the Indonesian ethnic Chinese businessmen have a massive advantage and head start vis-à-

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[125] Ani Soetjipto, "Masalah Etnik Cina dalam Normalisasi Hubungan RI-RRC" [The Problem of Ethnic Chinese in Normalization Relation between Indonesia and PRC], *Kompas*, 6 December 1989.

[126] *Jakarta Post*, 18 November 1994.

[127] Christianto Wibisono, , "Terobosan Jakarta-Beijing Via Tokyo" [New Breakthrough Jakarta-Beijing via Tokyo], *Suara Pembaruan*, 5 April 1989.

vis Indonesian *pribumi* businessmen. Therefore, there is still a language barrier against Indonesian *pribumi* businessmen entering China. Indeed, the discriminatory policies implemented by the Indonesian government in their every day life would consequently tempt them to look at other places to live. This would get worse if they are also continuously looked at with suspicion or as immigrants. Thus the tendency to move would always be there as long as the government and the *pribumi* consider them to be different.[128] While the domestic factor to push the ethnic Chinese remains there, the external factor, in this case China, is seen as playing its part as a pull factor.

As far as the military is concerned, their feelings of suspicion towards China and the ethnic Chinese remain high.[129] While the communist ideological threat looked less credible, the military increased its focus on Chinese nationalism. One retired general observed that China seemed to be using less communist ideology in international relations, instead China began appealing to a bond of nationalism that surely fascinated overseas Chinese. [130] It does not mean that the Chinese government would literally interfere in the domestic affairs of Indonesia, but social and cultural links would surely be employed by the Chinese government to attract them, not for any political purpose or subversive act but obviously for economic reasons. Thus, the perception of aggressiveness and imperialist nature of the Chinese Empire and state are often referred to as a source of threat, and it is the nature of PRC to inherit these characteristics. Therefore, continuity has now emerged in which China's attitude should now be viewed in the context of their economic aggressiveness to attract and appeal to overseas Chinese to invest their capital in their homeland and the expansion of Chinese influence. Cultural orientation has indeed replaced ideological considerations. Thus the readiness of overseas Chinese to invest in China is allegedly based more on their shared culture with China than for economic interests. Therefore, this tendency tends to

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[128] Ibid.

[129] At the same time the military have also economically benefited from ethnic Chinese. In many cases, ABRI do their business in co-operation with ethnic Chinese. See, Indria Samego et al., *Bila ABRI Berbisnis: Buku Pertama yang Menyingkap Data dan Kasus Penyimpangan dalam Praktik Bisnis Kalangan Militer* [If ABRI Conducting Business: The First Book to Unravel Data and Cases of Irregularities in Military's Business Practice (Jakarta: Mizan Pustaka, 1998) and Budi Susanto, SJ & A. Made Tony Supriatma, *ABRI: Siasat Kebudayaan 1945-1995* [ABRI: Cultural Strategy 1945-1995] (Jakarta: Penerbit Kanisius, 1995).

[130] Sayidiman Suryohadiprojo, "Konsekuensi dari Normalisasi Hubungan dengan RRC" [The Consequences of Normaliztion of Relation with PRC], *Suara Pembaruan*, 19 April 1989.

strengthen the perception of "Once a Chinese, always a Chinese" and permanent loyalty to China.

From Indonesia's perspective, China's needs for capital inevitably clashes with Indonesia's interest for the same purpose. While the conflict of interest may take place in the international capital market, Indonesia is more concerned about the possibility of flight of capital owned by Indonesian ethnic Chinese to China. The government position on capital investments in China remains positive as long as they would benefit the Indonesian economy. However, those in the military circle doubt this possibility and consider this new phenomenon as posing a threat to Indonesian economic stability and development. Accordingly, Indonesian security officials begin talking about the danger of the co-operation among ethnic Chinese all over the world known as "Greater China" or "the ethnic Chinese Commonwealth". They are considered as, in Sterling Seagrave's term, empire without state border, government or nation flag.[131] In this regard, the convening of World Chinese Merchant's Convention in Hong Kong, 22-24 November 1993 was perceived as a symbol of the way in which ethnic Chinese are being used by the Chinese government. Indeed, the meeting was received with great alarm, as Indonesian tycoons with Chinese background also attended the meeting.[132]

In fact the Hong Kong meeting was the continuation of the previous one held in Singapore in August 1991. However, the second meeting was far livelier and attracted more attention since it was attended by ethnic Chinese big names such as Robert Kuok (Malaysia), Chatri Sophonpanich (Thailand), and Li Ka Shing (Hong Kong). At the same time the meeting was considered controversial as it was initially proposed by the Singaporean senior minister, Lee Kuan Yew who so far has promoted "Singapore nationalism". Although China was not officially the convenor of the meeting, there is no doubt that China rendered its support as proved by the use of its Chamber of Commerce in Hong Kong as the venue as well as hosting a trip for participants to

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[131] Sterling Seagrave, *Lords of the Rim: The Invisible Empire of the Overseas Chinese* (London: Corgi Books, 1996), p. 14.

[132] *Media Indonesia*, 9 August 1994.

inspect economic free zones in Guangdong province, South China.[133] Without specifically referring to China's economic boom, many observers believe that the convention was aimed at attracting capital by invoking race solidarity.[134]

In commenting on this trend, former governor of the military's think-tank Sayidiman Suryohadiprojo stated that the tendency of overseas Chinese to unite their businesses must not inflict a loss on Indonesian development.[135] The reason is because investment meant the creation of more work opportunities. While the investment in China might be based on various considerations, such as business opportunity or better economic environment, Suryohadirojo added that it would be worse for Indonesia if the investment in China was because of the presence of a stronger bond towards China, as it might threaten national security. On the other hand, the Chinese Commonwealth tendency could also benefit Indonesia. For example, the ethnic Chinese could use their *guanxi* network links to help bring more capital and develop the Indonesian economy.

One of Indonesia's leading newspaper, *Suara Pembaruan*, published a special report regarding investment by Indonesian businessmen in China.[136] It reported that their investment in China amounted to US$7 billion. This is an unofficial figure as there is no official record provided by both the Indonesian and Chinese government. However, Indonesian businessmen seemed to play down the issue of capital flight by ethnic Chinese and justified it as business like and nothing to do with primordial linkages. Antoni Salim, son of Liem, for instance stated that he had already prepared to invest in China, particularly in export oriented goods, a long time ago.[137] Although acknowledging that he does not know exactly whether investment in China was based on business judgement or primordial links, Djisman Simandjuntak of the CSIS felt it

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[133] H. Tarmizi Taher, Masyarakat Cina: Ketahanan Nasional dan Integrasi Bngsa di Indonesia [Chinese Society: National Defense and the Integration of Nation in Indonesia] (Jakarta: Pusat Pengkajian Islam dan Masyarakat – PPIM, 1997), p. 108.

[134] See, A. Dahana, "Masalah Cina Perantauan" [The Problem of Overseas Chinese], in M Dawam Rahardjo (ed.), *Profil Indonesia* [Indonesian Profile], CIDES Yearly Journal, No.1 (1994), p.59.

[135] Sayidiman Suryohadiprojo, "Indonesia dan Masyarakat Cina Internasional" [Indonesia and International Chinese Community], *Kompas*, 12 April 1993.

[136] *Suara Pembaruan*, 20 October 1997.

[137] *Pelita*, 4 February 1991.

mainly stemmed from business considerations.[138] However, government officials and scholars agreed that capital investment in China should be directed to boost the Indonesian economy.

In fact, Indonesian ethnic Chinese investment in China was not something new. In one of its cover stories, *Tempo* noted that many decades ago, Chang Pi Shih and Tjong A Fie, two Chinese immigrants, succeeded in becoming big businessmen in Indonesia and invested their capital back into China.[139] This report also examined how one of Indonesia's richest men and close confidante of Suharto, Liem Sioe Liong, invested his capital in his hometown, Fuqing. Apart from his generosity in supporting the building of public facilities, Liem is also known in the area because of his involvement in the Rong Chian Industrial Group.[140] Among businessmen, this Group is known as the "Fujian Clan" as it aims at creating a conducive environment for investment in Fujian. Although those businessmen are not citizens of China, the bond with their homeland should have a special meaning. This is an emotional and primordial bond. Therefore, the military suspicion of the linkage between ethnic Chinese and China had some justification. The striking difference has been between the emphasis on political interests before normalization and on economic realities after normalization. This seems to be in line with the change in China in which the concept of *Zhongguo* (Middle Kingdom) which emphasized on territorial aspect has gradually been accompanied by the concept of *Zhonghua* (Greater China) that is concerned with cultural and racial bonds.

5.5. Conclusion

Indonesia's decision to restore diplomatic relations with China was received with a mixed reaction among Indonesian leaders. For the proponents of the move, it was greeted with high optimism and expectation that Indonesia would benefit from the move. It was also regarded as an inevitable step in the light of Indonesia's interests,

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[138] *Pelita*, 4 February 1991.

[139] *Tempo*, 24 November 1990.

[140] This Group consists of 30 businessmen originated from Fujian who live in various countries. The prominent members of this group are Indonesian ethnic Chinese, such as are Liem Sieo Long, Djuhar Sutanto, Eddy Pesik, Setyo Atmojo, Lin Tzu Chin, and Hendrik Honosutomo.

particularly in the domestic economic field, and the need to play a greater role on the international stage. However, the opponents of normalization, particularly the military, were faced by a situation in which they had no other choice, except lining up their support behind Suharto. In fact, normalization was carried out against the conservative position of the military that had long considered China as a threat. Indeed, the portrayal of China as a threat gave the military a basis of legitimacy as the protector of the state against the enemy. However, a 'sudden' change of attitude towards the enemy put the military in a defensive position and indeed threatened its legitimate role as the guardian of the state.

In Indonesia's domestic politics, the period after normalization was characterized by the apparent cleavage between Suharto and the military. In fact, this became apparent in the late 1980s during the election process for the vice-presidency. This situation could not be separated from the fact that the military had become more concerned about Suharto's domination and its ramifications. The removal of Gen. Benny Moerdani from the military command indicated that Suharto felt threatened by the military. To secure his grip on the military, he filled in the top positions in the military with those who had served previously as his adjutants. Aware of decreasing support from the military, Suharto made the unpredictable move of reintroducing Islam into Indonesian politics through the creation of the ICMI. This was absolutely challenged by the military and Indonesian nationalists who had long considered it "taboo" to exploit religious sentiment for political purposes. While there were other reasons why Suharto embarked on that move, it was strongly believed that Suharto needed strong support to secure his re-election in the 1993 general election, and to balance the unreliable support from ABRI. However, it would be misleading to interpret Islam as a solid and unified force, as in fact it remains divided between *santri* and *abangan*. Those who joined ICMI are mostly from the reformist Islam, while their opponents mostly come from conservative Islam led by Abdurrachman Wahid. Thus, the reintroduction of Islam has complicated the political map of Indonesian politics. The introduction of Islam into Indonesian politics not only aroused the military's apprehension about the possible increasing influence of Islam in Indonesian politics, but it increased the military's hostility towards Suharto.

Along with the developments in Indonesian domestic politics, particularly the friction between ABRI and Suharto as well as the reintroduction of Islam, the period after normalization was also characterized by increased anti-Chinese feelings. There is no doubt that these were sparked by Suharto's much publicised call to ethnic Chinese businessmen to spare some amount of their equity for Indonesian *pribumi* co-operatives. While Suharto's call was initially intended to answer critics of economic domination by ethnic Chinese in Indonesia, it simultaneously made ordinary Indonesians aware of the existence of an economic gap. By attacking ethnic Chinese businessmen, at the same time Suharto also criticized his own family business in which many of them have collaborated with ethnic Chinese businessmen. In the end, the policy backfired. It was unfortunate that in this situation, the attacks upon ethnic Chinese became more frequent and violent. Nearly all the riots that initially had nothing to do with ethnic Chinese easily turned into an expression of anti-Chinese feelings. This was mainly caused by two factors. First, riots were generally aimed at the government. Anti-Chinese feeling was an expression of frustration and disillusionment on the part of ordinary people as a result of the close relations between the government elite and the ethnic Chinese. Second, invigorated by Suharto's favour, the Islamic right-wing elements were able to voice their concern by exploiting the issue of ethnic Chinese domination in the economy as an injustice to Indonesian *pribumi*. They even tended to widen the issue by focusing on the existence of a conspiracy between the ethnic Chinese and the military against Islam. Third, Suharto failed to recognize the strength of racial feelings in Indonesia. Instead, he always portrayed the ethnic Chinese issue as a problem of economic disparity. Finally, the military's ambiguous attitude towards the ethnic Chinese also played a part. Indeed, the ethnic Chinese were largely useful for the military in terms of economic and financial resources. However, when something went wrong, the military could easily put the blame on the ethnic Chinese as an easy target or scapegoat.

After the normalisation, the military remained suspicious of China while the latter did not officially abandon its communist ideology. The ideological persistence in China has even been used to prove that the collapse of the communist empire in Eastern Europe did necessarily mean the disappearance of the communist threat. Unlike the prevailing views among the military, ordinary Indonesians seem not to regard communism as threat. In this situation the military was in effect challenged to find

another justification to legitimise its hold on power. In this context, the military portrayed the China threat not only in the form of communism but more importantly in the form of Chinese nationalism. In this context, China has been portrayed as the continuation of the aggressive and expansionist old Chinese Empire. As the emphasis changed over time, so the economic factor began to be particularly stressed. Thus China has been perceived as being in the process of reviving social and cultural sentiment to appeal to the Indonesian ethnic Chinese to invest in China. Thus what had at one time been depicted essentially as a communist threat experienced a gradual transformation first to *Zhongguo* (Middle Kingdom), then to involve *Zhonghua* (Greater China). In other words the traditional notion of a Chinese threat of territorial domination was expanded to encompass cultural and ethnic dimensions.

Chapter Six

The Projection of Indonesian Perceptions of China into Foreign Policy: Engaging China (1990-1997)

For about a quarter century, the relations between Indonesia and China have generally been dominated by political and security consideration, particularly from Indonesia's perspective. Although the relations were restored by August 1990, suspicions toward China remains in place, especially among the military officials. Interestingly, there has been a transformation of the concept of threat that is not viewed only in terms of political/ideological aspects, but more importantly it also involves economic perspectives. This also means that changes and adjustment would take place in accordance with that reality. Subsequently, there remains one question that needs to be addressed. What has been the implication of the prevailing domestic perception of China in Indonesian foreign policy towards China? What kind of policy has been implemented in dealing with China? What has been its effect on Sino-Indonesian economic relations?

Therefore, the aim of this Chapter is to analyse how Indonesia has translated its domestic perception of China after the 1990 normalization into its foreign policy. In so doing, this Chapter is divided into four parts. The first part focuses on the underlying factors of Indonesian policy towards China. Examination is also conducted into the options and possibilities for Indonesia in conducting its relations with China. The second portion analyses how Indonesia deals with China, especially in crucial political and security fields. A thorough analysis is also made of the South China Sea issue, especially over Indonesia's role in the conflict and the dispute with China surrounding the Natuna Islands. The third segment examines the pattern of the relationship in economic and trade domain. The last portion is the conclusion.

6.1. Indonesia's Foreign Policy in the 1990s: General Direction and Orientation

A. Indonesia's Foreign Policy in the 1990s: Suharto in Command

Up to the mid 1980s, the Indonesian Foreign Ministry (*Deplu*) and the military appeared not always to agree on foreign policy. It was the result of different visions between Adam Malik and the military.[1] Although China was not the only issue,[2] it had become one of the classical examples in which both Deplu and the military had tried to win the support of Suharto in conducting a relationship with China. While assuming the general tasks of conducting diplomacy and inter-state relations, Deplu had to share its authority with the military on the issue of China due to the involvement of security and defence aspects. For more than twenty-years, the influence of Deplu on the issue of China was practically overpowered by the military as Suharto threw his weight behind the military's position of distancing Indonesia from Communist China. The outspoken civilian foreign minister Malik could not do much or otherwise he would be seen as stepping over the military's authority on the issue of national security.

Under Malik's successor, Mochtar Kusumaatmadja, there was no significant change. However, it is interesting to note that by the first part of 1980 the Indonesian Chamber of Commerce and Trade (KADIN), which consists of Indonesian businessmen, began taking part in influencing the direction of Sino-Indonesian relations, particularly on trade issues. In fact, as early as 1977, KADIN already supported the establishment of a direct trade link with China aimed at increasing Indonesia's export commodities such as rubber, timber and palm oil.[3] However, only

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[1] According to the Director General for Political Affairs of Indonesia's Foreign Ministry, Nugroho Wisnumurti, although there was different perception and inclination, there was no friction between Deplu and ABRI. They simply had some sort of different visions that were not yet translated into policy. Interview on 4 December 1998.

[2] Examples of these disagreements involved the visit of Suharto to Japan in 1968, Indonesia's policy over the representation of China in the United Nations, the ending of *Konfrontasi* with Malaysia. See, Franklin Weinstein, *Indonesian Foreign Policy and the Dilemma of Dependence: From Sukarno to Suharto* (Ithaca: Cornell University Press, 1976), p.334; and the Indonesian infamous intervention of East Timor, See, J. Stephen Hoadley, *The Future of Portuguese Timor: Dilemmas and Opportunities*, Occasional Paper No. 27 (Singapore: ISEAS, 1975) quoted also by Leo Suryadinata, *Indonesia's Foreign Policy Under Suharto, Aspiring to International Leadership* (Singapore: Times Academic Press, 1966); Hamish McDonald, *Suharto's Indonesia* (Victoria: Fontana Books, 1981).

[3] "Delegasi Ke Canton Fair Berangkat, Tugas Utama: Menjajagi Kemungkinan Pengembangan di Bidang Perdagangan," [Delegation Departs to canton Fair, The Main Task: To Explore the Development of Trade], *Sinar Harapan*, 10 November 1977; "Tidak ada alasan, tak ujudkan hubungan dagang RI-RRT," [There is No Reason of not Realizing Indonesia-RRC Trade Relations], *Merdeka*, 29 December 1977.

after the appointment of Suharto's brother in-law Sukamdani S. Gitosardjono to chair KADIN in 1984, did Sino-Indonesian relations begin improving. His appointment did indeed facilitate the process of the re-opening of direct trade with China in 1985 as he had direct access to the President and at the same time neutralizing opposition towards the improvement in Sino-Indonesian relations. Nevertheless, the restoration of diplomatic relations remained off the agenda.

While trade relations were underway, the proponents of normalization received a more encouraging development as the result of the continuing changes in China and the coming of the unexpected new international environment by the late 1980s. However, it took about four more years for Indonesia to normalize relations with China, which was finally announced by Suharto in February 1989. This development proved two things. First, the military's suspicion of China remained strong. Second, it was Suharto who held the key in determining the relations with China. In other words, Suharto had shown himself as the actor who made the final decision on foreign policy initiatives. Thus, it is misleading to read the formulation of Indonesian foreign policy only as merely the result of competitive interaction between the various institutions, especially the ministry of foreign affairs and the ministry of defence. The factor of Suharto after the mid 1980s should not be considered lightly, as he was the figure who took a slow and gradual steps to assert his authority. Although Suharto eventually adopted a policy that had been proposed by Deplu, in the end any decision on foreign policy was always claimed as the work of Suharto and it was he who eventually received credit.

Along with the general tendency of Indonesia's domestic politics by 1990 in which the relationship between Suharto and the military had turned strained, it soon became clear that Suharto had become more assured of his involvement in foreign policy. He seemed to enjoy talking about foreign policy and subsequently conducted more trips abroad. It was a strong indication that Suharto gained full confidence to play a bigger role in the international forum. It was not surprising that in travelling abroad Suharto was often accompanied by his trusted assistant and State Secretary, Moerdiono. The latter was also often entrusted to brief the press on foreign policy issues. Indeed, Moerdiono was Suharto's mouthpiece on foreign policy. Thus the role

of Deplu and the military had decreased. Nevertheless, on the issues concerned with security and defence, Deplu continued to share responsibility with the military, while the final decision rested in the hands of Suharto. Interestingly, Deplu was able to maintain its role and function through close relations between Alatas and Moerdiono.[4] Indeed, a close relation to the latter meant none other than a direct and easy access to Suharto. On the other hand, Suharto also needed a strong back up and expertise from Deplu for the implementation of Indonesia's assertive foreign policy, particularly in his capacity as Chairman of the Non-Aligned Movement. As far as the military were concerned, as a result of the shift in Indonesia's political constellation, they were practically less involved in foreign policy. An Indonesian scholar suggested that the military were too preoccupied to reassess their future role and had no time to pay attention to foreign policy.[5] Nevertheless, they had always returned to prominence when the issue of national security was at stake.

B. Assertive Foreign Policy: International Engagement and Domestic Obstacles

Since his coming to power, Suharto had kept Indonesian foreign policy on a low profile. In this context, it was mainly aimed at serving domestic requirements of creating stability, order and economic development. Thus foreign policy was confined to domestic and regional perspectives, and specifically aimed at facilitating the creation of stability and economic development. Indeed, Suharto's low profile and good neighbourhood policy was greatly welcomed by Southeast Asian countries, particularly after Sukarno's turbulent years. As a result, peace and stability were created in the Southeast Asian region. However, the inward looking orientation of Suharto's government seemed to suppress the nationalist feelings and prevented Indonesia to play a bigger role in the world stage.[6] Therefore, one of Indonesia's reasons to restore relations with China had been to serve the national interest of increasing Indonesia's

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[4] Foreign Minister Ali Alatas developed good relations with Moerdiono, State Secretary, which in many ways helped facilitate the work of Deplu, particularly on issues intersected with security interest, such as China and East Timor.

[5] Interview with Rizal Sukma, 12 December 1998.

[6] It was especially after the creation of stability and relative economic success in the second half of the 1980s.

prestige by playing a larger role on the world scene. Accordingly, Indonesia's most immediate objective in foreign policy was to secure the candidacy for the Chairmanship of the Non-Aligned Movement.[7]

At long last, in September 1991 Indonesia was elected to lead the Non-Aligned Movement, and eventually hosted the Tenth Summit of the Non-Aligned Movement (NAM) in Jakarta in September 1993.[8] The meeting was attended by 108 leaders from non-aligned countries. It was regarded as a great success as it overcame initial anxieties of poor attendance that might consequently raise questions about NAM's continued relevancy in the post-Cold War era. Substantially, Indonesia succeeded in steering NAM away from political interests to socio-economic concerns. The result was later formulated in the final document of "The Jakarta Message" which contains, among other things, a call for constructive North-South dialog and underlies the importance of South-South Cooperation among NAM countries.[9] Over all, the prevailing tone of the message was consultative rather than confrontational. And it was Suharto's responsibility to assure the implementation of the Message. In this regard, Suharto visited Tokyo in 1993 during which he, on behalf of NAM, submitted the Jakarta Message to the leaders of the G7 Summit, through the Japanese Prime Minister.

Indeed, in the 1990s, Indonesia has played an active role in various international forums, not only a leading role in the settlement of Cambodian conflict and in the context of ASEAN, but also the participation in the Organisation of Islamic Conference (OIC), the G15 Group and the South-South Dialog, as well as hosting the APEC meeting in October 1994. Thus, it was widely believed that Suharto's attempt to re-establish a respected place for Indonesia in the international community has succeeded. Nevertheless, the Indonesian foreign policy and its participation in any

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[7] In the longer term, the normalization should also increase the opportunity for the realization of the Zone of Peace, Freedom and Neutrality (ZOPFAN), particularly on the settlement of Cambodian problem.

[8] This event recalled Indonesia's earlier prominence in the Movement starting with the 1955 Afro-Asian conference held in Bandung.

[9] See, *The Jakarta Message: A Call for Collective Action and the Democratisation of International Relations*, (Jakarta: Gramedia Pustaka Utama, 1992).

forum were always overshadowed by domestic constraints, especially the question of East Timor.[10] Diplomatically, up to 1983 Indonesia successfully defied international criticism and refuted any United Nations' resolutions calling her to withdraw from the territory. And since 1984, Indonesia has managed to persuade the UN General Assembly to defer the discussion on East Timor in the General Assembly and entrust the UN Secretary General with convening a tripartite meeting between Indonesia, and Portugal to find an internationally acceptable and comprehensive solution to the issue.[11]

However, Indonesia's entrance to the world stage coincided with the coming of a new international environment by 1990 that changed the fortunes of Indonesian diplomacy.[12] The sense of satisfaction over foreign policy successes and higher profile was overshadowed by Indonesia's failure to resolve the issue of East Timor. The November 1991 Dili incident in which the Indonesian troops opened fire on a peaceful demonstration and around 200 people were reported to have been killed, was a turning point in Indonesia's diplomacy. The incident was a major blow that put the issue of East Timor back under international scrutiny. Indeed, it overshadowed the success of the New Order regime afterwards and marked the beginning of a long political ordeal for Indonesia, internally and internationally. The incident made its consequence on the military in which Suharto immediately took tough measures by setting up a commission to investigate the incident.[13] On 28 December 1991, after his meeting with senior government ministers, Suharto made a number of decisions including the

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[10] In the wake of the civil war in 1975 as the Portuguese departed from East Timor, Indonesia annexed the territory and integrated it in the following year as Indonesia's 27th province. The United Nations has never recognized Indonesia's occupation of East Timor. The issue remains under discussion in the UN General Assembly as East Timor is considered as a non-self governing territory.

[11] The Indonesian government decision to hold a referendum in August 1999 was also the result of long negotiations between Portugal, Indonesia and the UN Secretary-General.

[12] The new paradigm in international relations has been democratization, human rights and environment. Accordingly, the Western powers became more critical of Indonesia's human rights record, including in East Timor.

[13] The findings of an official inquiry commission into the incident were released in January 1992. It is revealed that at least 50 people killed (the Army's claim was 19).

removal of two generals[14] and the setting up of an Honorary Council.[15] Domestically, the incident further distanced Suharto and the military as the latter were dissatisfied by his decision to mainly blame and punish members of the military. Internationally, the incident generated a strong worldwide condemnation toward the Indonesian government. Some governments such as Canada, Denmark and the Netherlands decided to suspend economic aid to Indonesia.[16] Since then Indonesia has been the target of international criticism and condemnation over its persistent occupation and human rights violation in East Timor in nearly every international organization and meeting.[17]

C. Indonesia's Policy towards China

Domestic Resistance

Although relations between Indonesia and China have improved significantly, the issue of the ethnic Chinese always plays its part. As discussed in previous chapters, there remains a general suspicion among *pribumi* and the elite toward Indonesian ethnic Chinese who are regarded as being alien, having connections with Beijing, and being opportunist. It is widely believed that the government's negative campaign against communist China, the link with ethnic Chinese and communism has been excessive. It is not surprising therefore that the perception of the ethnic Chinese community in Indonesia always bears the ambiguous connotations of its link to their motherland.[18]

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[14] They are Maj. Gen. Sintong Panjaitan, Chief of the Udayana Military Command which oversees Bali and the Lesser Sunda Island, including East Timor, as well as Brig. Gen. Samuel Warouw, chief of the Military Command in East Timor.

[15] The Council was chaired by Gen. Eddy Sudradjat with its task to further investigate the army's command's policy and procedures in handling the incident.

[16] Suharto retaliated Dutch criticism of linking aid to human rights by disbanding the International Group on Indonesia (IGGI). Indonesia later invited the World Bank to take over the chairmanship of a new aid grouping, the Consultative Group on Indonesia (CGI) which consisted of all IGGI members except the Netherlands.

[17] Foreign Minister Alatas referred to East Timor problem as a pebble in the shoes.

[18] After the downfall of the Suharto in May 1998, there has been an extensive discussion to change the term "Cina" to "Tionghoa". However, the military seemed disagree on this proposal as they might start demanding an equal treatment as other Indonesian indigenous ethnic races.

One of the infamous incidents linking ethnic Chinese, PRC and Chinese citizen took place in 1992. It began when one Indonesian ethnic Chinese businessman, Eka Tjipta Widjaja (Oey Ek Tjhong), planned to build the *Indah Kiat* paper factory in Indonesia.[19] In order to meet the electricity need that was not sufficiently provided by the state, he built an electricity powerhouse with the government's permission. In its realization, he imported machinery and employed 1,000 skilled Chinese national technicians as part of the deal. However, the arrival of Chinese workers sparked severe criticism from various quarters. The reaction that was extensively published in the national press ranged from nationalism to the issue of unemployment in Indonesia. It became a national issue. In the end, the Chinese workers were gradually sent home. This incident once again underlined the animosity towards ethnic Chinese, especially when they are perceived as having a link to China.

Indeed, the period of the 1990s has been characterized by increasing quality and quantity of anti-Chinese demonstrations in Indonesia. While the cause of the protests had nothing to do with the ethnic Chinese, they easily turned into an expression of anti-Chinese feelings. Suharto's attack on ethnic Chinese businessmen had raised people's awareness of the extent of the economic gap between ethnic Chinese and *pribumi*. In spite of recognizing the presence of a racial problem, the New Order always focused on the economic perspective. Therefore, the government's policy in handling the issue of ethnic Chinese played its part in the deteriorating situation of the ethnic Chinese in Indonesia. Indeed, the tendency to target the ethnic Chinese was also part of the expression of people's dissatisfaction towards Suharto, especially his family businesses and their link to the ethnic Chinese tycoons. Since ordinary Indonesians were unable to attack Suharto directly, the next and easier target was the ethnic Chinese that were seen as close to him, his family, his crony and his regime. Thus, the ethnic Chinese have become the target as the result of economic and political dissatisfaction against the government. Nevertheless, some evidence even suggested that the victimization of

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[19] See, "Pelajaran yang Mahal dari Serang" [Expensive Lesson from Serang], *Tempo*, 5 September 1992; "Menguji Nasionalisme Konglomerat" [Testing Conglomerate's Nationalism] and "Protes Hanya Karena RRC" [Protest Simply Because of PRC], "Indah Kiat Mengimport TKA" [Indah Kiat Importing Foreign Workers], *Forum Keadilan*, 1 October 1992.

ethnic Chinese was part of the government's policy to put the blame on the worsening economic situation.[20]

Yet, none of the underlying domestic factors undermined Sino-Indonesian relations in general. While the Chinese government might find the fate of ethnic Chinese in Indonesia appalling, it always constrained itself not to publicly criticize the Indonesian government in addressing the issue. Rather, it opted to quietly present its concern, thus avoiding the backlash of invoking nationalism and anti-Chinese feelings in Indonesia. This was the case as anti-Chinese riots took place in Medan in April 1994. In this regard, the Chinese government politely expressed its concern over the situation, and expected the Indonesian government to solve the problem because China was friendly towards Indonesia.[21] Apparently, the Chinese government was also fully aware that criticism might only give ammunition to the anti-Chinese elements in Indonesia, which may easily be turned into an accusation that China was interfering in the domestic affairs of Indonesia.[22] Additionally, the Chinese government appears to be sensitive of the criticism that might similarly be leveled against Beijing, especially on the issue of human rights. China also adopted a similar attitude with regard to the May 1998 riot in which many ethnic Chinese had become the victims of political change in Indonesia.

External Factors: Chinese Foreign Policy and the Projection of its Power

What is the characteristic of Chinese foreign policy in the 1990s? At least, it should embark on the premise that China's foreign policy walks on three legs – domestic, external, inter-China – in the pursuit of three declared foreign policy objectives: modernization, reunification and anti-hegemonism.[23] As the East-West confrontation has gone, Chinese foreign policy has increasingly become mired in and

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[20] *Human Rights Watch*, "Indonesia Alert: Economic crisis Leads to Scapegoating Ethnic Chinese", New York, 1998.

[21] *Strait Times*, 26 April 1994.

[22] Especially from the military and Islamic hard-liners.

[23] Samuel S. Kim, "China's Pacific Policy: Reconciling the Irreconcilable", *International Journal*, Summer 1995, p. 464.

symptomatic of domestic politics, particularly also after the Tiananmen incident. Kim also argued there is an inordinate push in its international relations for China-specific exemption and China-specific entitlement in international institutions, as well as for restoring China's great-power status in the world, to make up for domestic deficits. Accordingly, close attention must be paid to domestic politics and self-image of Chinese leaders in shaping Beijing definition of and response to the changing international situation.

Therefore, despite showing a major departure from Mao's foreign policy, China is still showing continuity in some aspects. First, China continues to reject the presence of hegemonic power in its environment, particularly in East Asia. While historically, this power was associated with the Soviet Union threat which was labeled as revisionist, China also rejected Vietnam domination over Indo-China. Second, China always associates herself as part of developing or Third World countries. China's position has currently strengthened by its attitude on the issue of level of economic development, particularly in the contentious question of rich and poor countries between North-South countries, in which China defends the interest of less developed countries. Third, China remains sensitive to any external threat. This threat is unnecessarily in the presence of a real and tangible enemy, but it is very often related to its implications that will undermine national sovereignty or regime survival. Some examples in this case can be mentioned such as the support of the independence of Tibet and Taiwan. In order to safeguard its sovereignty and territorial integrity, China is undoubtedly willing to use its military power.

Nevertheless, Chinese leaders generally welcomed the coming of a new international environment. They assumed that with the end of the confrontation between these superpowers (the US and the Soviet Union), global war will not occur in the 20th century.[24] However, the elimination of the Soviet Union from the international scene, at least for the time being, was not followed by the coming of peace and international order as it still contains itself with vulnerabilities. This assumption has been based on the following factors. First, although the bipolar structure has dissolved,

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[24] Shulong Chu, "The PRC Girds for Limited, High-Tech War", *ORBIS*, Spring 1994, p. 178.

the new structure of international relations is yet to be found. It is further overshadowed by the emergence of new conflicts and contradiction. This opinion has, among others, been expressed by the Secretary General of the Chinese Communist Party, Jiang Zemin in its 14th Congress in October 1992.[25] Second, the end of the Cold War has caused great apprehension among the Chinese leaders as to the intention of the US, which is considered the sole-superpower. In this situation, America is seen as attempting to create a New World order based on American values, culture and ideology. Thus, the US is seen to be applying power politics. The Chinese leaders are convinced that the US will prevent the emergence of any regional power that poses a threat to its interests.[26] Third, Chinese leaders and analysts predict that economic competition will escalate, and the competition between nations to create a more significant comprehensive national power as unavoidable. They also believe that the position of a particular nation in the current world order is based on its national power. Therefore, if China wants to enhance its position, there is no other way than to increase its comprehensive national power.

Bearing in mind the above factors, it is not surprising therefore that the Chinese leaders' views of the international situation have been rather pessimistic. Although they welcome the coming of the new era, it does not necessarily mean the arrival of a better world order. Thus the possibility of the outbreak of conflicts could not be ruled out. The Iraqi invasion of Kuwait has been referred to as evidence that instability and conflict still dominate the nature of international relations. This opinion is clearly expressed by the Chinese Premier, Li Peng before National People's Congress in March 1991:

> While we welcome the changes caused by the relaxation of certain regional conflicts and the prospects for their political settlement, the grim facts show that our world is not peaceful, that peace and development which people of the world over aspire to are still facing a severe challenge, and that hegemonism and power politics still continue to develop. The facts also show that certain hidden political and national

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[25] Jiang Zhemin, "Accelerating Reform and Opening-up", A Statement delivered before the 14th National Congress, *Beijing Review*, Vol. 35, no. 43, 26 October - 1 October 1992, p.26.

[26] Arthur S. Ding, "Peking's Foreign Policy in the Changing World", *Issues & Studies 27*, no. 8, August 1991, p.20.

> problems have come to the fore, that the disparity in the balance of strength has also triggered new contradictions, and that the difference between the haves and have-nots in the North and the South has continued to widen. In fact, because of the intertwining new and old contradictions, the world has become even more turbulent.[27]

On the contrary, when it comes to East Asia, Chinese leaders had a more positive perception. In his visit to Singapore, for example, then-President Yang Shangkun said that the situation in Asia was far more stable than the world and was moving towards peace and stability.[28] This optimistic evaluation is certainly related to the positive developments in the region at the end of the 1980s when Beijing succeeded in opening diplomatic relations with Indonesia and Singapore, improving relations with Vietnam as well as creating good relations with Seoul and Tokyo. Above all, China was able to develop good relations with Asian major powers.

China is also continuing to reform its economy, which is aimed at enabling China to compete on the world stage. China considered that domestic stability must be accompanied by an attempt to create peaceful and conducive circumstances in its environment. Accordingly, China is actively forging friendly cooperative relations with the countries, particularly those in East Asia and Southeast Asia. However, China is also continuing its reform in the military field. After the Gulf War, the emphasis was shifted to the employment of high-tech military equipment to meet the needs of modern warfare.[29] The aims are mainly related to China's effort to build-up a strong air force and naval build-up. Additionally, Beijing has also imported large quantities of advanced Soviet weaponry and military technology. Although China is not yet comprehensively strong, it has the potential to be so with a strong economy. While the People's Liberation Army (PLA) still does not have a blue-water navy, China's military development has caused great concern to its neighbouring countries. One of the indicators of China's growing strength include its increased defence spending four

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[27] *China Daily*, 21 March 1991, quoted in Shulong Chu, "The PRC Girds for Limited, High-Tech War", *Orbis*, Spring 1994, p.178.

[28] Shulong Chu, Ibid. See also Guo Zhenyuan, 'Asian-Pacific Region Remains Peaceful', *Beijing Review*, February 5-11, 1996.

[29] Arthur S. Ding, "The Impact of the Persian Gulf War on the PLA", *Zhongguo dalu yanjiu* (Mainland China Studies) (Taipei) 34, no. 12 (December 1991), pp. 27-36 in "The PRC's Military Modernization

years in a row, ranging between 13 and 15 per cent increases.[30] This is shown by the fact that the PLA are becoming more assertive in support of China's territorial claims. Accordingly, states are talking about China as a threat.

In fact, the issue of the China threat emerged on the international scene when in 1993 the International Monetary Fund (IMF) re-listed countries economically according to the purchasing power parity assumption in which China's gross domestic product was inflated four times using current exchange rates. With its increasing economic power, China may eventually develop its military power and pursue an expansionist policy. In 1994, for instance, China was ranked as the 7th highest country with military expenditures, with the spending amounting to US$6.3 billion.[31] Aware of great apprehension among its neighbours caused by military development, the Chinese government has sought to assure the region that China does not seek hegemony now, nor will it do so in the future, even when it is economically developed.[32] Beijing has steadily counter-attacked the notion of the China threat as an attempt by anti-China Westerners "to sow discord between China and its neighbouring countries and to destroy China's plans of reunification and economic development."[33]

D. Projection of Sino-Indonesian Relations: Options and Possibilities

In the 1990s, the relations between China and Indonesia improved significantly. The normalization was immediately followed by an increased cooperation in nearly all sectors, be they political, economic, trade, social and cultural activities. There was a sense of enthusiasm from both sides to catch up the time that had been seemingly lost during the absence of diplomatic relations. At the highest level, official exchanges took place. As a response to a good gesture shown by Premier Li Peng's visit to Indonesia in

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and a Security Mechanism for the Asia Pacific", *Issue and Studies*, Vol. 31, No. 8, August 1995.

[30] James Linder, "Chinese Military Strategy," *Global Strategy*, Winter 1993, p. 59.

[31] China was behind US, Japan, France, Germany, Britain, and India. See, *London Institute for International Strategic Studies*, October 1994.

[32] Chinese Foreign Minister Qian Qichen, as quoted by Michael Richardson, "China Said to Court Asians as a Buffer Against the US," *International Herald Tribune*, 24-25 July 1993.

[33] Wei Zhengyan, "China's Diplomacy in 1993," *Beijing Review*, 17-23 January 1994, p. 15.

August 1990, President Suharto went to China from 14 to 19 November 1990. It was the first time for the New Order leader to visit China, twenty-three years after the freezing of diplomatic relations.[34] Apart from discussing bilateral matters and regional problem with President Yang Shangkun, this occasion marked the end of enmity between Indonesia and China.[35] During that visit, both parties underlined the importance of Bandung Principles (*Dasa Sila Bandung)* and five principles of peaceful co-existence as the foundation of the relations between two countries.[36] Thus both countries underlined their agreement to adopt the principles of non-interference and cooperation as the basis of the relationship.

The visit was followed by the arrival of President Yang Shangkun in Indonesia from 5 to 9 June 1991 in which he reiterated China's position with regard to building new political and economic order.[37] Although this visit was more symbolic, full of diplomatic attributes and the reiteration of general principles of bilateral relations, he identified four main issues as a basis of relations between these two states. First, all countries, regardless of its size, big or small, strong or weak, should have the same level and be entitled to participate in the consultation in resolving all international problems. Second, every country has the right to determine its own social system and economic pattern and the direction of its development in accordance with their respective conditions. Each state also should respect each other's sovereignty and not interfere in the domestic affairs of others. Third, international conflicts should be solved through a just and peaceful way. Fourth, international economic relations should reflect the principle of equality and mutually beneficial. In general, China welcomed

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[34] The last visit by Indonesian highest official was conducted by Sukarno on 4-5 November 1963. On the part of China, it was conducted by President Liu Shaoqi on 12-20 April 1963.

[35] Lie Tek Tjeng argued there are three factors underlining Suharto's visit to China. First, the changes in geo-political strategy, particularly in the context of evolving relations between China, Japan and the US. Second, the importance of China in the settlement of Asia-Pacific problems, especially the issue of Cambodia. Finally, it should be seen in the context of China as a potential market for Indonesia, particularly after the Western countries and Japan have become more protective. See, Lie Tek Tjeng, "Kunjungan Presiden ke Jepang, RRC dan Vietnam" [The Visit of the President to Japan, PRC and Vietnam], *Kompas*, 17 November 1990.

[36] "Pagi Ini, Suharto-Li Peng Adakan Pembicaraan Empat Mata," [This Morning, Suharto-Li Peng Conducting a Face-to-face Meeting], *Kompas*, 15 November 1990.

[37] "Presiden: RI-RRC Punya Tautan Sejarah," [The President: Indonesia and China Have a Historical Link], *Kompas*, 6 June 1991.

the improvement of relations between China and Indonesia and made clear China's position on some issues, such as communism, Cambodia, the creation of East Asian Economic Caucus (EAEC) and foreign military bases in Southeast Asia.[38] On the same occasion, President Suharto reiterated the important contribution of normalization for peace and stability in the region that should facilitate the development process as well as towards the settlement of the Cambodian problem.[39]

Unlike the upswing in the economic and trade sectors,[40] bilateral political cooperation was somewhat left behind, regardless of foreign minister Ali Alatas insistence that there is no problem in developing relations with China.[41] What has been the effect of domestic and external realities? How does Indonesia develop relations with China? And, what options are available? In replying to a question as to what kind of diplomatic relations would take place between Indonesia and China, Alatas replied that diplomatic relations with China should be developed proportionally.[42] This was an ambiguous response that explained that Indonesia was still searching for the right direction for its relationship with China. Indonesian leaders, particularly the military, are surely reluctant to be seen as politically too close to China, while Deplu does not want to be seen courting with China.

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[38] On communism, China reiterated that each and every country has the right to choose its own social system, ideology, model and the road to development in accordance with its own national conditions. China also had no intention to impose its model to other countries. China also respects Indonesia's social system, road to development and the ideology of *Pancasila*. On Cambodia, China supported an early, comprehensive, fair and reasonable settlement within the framework of the Paris Conference and the framework document and draft agreement of the Permanent Five. China also appreciates Indonesia's role in the settlement process of Cambodian problem. On the East Asian Economic Caucus (EAEC), China preferred to wait the views of other ASEAN members, while underlined the importance of China's participation in Asia-Pacific Economic Forum (APEC). On foreign military bases in Southeast Asia, China seems to go along with ASEAN's position to rule out the establishment of foreign basis in Southeast Asia and supports the creation of Zone of Peace, Freedom and Neutrality. *Jakarta Post*, 5 June 1991.

[39] "Kunjungan Presiden RRC Paripurnakan Normalisasi," [Chinese Presidential Visit as the Culmination of Normalization], *Suara Karya*, 6 June 1991.

[40] Bilateral economic relations are discussed separately in this chapter.

[41] *Suara Pembaruan*, 19 November 1990.

[42] *Tempo*, 4 March 1989.

The then Indonesian Ambassador to Beijing, Juwana, stated that bilateral relations should be intensified but in "rational and correct" circumstances.[43] He warned that if relations with China are developed too quickly, there could emerge a lot of disturbances in which Indonesia also has to make a speedy adjustment. What is important in developing relations with China is, he added, the implementation of the principles of *cheng xin* and *cheng yi* or good will and good faith. Indeed, the prevailing views among the Indonesian elite remained cautious of China. One Indonesian senior official described the relations with China as politically fine while at the same time he recognised the existence of problems.[44] There is no doubt that this reflects the presence of suspicions towards China, particularly among the military leaders, and the sensitive issue of ethnic Chinese among ordinary Indonesians. The ups and down of an unstable and sometimes violent history of relations between China and Indonesia obviously played its part in the conduct of Indonesia's foreign policy towards China.[45]

Given the domestic realities in Indonesia, there are two forms of foreign policy that have been implemented vis-à-vis China. First, Indonesia will not conduct close bilateral relations with China, particularly in the security and political fields.[46] Thus, Indonesia is more inclined to pursue its relations in these fields through multilateral cooperation, such as ASEAN and other cooperative institutions. By working multilaterally, Indonesia should be able to put pressure on China on various issues, and to make Indonesia more secure. Additionally, the government should be able to appease the domestic audience that remains suspicious of China. Indeed, Asian regional organizations will have an important role to play in a campaign of reconciliation with China, namely ASEAN and ASEAN Regional Forum (ARF).[47] Second, Indonesia considers its relations with China more in the context of pursuing

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[43] *Kompas*, 22 July 1994 and 4 August 1997.

[44] Interview with the Director General of Political Affairs, Nugroho Wisnumurti, 4 December 1998.

[45] Interview with Rizal Sukma, 12 December 1998.

[46] Nevertheless, Indonesia would also be willing to develop bilateral relations with China on non-sensitive issues such as in the social and cultural fields.

[47] Douglas T. Stuart, "Toward Concert in Asia", *Asian Survey*, Vol. 37, No. 3, March 1997, p.240.

Indonesia's economic interest. Thus, such a cooperation is expected to benefit Indonesia economically.

6.2. Indonesia's Political and Security Policies: A Multilateral Constructive Engagement

A. Sino-Indonesian Relations and the Major Powers: A Fragile Environment

Interrelations between the Major Powers

The perception of threat in East Asia is complex and goes beyond the Cold War dichotomy of the US and the Soviet Union. Although many countries perceived the Soviet Union as a threat to their security, they also perceived other Asian countries as threats to their security.[48] It is not surprising that in the 1990s the old inter-state problems have shown persistence, which involves jurisdictional disputes and over-lapping territorial claims. These disputes are nearly embraced by all countries, or at least confronted by countries bordering the South China Sea. To add weight to the problem, these conflicts also involve all major regional powers such as Japan and China over the Senkaku Island in the East China Sea, and Japan and Russia over the Northern Territories. Similar conflicts also exist between the most successful regional cooperation institution ASEAN, in which its members are in contention against another over the ownership of various islands. It includes Indonesia-Malaysia over Sipadan and Ligitan islands in the Celebes Sea, between Singapore and Malaysia over ownership of Pulau Batu Putih in the Straits of Johor, and the Philippines and Malaysia over Sabah. However, the most delicate and worrying one is the dispute of sovereignty and overlapping claims of the Spratly Islands in the South China Sea between Brunei, China, Malaysia, Taiwan, the Philippines and Vietnam.[49] Thus, it is less clear that change in international relations will bring about the same "peace dividend" to the region.[50]

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[48] Henry Kissinger, "East Asia, the Pacific and the West: Strategic Trends and Implications: Part I", in Robert O'Neill (ed.), *The East Asia and International Security*, London, MacMillan Press, 1987, pp.1-8.

[49] The South China Sea issue is discussed in this chapter in so far it is relevant to Sino-Indonesian relations.

As far as regional order is concerned, there is no doubt whatsoever that the US is holding a key role in the maintenance of security and stability in the region, especially in balancing contradicting forces such as China and Japan. As the only country that remains providing a security umbrella to the region, the US has more leverage to influence the shape of East Asian security structure. Therefore a future picture of a strategic relationship in the region cannot be separated from its policy towards the region. The reason is simply because there is no indigenous East Asian power that could be accepted by most of the countries in the region to fill in the American footsteps without prompting other forces to counter-balance. China will surely reject a greater role for Japan. For instance, a *Beijing Review* article in February 1992 warned that Japan has become active and independent in its foreign policy to fill the vacancy left by the withdrawal of American and Russian influences.[51]

The apprehension of the Japanese was supported by the fact that its procurement spending on major weapons could be the third highest in the world after that of the US and France, exceeding that of the UK, Germany and Russia.[52] Korea also expresses similar concern as it said that even after future reunification, American forces should be maintained in the Peninsular to protect Korea from Japan.[53] While reluctantly accepting the American forces, Southeast Asian countries, including Indonesia, have repeatedly warned against Japanese remilitarism. Although Japanese policy is still far from the one practiced during the Second World War, those countries are concerned that Japan may revert to its old foreign policy. This potential might come into reality if the Japanese are faced by the following conditions. First, the situation in which a US-Japanese alliance is no longer reliable to them. Japan feels that should it lose its security link with the US, it would become "an international orphan, disliked,

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[50] Soedibyo, "Developments in the Asia-Pacific Region and Their Implications for China and Indonesia", in Ji Guoxing and Hadi Soesastro (eds.), *Sino-Indonesian Relations in the Post-Cold War Era* (Jakarta: CSIS, 1992), p.75.

[51] Lin Xiaoguang, "Japan Seeks Greater Role in the World", *Beijing Review*, February 1992.

[52] *Stockholm International Peace Research International* (SIPRI), Yearbook 1993, p.391.

[53] Kishore Mahbubani, "Japan Adrift", *Foreign Policy*, No. 87, Summer 1993, p.129.

distrusted, and vulnerable to its heavily armed neighbors".[54] Second, its strategic environment is changing dramatically, such as North Korea achieving nuclear armaments that provoked South Korea to follow suit. Third, China becomes adventurous in asserting its claims towards Taiwan, the disputed Senkaku Islands, and other territories in the South China Sea and opting for military force. Therefore the changing nature of the US-Japan relations would be very crucial to the region.

The discussion of security and peace in the region must undoubtedly also refer to China as one of East Asian major powers. In this context, Sino-American relations also played an important part in creating stability in the region. Unfortunately, since the later 1980s, Beijing has come to see the United States not as a strategic partner but as the chief obstacle to its own strategic ambitions.[55] Therefore their relations have been characterized by various conflicts and indifferences which include Chinese human rights records, Tibet, China's link with North Korea, nuclear test as well as trade issues.[56] However, the Chinese government reacted very angrily when the issue of sovereignty was involved. Consequently, whenever Taiwan showed a signal toward independence, or the United States moved toward recognizing Taiwan, China had no hesitation to use every possible means, including military forces. One scholar even referred to the Taiwan case as a time bomb in the Far East.[57] Indeed, in the 1990s China has shown its military muscle several times to deter Taiwan from gaining full independence which in effect threatens the security of East Asia as a whole. Meanwhile, Sino-Japanese relations remains complex and uneasy, reflecting among other things the inevitable competitiveness of their positions and the Chinese belief that Japan is not sufficiently repentant for its invasion of China in the 1930s and is not

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[54] See, Eugene Brown, "The Debate Over Japan's Strategic Future: Bilateralism Versus Regionalism" *Asian Survey*, Vol. 33, No. 6, June 1993; Edward C. Luck, "Layers of Security: Regional Arrangement, the United nations, and the Japanese-American Security Treaty," *Asian Survey*, Vol. 35, No. 3, March 1995.

[55] Richard Bernstein and Ross H. Munro, "The Coming Conflict with America," *Foreign Affairs*, vol. 72, no. 2, March/April 1997.

[56] See, Richard P. Cronin, "The United States and Asia in 1994", *Asian Survey*, Vol. 24, No.1, January 1995, pp. 112-16.

[57] Xuewu Gu, "Taiwan: Time Bomb in the Far East", *Aussenpolitik*, Vol. 47, no.2, February 1996.

responding adequately to China's economic needs for capital and technology.[58]

In the end, it can be argued that the triangular relationship between China, Japan and the US would certainly maintain and determine the structure of international relations in the region. The US role in the region, Japanese restraint in arming themselves and its capability to maintain its security alliance with the US, and Chinese transparent military development and clear foreign policy objectives will significantly contribute to the creation of regional stability. Although the US has pulled out its forces from their military basis in the Philippines, its policy towards the region today has not completely changed.[59] As in the case of Europe, the US presence in the Asia-Pacific region is still considered vital for the maintenance of regional peace and stability. Its primary role in the region is to help assure that other big powers will restrain themselves from causing instabilities to arise in the region. This means that the US presence is also aimed at checking China, India and Japan.[60] Indeed, the United States hopes that Japan will gradually assume a greater role in checking the PRC's growing influence in the region.[61]

Indonesia and China: the US as a Factor

Insofar as the United States identifies democracy and human rights as pillars of its foreign policy, there is bound to be friction with those states that perceive an insistence on these values as interference in their internal affairs and an attempt to change the nature of their regimes.[62] Indeed, this has been the case with Indonesia and

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[58] See, Yong Deng, "Chinese Relations with Japan: Implications for Asia-Pacific Regionalism", *Pacific Affairs*, Vol. 70, No. 3, Fall 1997, pp. 373-391; Harvey W. Nelsen, "Japan Eyes China," *Journal of Northeast Asian Studies*, Vol. XIC, No. 4, Winter 1995.

[59] For the discussion on the US engagement in East Asia, see, Richard P. Cronin, "The United States and Asia in 1994," *Asian Survey*, Vol. 35, No. 1, January 1995; Sheldon W. Simon, "U.S. Interest in Southeast Asia, The Future Military Presence," *Asian Survey*, Vol. 31, No. 1, July 1991; Donald P. Gregg, "Fresh Perspectives on East Asia's Future: The Case for Continued Engagement," *Orbis*, Summer 1997.

[60] Jusuf Wanandi, *ASEAN and Security Cooperation in Southeast Asia* (Jakarta: The Center for Strategic and International Studies, October 1990).

[61] David I. Hitchock, Jr., "East Asia's New Security Agenda," *The Washington Quarterly* 17, no. 1 (Winter 1994), pp. 91-105.

China. Apart from the military role and the nature of authoritarian regimes in the respective domestic domains, there is a striking resemblance between Indonesia and China as far as their relations with the US are concerned. This was particularly evident after the Tian Anmen incident in 1989 and Dili incident in 1991. During these two incidents both respective armies had opened fire and killed a number of peaceful demonstrators. For some years, both had faced severe criticisms about their respective human rights records, especially with regard to East Timor and Tibet.[63] This situation has compelled Indonesia and China to work closer on human rights issues.[64] As far as Indonesia is concerned, its strategic importance vis-à-vis the US, particularly after the end of the Cold War, has significantly decreased. Accordingly, the latter was more critical towards Indonesia and collision could not be avoided, particularly human rights. The Indonesian Defence Minister, however, objected to a US congressional action connecting US arms sales to an improvement of human rights conditions in East Timor.[65]

Indeed, since the 1991 Dili incident, the Indonesian government has been under increasing international pressure on human rights issues. Indonesia had to defend itself from increasing criticism of political freedom and human rights records as well as its continuing occupation of East Timor in nearly every forum. To soften international criticism, Indonesia hosted an Asia-Pacific human rights workshop in January 1993, and set up a National Commission of Human Rights. Indonesia also participated in Bangkok Asian Regional Meeting of March-April, which submitted a declaration for consideration by the UN-sponsored Second World Conference on Human Rights at Vienna in June 1993.[66] Interestingly, this Declaration reflected the position of

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[62] Sheldon W. Simon, "East Asian Security, the Playing Field Has Changed", *Asian Survey*, Vol. 34, No. 12, December 1994, p. 1049.

[63] For discussion on human rights in China, see among others, Ann Kent, "China and the International Human Rights Regime: A Case Study of Multilateral Monitoring, 1989-1994", *Human Rights Quarterly* 17, 1995; "Human Rights in China", Beijing Review, 12-18 December 1994.

[64] At the United Nations' Commission on Human Rights, Indonesia and China supported each other in rejecting resolution concerning the question of East Timor and Tibet.

[65] Sheldon W. Simon, "East Asian Security...", p.1055.

[66] *Bangkok Declaration*, The UN General Assembly, Doc. No. A/CONF.157/ASRM/8, 7 April 1993.

Indonesia and China that favoured a strong declaration of "Asian Principles", such as the inclusion of articles concerning the nature of human rights.[67] While acknowledging the "universality, objectivity, and non-selectivity" of human rights, the meeting stressed "the significance of national and regional particularities and various historical, cultural and religious backgrounds". Critical of what was perceived as the Western obsession with civil and political rights, the meeting also identified poverty as "one of the main obstacles hindering the full enjoyment of human rights" and asserted "the interdependence and indivisibility of economic, social and cultural rights". The meeting also stressed "the principles of respect for national sovereignty and territorial integrity as well as non-interference in the internal affairs of states" and expressly opposed "any attempt to use human rights as a conditionality for extending development assistance".[68]

One of the fiercest criticisms to Indonesia has come from the US. The latter's dissatisfaction towards Indonesia's human rights records resulted in the termination of the US$2.3 million military training aid, the refusal to give permission to Jordan to sell surplus American-supplied F-5, and the adoption by the US Senate's Foreign relations Committee for amendment requiring the President to determine "whether there have been improvements in the human rights situation in East Timor."[69] The US later widened its scope to include a tough measure on the issues of a labor movement and rights in Indonesia. The Clinton administration was under pressure at home from unions and manufacturers, who claimed that the imported cheap goods from Third World countries have harmed their interests. Among other issues, Indonesia was accused of restricting trade unions, ignoring minimum wages provisions, and

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[67] China did not use ideological reason to counter the Western criticism, but rather expressing Asianess that was shared by Indonesia.

[68] Further discussion on Asian values and human rights, see, "Nobody Elects the Press, Mahathir Speaks out of media, culture and trade, *Far Eastern Economic Review* (FEER), 7 April 1994; Tran Quang Co, "Rights and Values", *FEER*, 4 August 1994; "Forget about ASEAN Taking up Burma's Case, *The Nation*, 22 February 1993; "In Southeast Asia, human rights should be borderless", *The Nation*, 24 February 1993; "Prime moral value of human rights", *The Nation*, 25 March 1993; "Human Rights Standards in East or West are Universal", *The Nation*, 25 March 1993.

[69] See, Larry Nikch, *Indonesian-US Relations and Impact of the East Timor* (Washington DC: Congressional Research Service, Library of Congress, 15 December 1992), pp.13-14.

employing child labor. As a result, the US threatened to withdraw the tariff privilege enjoyed by Indonesia under a Generalized System of Preferences (GSP).[70]

The Chinese government similarly experienced the circumstances surrounding US-Indonesia relations.[71] Thus, the dynamics of Sino-American relations and Indonesian American relations have created opportunities for both Indonesia and China to work together. Indeed both have worked closely in upholding the notion of collective and individual rights which include the notion of communities coming before individuals, duties and obligations before rights and privilege. However, this kind of cooperation was rather a temporary political alliance with no positive spillovers. It also did not come from genuine mutual domestic requirements, rather out of necessity due to external pressure. Therefore, the perspective of this mutual support is for rather a short-term period. Still, in the longer term, Indonesia prefers to deal with China in the framework of multilateral cooperation, particularly in the context of ASEAN.[72]

B. Sino-Indonesian Relations in a Multilateral Framework: Pulling China into a Web of Cooperation

Constructive Multilateral Engagement

Given the current delicate problems among East Asian major powers and the complexity of their relations, it is increasingly obvious that the region needs security institutions of some sort with which tensions and conflict could be addressed. The urgency is there as the countries in the region are mostly apprehensive about the behavior and intentions of China, especially regarding Taiwan and the disputed islands

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[70] In 1992, for instance, Indonesia's exports to the United States under the GSP amounted about US$600 million or 14 per cent of exports to the United States. See, "Indonesia to keep US trade perks for 6 more months", *Straits Times*, 18 February 1994.

[71] Despite similarities in the form authoritarian regime, China was under severe attack on the issue of Tibet, political freedom and labor rights.

[72] To the surprise of many observers, the incumbent President Abdurrachman Wahid expressed his willingness to revive Sino-Indonesian close relations. It is widely believed that this statement was delivered in the context of his willingness to win the support of the US. Nevertheless, Wahid also expressed his determination for Indonesia to work in the context of ASEAN. See, *Suara Pembaruan*, 16 and 26 November 1999.

in the South China Sea. Other problems overshadowing the future of the region include Japan's future role, disputes in the Korean Peninsula, and uncertainty over the American commitment to the security of the region. Only after entering the 1990s was the question of multilateral security and economic cooperation more often addressed. Indeed, in a region where there are no declared adversaries (with the exception of the Korean peninsular) multilateral efforts have been on the rise as a means for promoting security with rather than against states.

In regard to this, the idea to pursue a multilateral forum to discuss security problems in East Asia can be traced back to the work of ASEAN. Realizing that the ASEAN Post-Ministerial Meeting (PMC) had expanded in membership, and that security problems in the region are inextricably intertwined, ASEAN took the initiative to establish the ASEAN Regional Forum (ARF), the first region-wide forum set up specially for discussing political and security issues.[73] The initial members of the ARF consisted of seven ASEAN member countries, the United States, Japan, Australia, Canada, Cambodia, New Zealand, South Korea, the representative of the European Union, Russia, China, Laos, and Papua New Guinea. With the inclusion of India and Myanmar, by 1996 the ARF members amount to twenty-one.[74] Why is multilateral security cooperation so important? In this regard, US Assistant Secretary of State for East Asia and Pacific Affairs Winston Lord said that multilateral security forums are necessary to manage or prevent emerging concerns, such as arms races, competing alignments and efforts by one power or group of powers to dominate this strategic region.[75]

The first ARF meeting was held in Bangkok in July 1994, followed by yearly meeting in different ASEAN member countries.[76] Although the work of this forum remains to be seen, at least it can be regarded as a breakthrough in the search for

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[73] Joint Communiqué of the twenty-sixth ASEAN Ministerial Meeting, Singapore, 23-24 July 1993, p.1.

[74] *Kompas*, 12 May 1996.

[75] As quoted by Susumu Awanohara, in "Foreign Relations: Group Theory", *Far Eastern Economic Review*, 15 April 1993.

[76] The subsequent ARF meetings were held in Bangkok (1994), Brunei Darussalam (1995), Jakarta (1996), Subang Jaya (1997), Manila (1998), and Singapore (1999).

security cooperation in the region. What is important from these developments is that all major powers in the region have endorsed a more cooperative approach to security and multilateral regional security dialog.[77] This also means the significant recognition of the role of ASEAN in the creation of a new 'indigenous' institution to discuss the security problems of the region. In its first meeting, the ARF endorsed the purposes and principles of ASEAN's Treaty of Amity and Cooperation in Southeast Asia as a code of conduct governing relations between states and a unique diplomatic instrument for regional confidence-building, preventive diplomacy and political and security cooperation.[78] Despite its shortcomings, the creation of the ARF has created an optimistic atmosphere for the solving of regional problems by peaceful means, and more importantly to provide a forum in which countries directly concerned with developments in the region can discuss their problem.

Discussion on security cooperation is also undertaken through a non-governmental Track-II level by the creation of the Council on Security Cooperation in the Asia-Pacific (CSCAP). It was originally proposed by the Australian Foreign Minister Gareth Evans in 1990. Due to the objection of many Asians, the forum was transformed to discuss security issues at a non-governmental level.[79] The CSCAP is expected to support the work of the ARF as the former has considerable intellectual strength and expertise, drawn from research institutes, universities and officials acting in their private capacities. Although, on the positive side, the aim of the dialog is to provide a forum for security discussion, Sheldon W. Simon argued that both ARF and CSCAP have brought outsiders into Southeast Asian security discussions whose ultimate, though unstated, purpose is to discourage Chinese hegemony.[80]

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[77] Pauline Kerr, "The Security Dialogue in the Asia-Pacific", *Pacific Review*, Vol. 7, No. 4, 1994, p.398.

[78] *ASEAN Update*, Jakarta, December 1995, p.7.

[79] See, *The Security of the Asia Pacific Region*, Memorandum No. 1 (CSCAP, Pro-Tem Committee, April 1994).

[80] Sheldon W. Simon, "Alternative Visions of Security in the Asia Pacific," *Pacific Affairs*, Vol. 69, Fall 1996, p. 383.

Indeed, one of the other major achievements has been in attracting China into cooperation not only in the context of ARF but also in the framework of the Asia Pacific Economic Cooperation (APEC) forum, which was established by the end of 1989.[81] Indeed, China, along with Taiwan and Hong Kong, joined APEC in 1991. Given the diversity of political background of the participant states, it was expected that intra-East Asian trade and economic dynamism would help smooth political and security developments. What is important in the APEC forum is the willingness of member countries to put aside political differences and to embark on economic dialog and cooperation. This has been truly the case, especially when one looks at the membership of China and Taiwan. However, significant problems remain if the trade issue goes beyond the economic domain and begins entering the political and security fields. Despite hosting an APEC meeting in 1994, Indonesia also played a crucial role in determining the direction of the APEC, particularly over the Prime Minister of Malaysia's initiative to create the East Asian Economic Group (EAEG), which later turned into a caucus.[82] Indonesia was also supportive of the membership of China in the forum, which was none other than part of the effort to attract China into cooperation.

However, whether China is going to be a superpower pursuing a status-quo or revolutionary power in the future, it all also depends on how ASEAN conducts its relations with China and brings China into greater involvement in this region.[83] Constructive engagement with China is the region's only viable alternative for there is no intention of taking on China militarily. In this regard, the predominant sentiment throughout the region is accommodation. Meaning that instead of arguing about China's military build-up, the ASEAN countries try to accommodate the inevitable rise of China as a regional superpower. Yoichi Funabashi argued that there is no serious

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[81] See, Gary Klinworth, "China and APEC," *International Journal*, Summer 1995, p. 493; Fred Bergsten, "APEC and World Trade," *Foreign Affairs*, May/June 1994, p.21.

[82] Under Mahathir's proposal, Japan should lead East Asia. The consequence of this initiative means the exclusion of the US from the involvement in the region that may threaten the US-Japanese security arrangement.

[83] S.R. Nathan, *Kompas*, 22 October 1997.

support for any stronger response than trying to get the Chinese "incorporated into a multilateral security framework."[84]

For its part, China had no difficulty in working with ASEAN for an obvious reason that it has been working as an Asian organization. Thus ASEAN had a much better chance of getting China to the multilateral table than any Western-inspired institution.[85] It is not surprising therefore that the improvement of the relationship between China and ASEAN developed quickly. When attending the opening session of the 24th ASEAN Ministerial Meeting in Kuala Lumpur in July 1991 Chinese Foreign Minister Qian Qichen, expressed China's interest in strengthening cooperation with ASEAN for mutual benefit. ASEAN responded positively and began preparing the way for a formal ASEAN-China relationship.[86] Eventually, ASEAN and China formalized the establishment of two joint committees[87] and agreed to engage in consultations on political and security issues of common concern in July 1994. Two years later, China was accorded full Dialog Partner status in ASEAN that means that both will conduct an annual meeting to discuss political, security, economic and development cooperation.[88]

At the beginning of 1996, China took the initiative in creating better relations with Southeast Asian countries by submitting a draft to the ASEAN for a joint consideration of a code of conduct to be applied to relations between ASEAN and China. The draft makes reference to the principle of international relations held in high esteem by both sides, such as non-intervention in respective internal affairs. This

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[84] Yoichi Funabashi, "The Asianisation of Asia," *Foreign Affairs*, Vol. 72, No. 5 (November/December 1993), p. 84.

[85] Shaun Narine, "ASEAN and the ARF: The Limits of 'ASEAN Way'," *Asian Survey*, Vol. 37, No. 10, October 1997.

[86] Press Statement: Meeting to Explore the Establishment of the Consultative Relationship with the People's Republic of Chin*a*, Beijing, China, 13-14 September 1993, *ASEAN Documents Series 1992-1994*, ASEAN Secretariat, Jakarta, 1994, p. 89.

[87] They are The Joint Committee on Economic and Trade Cooperation and the Joint Committee on Scientific and Technological Cooperation.

[88] China has participated in a series of consultative meetings with ASEAN which includes the ASEAN Regional Forum, the Post Ministerial meeting conference, the Joint Cooperation Committee Meeting and the ASEAN-China Senior Officlam Meeting Consultations and the ASEAN-China Business Council Meeting. To date, three ASEAN-China SOM Consultations have been held in Hangzhou, China (April 1995), Bukittinggi, Indonesia (June 1996), and Huangshan, China (April 1997).

proposal was received with a cautious response among ASEAN member states. This was in part because the proposed declaration language was rather vague and the principles are already contained in the United Nations Charter and the ASEAN's Treaty of Amity and Cooperation (TAC). ASEAN states prefer to see an explicit assurance by China, such as it will not occupy more of the islands, to which it lays claim in the South China Sea. Nevertheless, China continues its participation towards the establishment of confidence building measures.

Towards the Establishment of Confidence Building Measures

The modernization of China's defence forces could instill or reinforce the lingering fear of Beijing. China has used force in dealing with Southeast Asia, notably in the case of Vietnam, and recent developments in the South China Sea have particularly worried the ASEAN region.[89] There is also uncertainty over the future attitude of China, as they are still in the process of transformation, including in the political fields, especially regeneration changes, economic progress as well as military and defense development. Although China has made known to ASEAN states that it is determined to pursue peaceful resolution of the overlapping claims and that it would like to shelve the sovereignty issue for the time being and join others in developing the Spratlys, its action in practice has not been helpful in projecting a benign intention. Indeed, there have been discrepancies between China's words and actions. A senior Indonesian official believed that China is adopting a policy of "talk and grab" which means continuing talking and at the same time having no hesitation in using force whenever it is deemed necessary.[90] The situation seems to confirm China's alleged attitude - as contained in a book called *Can China's Armed Forces Win the Next War?* – of adopting the policy of bluffing, blustering, and deception as important weapons in China's diplomatic and military arsenals.[91] In this regard, Eric Hyer argued that the

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[89] Lee Lai To, "ASEAN-PRC Political and Security Cooperation, Problems, Proposals and Prospects," *Asian Survey*, Vol. 33, No. 11, November 1993.

[90] Interview with one of Indonesian high-ranking official in the Ministry of Foreign Affairs, 28 November 1998.

[91] On 16 November 1993, The New York Times ran a brief article about the book and how it was discovered in a Beijing bookshop. See, Ross H. Munro, "Eavesdropping on the Chinese Military: Where It Expects War – Where It Doesn't," *Orbis*, 1993.

military buildup in the South China Sea does not necessarily indicate that Beijing will use force to occupy more islands, but rather that Beijing seeks to enhance its military presence to augment its bargaining leverage in future negotiations.[92]

Nevertheless, regional cooperation began showing results following an encouragement from ARF for its member to be more transparent in its military activities by submitting statements of their defense policy.[93] In this regard, for the first time in its history, Indonesia released its first Defence White Paper in October 1995.[94] Indonesia's previous adventurist behaviour during the Sukarno era could easily revive concerns about Indonesia as a threat to its smaller neighbours. In this regard, the paper seems to refute the concept of Indonesia as a threat, and it is considered as a unilateral assurance from the part of Indonesia not to be seen as seeking regional hegemony. Indeed, the paper is an important statement from Indonesia to its regional neighbours aimed not only at generating a greater understanding of Indonesia's defence and security priorities but reflecting its desire for transparency and openness in defence and security matters. By launching the paper, Indonesia also wants to be seen as building and promoting confidence and trust as a responsible member of the international community.

In an effort to show its transparency, to develop confidence, and to neutralize the assumption of a threat to its neighbours, China also published a white book entitled "China: Arms Control and Disarmament" on 16 November 1995.[95] It consists of six parts: (i) promoting peace and development for all mankind; (ii) military personnel reduced by one million; (iii) maintaining above level of defence spending; (iv) peaceful uses for military industrial making use of military industrial technology for peaceful

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[92] Eric Hyer, "The South China Sea Disputes: Implications of China's Earlier Territorial Settlements," *Pacific Affairs*, vol. 68, Spring 1995, p. 34.

[93] *Chairman's Statement at the Second ASEAN Regional Forum*, Brunei Darussalam, 1 August 1995, http://www.aseansec.org.

[94] *The Policy of the State Defense and Security of the Republic of Indonesia* (Jakarta: Ministry of Defense and Security, Republic of Indonesia, 1955).

[95] "China: Arms Control and Disarmament", The Information Office of the State Council of the People's Republic of China, quoted from Xinhua agency in *BBC Summary of World Broadcast*, Part 3, Asia Pacific, FE/2943, 17 November 1995.

purpose; (v) tight monitoring of the transfer of sensitive military stuff; and (vi) increasing the supervision of international armaments. This white book was essentially a restatement of China's argument that China was a threat to no one. Its military budget was minimal, its forces were being reduced, and it had behaved responsibly in transferring military hardware to other countries, and it was actively involved in the promotion of arms control and disarmament. It also emphasizes that China needs a peaceful environment to further implement its modernization program. China considers that peace is not comprehensively achieved as long as there still exist arms conflict and local war, regional tension, and political hegemony. Peace can only be created provided that all nations work together, devote themselves to peace and development, continue monitoring and supervising disarmament, and as regulated by the international political and economics which should be based upon five principles of peaceful co-existence or any other regulations recognized in international relations. The white book further stated that China is also determined to participate in the monitoring of arms and disarmament, to co-operate with all peaceful nations in order to realize peace, stability, and the welfare of human beings entering the 21st century.

Overall, this white book can be seen as a political statement and there is nothing new in it, especially when it comes to the question of Taiwan and the South China Sea. In fact, China continues to maintain and develop its air defense and sea power as well as complete its nuclear capabilities. Interestingly, the Chinese defense budget in 1994 amounted at US$ 6,626 billions, thus between 1979 to 1994 there has been an increase of 6,2 % per year. For this reason, several western countries assume that if China achieves economic progress and becomes strong, she would become a threat to other countries. As China's military expenditure continues to increase this assumption seems to be justified. However, China refuted that view and argued that although China succeeds in developing her economy and is able to increase the welfare of its people, China is still at a low level due to its massive population.

The increased defence budget does not necessarily mean an automatic expansion of armaments as funds are mainly used to increase the welfare of the personnel. However, one-third of the budget was allocated to research activities, arms experiments, arms buying and transportation. China is still in the process of

modernizing its military staff and personnel, and bearing in mind the presence of limitation, the budget disparity might be taken from the gains received by the companies or military industry that had been converted to civil industry. As China is allegedly helping Pakistan in developing a nuclear reactor and selling a military arsenal to Iran, this is certainly against China's own statement about the sensitive transfer of military technology as stated in the white book. Nevertheless, there are certainly some positive aspects from the publication of the white book. At least, most countries take note of the readiness of China to explain its military capabilities and the transparency of her defence policy and the monitoring of armaments. This would be very useful in developing confidence building measures, particularly those of Southeast Asian countries, as most of them still consider China as a threat.

In 1997, Indonesia published its second white paper, assessing the changing strategic environment in the East Asian region and updating the earlier version issued in 1995.[96] The white paper considered the triangular relationship between China, Japan and the United States as the key to regional stability. It also endorses the new Guidelines for US-Japan Defence Cooperation. This view means that as long as US-Japan alliance remains in place, and Japan is being denied from developing nuclear weapons or carrying a significant power projection capability, the emergence of a threat from Japan is most unlikely. On the contrary, Indonesia continues to regard China as the main potential threat to the region and its own security and sovereignty. One other thing that should be underlined is that the white paper foresees more room for ASEAN to play the role of a major power in the new regional environment. Although up to 1997 China has not accepted the ARF's proposal for preventive diplomacy, including the peaceful dispute settlement, at least they have partially fulfilled the requirements of the ARF concept. This surely indicates China's willingness to integrate or allow itself to be integrated into the process of dialog and cooperation.

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[96] "Dephankam Terbitkan Buku Putih 1997," [The Ministry of Defence Publish a 1997 White Book], *Kompas*, 23 July 1997.

C. Interpreting China's Behavior in the South China Sea Disputes

China at the Centre of the Disputes

The South China Sea is a "semi-enclosed sea" as it is referred to in the new regime of the Law of the Sea Convention (LOSC 1982).[97] It is bordered by ASEAN member states (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Kampuchea and Vietnam), China, Hong Kong and Taiwan. Motivated by their security and economic interests, the coastal states have made frequent claims and counter-claims over the sovereignty of the South China Sea Islands since the late 1960s and early 1970s. These claims continued after the Vietnam War and persisted throughout the 1980s.[98] After the settlement of the Cambodian problem, these overlapping claims culminated in today's military partition of the Spratly Islands archipelago.[99] Six nations have laid claims to the numerous islets in the Spratlys area of the South China Sea, while China and Taiwan claim the entire South China Sea.[100] The Philippines has occupied some eight islets in an area, which a Filipino explorer has christened "The Kalayan Group".[101] Vietnam occupies twenty islets.[102] Malaysia claims certain islets in the Spratlys some of which overlap with those claimed by Vietnam and the Philippines.

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[97] Article 122 of the LOSC defines enclosed or semi-enclosed seas as: (i) a "gulf, basin, or sea surrounded by two or more states and connected to another sea or the ocean by a narrow outlet"; or (ii) "consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal states".

[98] For a detailed review of early history of the dispute see Dieter Henzig, *Disputed Islands in the South China Sea: Paracels, Spratlys, Pratas, Macclesfield Bank* (Wiesbaden: Harrassowitz, 1976); Marwyn S. Samuels, *Contests for the South China Sea* (New York: Methuen, 1982); Chi-kin Lo, *China's Policy Towards Territorial Disputes: The Case of the South China Sea Islands* (London: Routledge, 1989).

[99] Zhiguo Gao, "The South China Sea: From Conflict to Cooperation?" *Ocean Development and International Law*, Vol. 25, 1994, p. 345.

[100] The discussion on the difference between China's and Taiwan's claim, see, Chen Hurng-yu, "A Comparison Between Taipei and Peking in Their Policies and Concepts Regarding the South China Sea", *Issues and Studies*, Vol. 29, No. 9, September 1993.

[101] The discussion on the Philippines' claim, See: J.N. Mak,The, *Law of the Sea After UNCLOS for the South China Sea Disputes* (Kuala Lumpur: Malaysia Institute of Maritime Affairs, 1993); Dieter Heinzig, *Disputed Islands in the South China Sea* (Wiesbaden: Otto Harrasowitz, 1976).

[102] For the discussion on Vietnamese claim, See; Ministry of Foreign Affairs of the Republic Socialist of Vietnam, White Book on Vietnam's Sovereignty over the Hoang Sa and Truong Sa Archipelagoes (Hanoi; Ministry of Foreign Affairs of the RSV, 1979).

While not occupying any of the islets, Brunei Darussalam claims Louisa Reef as part of its continental shelf and economic exclusive zone.[103] It is not surprising therefore that American expert on the South China Sea, Mark Valencia, called this area "Troubled Waters".[104]

From a geopolitical point of view, the South China Sea is strategic because of its economic, political and military value in the future.[105] This region is also part of an important sea-lane for everyone in East Asia, let alone the major powers such as the US and China, and more importantly for Japan since its oil supply from the middle-east passes through this sea.[106] Although the South China Sea consists of small islands and atolls that number around 190, their gas and mineral content have lured countries that require massive energy, particularly China. This is the result of the situation where industrialization in the region has been actively pursued. The South China Sea is widely believed to be rich in oil and natural gas sources, although it remains unclear how large the quantity of its reserves. In the Spratlys, the estimation ranges from 1-17.7 billion tons, thus it underlines that oil and gas reserves is a major factor underlying claims in the region.[107]

Historically, in the 1970s, several coastal states began asserting their claim more in their actions and not only through the publication of statements. They included, among others, the display of a national flag, physical occupation and the installation of military garrisons, the establishment of scientific stations, the declaration of laws, the integration of the islands with the nearest province, the publication of new maps related

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[103] The discussion on the Malaysian and Brunei's claims, See: Bilver Singh, "Resolving Questions of Overlapping Sovereignty: The South China Sea Dispute", A paper presented at the meeting of ASEAN Into the 21st Century, Dealing with Unresolved Issues, Manila, 14-25 January 1994.

[104] Mark J. Valencia, "Troubled Waters: Oil is only one reason for Asia's many-sided disputes over tiny, uninhabitable islands", *The Bulletin of the Atomic Scientists*, January/February 1997.

[105] South China Sea is today is the most productive offshore areas in the world. Since 1950, 29 oil fields and 4 gas fields have been developed in the South China Sea. See, "Territorial Disputes Simmer in Areas of South China Sea", *Oil & Gas Journal*, 13 July 1992, p. 21.

[106] For the discussion on Japan and the South China Sea, see, Lam Peng Er, "Japan and the Spratlys Dispute: Aspirations and Limitations", *Asian Survey*, Vol. 36, No. 10, October 1996.

[107] "Creeping Irredentism in the Spratlys Islands," *Strategic Comments*, no. 3, 22 March 1995.

to their respective claims, and the grant of concessions to foreign oil exploration companies, and the stationing of military forces.[108] Why did the claimant states suddenly come into a rush? There are several factors that have encouraged their actions. First, it is related to the world situation in which the oil crisis took place in 1973. This situation has increased the awareness of the claimant states of the potential oil content of the coastal sea or seabed in the Spratlys Islands. Second, the convening of the Third Conference on the Law of the Sea in 1973, which discussed the demands from the developing countries for the extension of the rights of coastal states, made them realize their rights over the wealth of territorial waters adjacent the coast. It is at this stage that the Conference discussed the idea of an Economic Exclusive Zone (EEZ). However, by the mid 1970s, the scramble for the Spratlys Islands slowed down due to developments in regional politics, mainly due to the fact that Vietnam was preoccupied with its unification and the outbreak of the Cambodian conflict.

In the 1980s the disputes developed into small military conflicts involving China, Malaysia, the Philippines, and Vietnam.[109] The claimant states appeared to increase their military activities and capabilities projected to anticipate the break out of conflict in the area as military clashes continued to take place in the 1990s.[110] Some observers even predicted the dispute in the South China Sea as one of the reasons for the coming of arms races in East Asia.[111] Although the anxiety seemed to be exaggerated, the main point has been the emergence of a growing concern over China as it showed its determination to assert its claim by using military force if necessary, while maintaining that Beijing's sovereignty over Spratly Islands was indisputable.[112]

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[108] Mark J. Valencia, "China and the South China Sea Disputes", *Adelphi Papers 298* (October 1995), p.8.

[109] See, Chang Pao Min, "A New Scramble for the South China Sea Islands", *Contemporary Southeast Asia* 12, No.1 (June 1990), p.24-25; *Strait Times*, 29 June 1988.

[110] See, *Bisnis Indonesia*, 16 August 1994; *Kompas*, 14 May 1993; and Mark J. Valencia, "China and the South China Sea", *Asian Wall Street Journal*, 10-11 March 1995.

[111] See, Michael Klare in "The Next Great Arms Race", *Foreign Affairs*, vol. 72, no. 3, Summer 1993 and and "East Asia's Arms Races" and East Asia's Militaries Muscle Up", *The Bulletin of the Atomic Scientists,* January, 1997; J.N. Mak, The ASEAN naval build-up: implications for the regional order", *Pacific Review*, Vol. 8, No. 2, 1995.

[112] For discussion on China's military development, see, among others, Michael Leifer, "Chinese Economic Reform and Security Policy: The South China Sea Connection", *Survival*, vol. 37, no. 2, 1995;

Indeed, Beijing regards the South China Sea and Spratlys Islands as part of its territorial sovereignty.[113] Interestingly, China is the only country that has an overlapping claim in the South China Sea. Thus China is at the center of the dispute and its attitude and policy inevitably affect other claimant states. Indeed, to protect its claims, in 1992 China published The Law of the People's Republic of China on Its Territorial Waters and Contiguous Zone (*Zhong-hua Renmin Gungheguo Linghai Ji Bidaqu Fa*) in which Article 2 of the Law states that,

> ... The land territory of the People's Republic of China includes the mainland of the People's Republic of China and its coastal islands; Taiwan and all islands appertaining thereto including the Diaoyu Islands; the Penghu Islands; the Dongsha Islands; the Xisha Islands; the Zhongsha Islands and the Nansha Islands; as well as other islands belonging to the People's Republic of China.[114]

While China has established its claim on historical grounds, there are hypotheses that explain the motives of China's behavior at different times on the issue of the South China Sea ranging from the increasing role of the PLA after the Tiananmen incident, the need for oil, and fears of disintegration.[115] Nevertheless, Herbert Yee argued that it would be a mistake to assume that the Chinese are only interested in the oil and other natural resources in the area.[116] He further underlined that despite the tremendous increase in demand for oil and the projected decline in oil

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Arthur S. Ding, "The PRC's Military Modernization and a Security Mechanism for the Asia-Pacific", *Issues and Studies*, vol. 31, no. 8, August 1995.

[113] There are significant interests among scholar on the question of the South China Sea and China. For discussion on China's claim, see, among others: Eric Hyes, "The South China Sea Disputes: Implications of China's Earlier Territorial Settlements, *Pacific Affairs*, Vol. 68, Spring 1995; Sheng Lijun, *China's Policy towards the Spratly Islands*, Working Paper No. 287 (Canberra: Strategic Defence Studies Centre, the Australian National University, 1995); John W. Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and National Interests, *China Quarterly*, no.132, December 1992.

[114] *Law of the People's Republic of China on the Territorial Sea and the Contiguous Zone*, translated by the Legislative Affairs Commission of the Standing Committee of the National People's Congress of the People's Republic of China. See, *United Nations Technical Information Service, Foreign Broadcast Information Service: Volume I: China* (FBIS-CHI), 28 February 1992, pp. 2-3.

[115] See, Mark J. Valencia, *China and the South China Sea Disputes*, especially Chapter 1; John W. Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and national Interests", *China Quarterly*, No. 132, December 1992.

[116] Herbert S. Yee, "Beijing's Policies Toward Southeast Asia and the Spratly Islands in the Post-Cold War Era,"*Issues & Studies*, vol. 31, no. 7, July 1995.

production in China in the near future, Beijing has more important long-term strategic interests in the region – that is, it wants to turn the South China Sea into a "Chinese lake."

Indonesia and the South China Sea: Facilitating Dialog Process

There have been proposals for the settlement of the conflict over the dispute of sovereignty over the South China Sea and its islands which include joint administration on a trusteeship basis,[117] a condominium system,[118] the Antarctic Treaty model,[119] and joint development.[120] Cooperation would bring about various advantages. Economically, the claimant states should be able to benefit from joint cooperation and exploration. Politically, the effort to cooperate would certainly create a conducive environment to eliminate mutual suspicion among the countries in the region, which eventually would help facilitate the creation of peace, security and order in the whole region. However, cooperation would not come by itself unless the conflicting parties agreed to meet and address the issue. Indeed, the regional political situation prior to 1990s prevented such an initiative, as the countries in the region were engaged and involved in a more visible conflict in the context of the Cold War.

In the aftermath of the Tiananmen incident in 1989, China adopted a friendlier attitude by proposing a joint development of the disputed area as expressed by the Chinese Premier Li Peng during his Southeast Asian tour in August 1990.[121] Encouraged by the normalization of diplomatic relations with China, Indonesia took the initiative to host the first Informal Workshop on the South China Sea in 1990.

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[117] See, D.C. Driggot, "Oil Interests and the law of the Sea: The Case of the Philippines," *Ocean Development and International Law* 12 (1982), p. 50.

[118] J.R. Coquia, "Maritime Boundary Problems in the South China Sea", *University of British Columbia Law Review* 24 (1990), p. 124.

[119] A. Hamzah, "Jurisdictional Issues and the Conflicting Claims in the Spratlys," *Indonesian Quarterly*, Vol. 18, No. 2, Second Quarter, 1990, pp. 149-152.

[120] This idea has been proposed by a number of scholars. For example, see M.J. Valencia and M. Miyoshi,"Southeast Asian Seas: Joint Development of Hydrocarbons in Overlapping Claim Areas?" *Ocean Development and International Development* 16 (1986), p. 211.

[121] *Bangkok Post*, 14 August 1990.

Indeed, Indonesia, supported by Canada,[122] has taken a leading role in paving the way for informal meeting among the officials of the claimant states to explore the possibilities of promoting cooperation in the South China Sea. Although Indonesia had no claim over the islands, it was obviously concerned with the development in the South China Sea as Indonesia regards the South China Sea in terms of its strategic value and importance, as clearly expressed by the Indonesian foreign minister,

> The strategic importance of the South China Sea is, of course, beyond question. As a semi-enclosed sea linking the Indian and Pacific Ocean and located between continental Asia and insular Southeast Asia, it encompasses important sea lanes of communications, and indeed, the Straits of Malacca and Singapore at its Southern entrance rank among the busiest straits in the world.
>
> ....
>
> .... [therefore] one can hardly avoid the first impression that the South China Sea, after Cambodia may well become the next, acute source of conflict in the region.[123]

Indonesia also perceives that a war in the region might jeoperdize Indonesian shipping lanes. The implication would be in the form of disruption of its external trade and economic relations with Asian major trading partners. The South China Sea has indeed functioned as the heart of Southeast Asian trade activities that connect the Indian and Pacific Oceans. It is in this heart that lies the strategic and important shipping lanes. One of the main lanes is the route that connects the Malacca Strait lane through Singapore and Hong Kong northwards to South Korea and Japan to the west coast of the US. It is not surprising since most of Indonesia's trade activities go through the South China Sea. For instance, Indonesia's exports to Japan in 1993 and 1994 contributed 25 per cent of the total value of exports. In the same period, Indonesian imports from Japan came to 24.20 per cent of the total imports.[124] Equally important, Suharto's support for Indonesia to broker a successful resolution to the disputes would enhance his reputation as a regional, and potentially, global leader.[125]

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[122] The support from Canada is given by the *Ocean Institute of Canada/South China Sea Informal Working Group.*

[123] Speech by Foreign Minister Ali Alatas when officiating the Workshop on the South China Sea in Bali, 22 January 1990, *The Indonesian Quarterly*, Vol. XVIII, No. 2 (Second Quarter), 1990, pp.114-115.

[124] *Indonesian Bureau of Statistics*, 1995.

Given its concerns and the fact that Indonesia itself was neutral and had no part in the disputes, in the end, its initiative in the convening of dialog was received with no suspicions among the claimant states. By the end of 1989, the ASEAN member countries welcomed Indonesia's initiative as they agreed that the nature of the forum should be informal, involving academics, mass media and government officials in a private capacity. It was hoped that the meeting should be policy oriented without binding their respective governments. The forum, as later agreed, took shape in the form of a workshop with the title *The Workshop on Managing Potential Conflicts in the South China Sea*. The Workshop eventually began its work in 1990 and held a yearly meeting in different cities of Indonesia.[126] Although the participation of government officials was in a private capacity, the workshop at least enabled the claimant countries to discuss and explore potential cooperation and provided a forum to address the issues. Indeed, the Workshop was not intended to resolve the dispute, rather to reduce the level of potential conflict and to identify and pursue potential cooperation.

Despite showing a cooperative attitude towards regional cooperation, the development of China's military capabilities and determination to use force in asserting its claim, alarmed the Southeast Asian countries. Indonesia was more concerned when there was an indication that the dispute escalated in 1992. For example, the Indonesian foreign minister Alatas pointed out that the controversial conflict in the South China Sea had been causing growing concern among the Southeast Asian countries.[127] Indonesia once again underlined its position as a neutral and honest broker not only for the benefit of Indonesia, but also for the countries in the region. Indeed, Indonesia always maintained its neutral position in the conflict, as Alatas pointed out, "Indonesia does not want to make a judgement about who is right and who is wrong with regard to the disputes".[128]

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[125] Mark J. Valencia, *China and the South China Sea Dispute*, p. 41.

[126] The Workshop has been held in Bali (1991), Yogyakarta (1992), Surabaya (1993), Bukittinggi (1994), Balikpapan (1995), Jakarta (1998).

[127] *Kompas*, 30 June 1992.

However, one of the stumbling blocks in this process has been China's persistent refusal of the suggestion to upgrade the meeting to an official level.[129] China also rejects a formal commitment to talks and setting up of a support secretariat.[130] Instead, China preferred to pursue a joint development, in which the solution to the dispute would be sought bilaterally with other claimant countries. China's position has kept it from being put under pressure while at the same time enabling it to maintain leverage. Up to the 6th Workshop in October 1995, there was no final agreement concerning the three main discussion points, namely non-execution of military manoeuvres in the South China Sea, the establishment and development of social contacts between military commanders, and the confirmation of the commitment to non-aggression. In the regional context, ASEAN produced two formal declarations on the issue of the South China Sea, which generally urged the claimant states to refrain from using force and to undertake cooperative activities.[131] ASEAN's effort was seen by China as an attempt to internationalise the issues and sabotage Chinese effort to limit the issues to bilateral discussions.[132]

Why does China continue its participation in the workshop organized by Indonesia? First, it is because of the nature of the workshop that it has been kept informal. Although government officials are present at the meetings, their participation is in a private capacity and does not necessarily reflect the respective government's position. Thus China is not bound by the result of the meetings. Second, Beijing wants to keep its good relations with ASEAN member countries. Should Beijing cease its participation in the dialog or take a firmer stand on the sovereignty dispute, ASEAN will most likely invite external powers to counter China. Accordingly, ASEAN would be exploited by the US as part of a containment policy by using the South China Sea islands as a rallying point. At present, Beijing can apply its policy of continuing dialog

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[128] *Pelita*, 30 June 1992.

[129] *Jakarta Post*, 22 July 1992.

[130] Valencia, *China and the South China Sea Disputes*, p. 52.

[131] *ASEAN Declaration on the South China Sea,* Manila, Philippines, 22 July 1992; and *Statement by the ASEAN Foreign Ministers on the Recent Development in the South China Sea*, 18 March 1995.

[132] Sheng Lijun, "Beijing and the Spratlys", Issues & Studies, Vol. 31, No. 7, July 1995. p.28.

while at the same time using a limited military deterrence, while the US seems to be reluctant to be drawn into a direct conflict with China on this issue.

The Impact of the Disputes for Indonesia: The Issue Surrounding China's Claim of the Territorial Water of the Natuna Islands

At the official governmental level, Beijing did not show any mistrust of Indonesia's role in the South China Sea disputes. However, as early as 1989, one Chinese scholar stated that instead of being a total outsider, Indonesia has itself "annexed" 50,000 square kilometers of what is traditionally China's territory in the Spratlys, under an agreement with Malaysia signed in 1989 which divided the continental shelf between the two countries.[133] Apparently, none of Indonesia's officials were unaware of this opinion. The most probable explanation was that the Indonesian officials were preoccupied with the issue of normalization. Therefore, despite having no claim over the sovereignty and jurisdiction of the Spratly Islands, the South China Sea problem has spilled over to Indonesia. Only in 1993 was the Indonesian government aware of not being a neutral part in the dispute, particularly as far as China is concerned. It happened after the Chinese delegation to the Workshop in Surabaya produced a map showing their southern country's claim. China's claim clearly incorporates Indonesia's rich Natuna gas field in the South China Sea.[134]

The Natuna Islands is located 150 miles north west of Borneo, forming the only Indonesian territory ever approaching the Chinese claimed Nansha (Spratly) Islands (See Feature 6.1). Indeed, the claim appears to encompass Indonesia's Natuna gas reserves areas that have been leased to American companies, with which Indonesia has signed a $35 billion agreement with the Exxon Corporation to develop some of these resources.[135] Since the Natuna territorial water is rich in gas deposits and has been under Indonesia's jurisdiction, the mood in Jakarta was decidedly unhappy.[136]

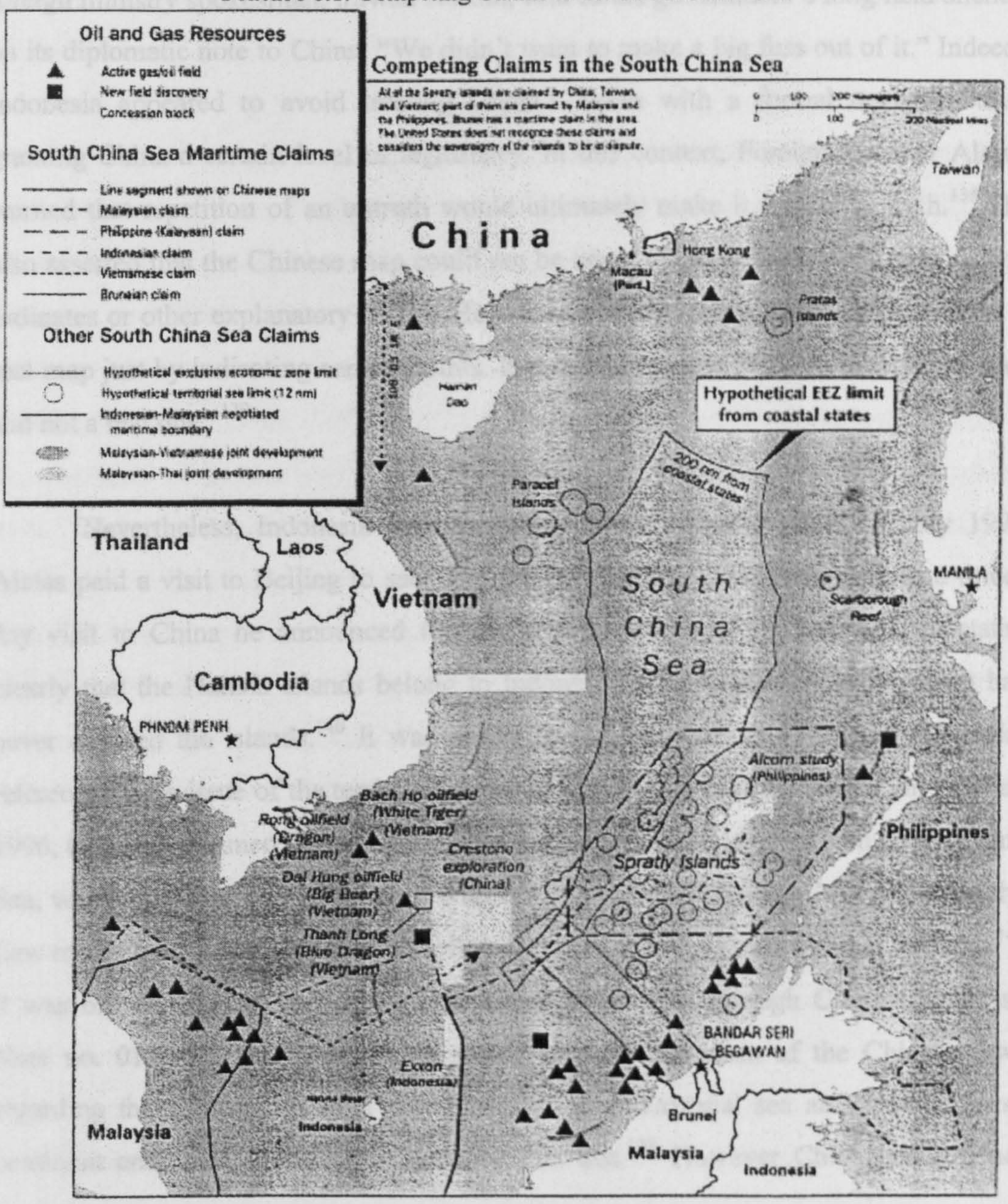
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[133] Ding Chuanying, "Our Country's Treasure Islands: The Spratly Islands," *Guoji ziliao xinxi* (International Information), Beijing, 1988, No. 1:27, quoted by Sheng Lijun, "Beijing and the Spratlys", p.27

[134] John McBeth, "Oil-Rich Diet", Far Eastern Economic Review, 27 April 1995, p. 28.
[135] *Far Eastern Economic Review*, 23 February 1995.

[136] According to the United States Energy Information Administration, Indonesia's D-alpha field is the

Feature 6.1: Competing Claims in the South China Sea



Source: *The United States Energy Information Energy*, August 1998, http://www.eia.doe.gov/emeu/cabs/schina.html.

Jakarta immediately sought China's clarification by sending a diplomatic note to Beijing and appeared not to raise tensions with China. It was not until 10 April 1995 that the Indonesian government acknowledged the existence of that note.[137] Indonesian

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largest in Southeast Asia that contains an estimated 46 trillion cubic feet (Tcf) recoverable reserve. See, http://www.eia.doe.gov/, January 1999.

[137] Douglas Johnson, "Drawn into the Fray: Indonesia's Natuna Islands Meets China's Long Gaze South," *Asian Affairs: An American Review*, 22 September 1997.

foreign ministry spokesman, Irawan Abidin, said of his government's long-held silence on its diplomatic note to China, "We didn't want to make a big fuss out of it." Indeed, Indonesia appeared to avoid treating China's claim with a formal response, thus granting China a certain level of legitimacy. In this context, Foreign Minister Alatas warned that repetition of an untruth would ultimately make it appear as truth.[138] He also asserted that the Chinese map could not be taken seriously because it gave no co-ordinates or other explanatory marks. He was quoted as saying, "They cannot make a real map just by indicating certain points. It is therefore considered an illustrative map and not a real one."[139]

Nevertheless, Indonesia was concerned about China's claim. In July 1995 Alatas paid a visit to Beijing to seek further clarification. On his return from a three-day visit to China he announced that his Chinese counterpart Qian Qichen stated clearly that the Natuna Islands belong to Indonesia and the Chinese government has never claimed the islands.[140] It was an empty-handed visit, as China did not make reference to the issue of the territorial water of the Natuna Islands. Indeed, on 15 May 1996, China proclaimed the delimitation of the Chinese baseline border in South China Sea, which is claimed in accordance with the 1982 United Nations Convention on the Law of the Sea, especially on the principle of an archipelagic state straight baseline.[141] It was officially presented to the Indonesian government through Chinese Embassy Note no. 0133-96 of 21 May 1996 which informs Indonesia of the Chinese laws regarding the delimitation of a baseline measuring territorial sea along the Chinese continent and Paracel Islands in South China Sea.[142] However China has still not

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[138] "Jakarta Pushes Beijing on Sea Claims", *Far Eastern Economic Review*, 27 April 1995.

[139] *Straits Times*, 4 June 1995.

[140] *Antara*, 21 July 1995.

[141] The meeting the National People's Congress on 7-15 May 1996 decided to accept the United Nations Convention on the Law of the Sea (UNCLOS) 1982. As a result, China's jurisdictional territory has been enlarged from 370,000 km^2 to 3 millions km^2. At the same time, China also announced the drawing of China Sea base line as part of Chinese continent and Paracel Island territorial sea. It prompted a strong reaction from the Phillipines and Vietnam as both considered it as disturbing the stability in the region and as a step backward towards cooperation in the region. See, *Kompas*, 26 July 1996.

[142] *Kompas*, 23 July 1996.

declared whether it lays claim to the gas and oil fields just fewer than 225 kilometres off the Natuna Islands, to which Indonesia lays claim.

This declaration deepened the Indonesian government's apprehension. One week later it sought clarification by presenting an *aide-memoir* to China, particularly on the establishment of a baseline to measure the territorial sea along the Chinese continent and Paracel Islands. Despite concern over China's delimitation of the territorial sea around the Natuna Island, Indonesia also considers the drawing of the baseline is contrary to the 1982 Law of the Sea as the Paracel Islands are not covered in the definition of archipelago, and China could not be classified as an archipelago state.[143] Indonesia's aide-memoir was obviously to anticipate the overlapping claim of the Exclusive Economic Zone (EEZ) as it is not known yet which one is the Chinese EEZ.[144] Indonesia also considers that one baseline which is drawn in the points along with coastal area and a point along Hainan Island as far too long. This is considered as taking too large a portion from high sea as against Article 89 of the UNCLOS (United Nations Convention of the Law of the Sea), which regulates the invalidity of sovereignty claim over high seas. China should not draw the baseline straight and join it with the outpost points of the Paracel Islands. While referring to China as a continental power, Indonesia argued that China could not draw baselines around the Spratlys islands according to the concept of archipelago state, thus China could not claim the South China Sea as its own territory.[145]

Indeed, Indonesia found China's historical claim unsatisfactory. The Indonesian foreign ministry's maritime-law expert, Ambassador Hashim Djalal, for instance, was quoted as saying, "They tell us this is the national heritage of China and that is all clear. They don't argue, they just go on talking about dynasties. We have a great difficulty analyzing what they're claiming."[146] Despite Indonesia's repeated demand for

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[143] *Kompas*, 22 September 1997.

[144] Former Director General of Political Affairs, Izhar Ibrahim, *Kompas*, 22 September 1997.

[145] Leszek Buszyunski, "Trends, Development, and Challenges in South East Asia", *Southeast Asian Affairs 1996* (Singapore: ISEAS, 1996), p.14.

[146] See, John Mcbeth, "Oil-Rich Diet," *Far Eastern Economic Review*, Ibid.

clarification, China opted not to answer Indonesia's question, while stating that China would seek opinions from various experts.[147] The Chinese officials only promised to announce their view after considering various complicated processes in the region. The issue is still being discussed between the two government officials through quiet diplomacy but no formula emerged from settling the issue, as China's position remains unclear. Although Indonesia considers China to have shown a positive attitude in the dialog process,[148] as long as the latter's claim does not disappear from the map or a delineation of Chinese claim is presented clearly, suspicion will prevail in Indonesia. China's ratification of the Law of the Sea in 1997 was considered to indicate China's willingness to abide by the rules of the game. However, it is rather too early to predict that it may pave the way for the settlement of the issue, simply because international law has serious limitations in providing solutions to the problems of territorial claims in the South China Sea.[149]

Indeed, China's claim concerns Indonesia's leaders. Unlike the reaction from the ministry of foreign affairs, the Indonesian military officials took a harder line. Air Force Chief of Staff Marshal Rilo Pambudi said air patrols over the islands and surrounding waters "will continuously be increased.[150] According to Gallagher recalling Indonesia's disastrous relations with China in the 1960s, the generals in Jakarta probably feel that they have every reason to be wary of China's intrusion into the South China Sea.[151] Allen S. Whitting went even further by arguing that in Jakarta, civilian and military officials alike referred to the distant time when "suzerainty" sanctioned Beijing vesting Javanese kings with legitimacy.[152] Thus the past record and

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[147] Chinese Ambassador in Jakarta, Shen Guofang, as quoted in "China tak akan Menjawab 'Aide-memoire' dari RI," [China Won't Answer Indonesia's Aide-memoir], *Kompas*, 24 July 1996.

[148] Interview with Director General of Political Affairs, Ministry of Foreign Affairs, Nugroho Wisnumurti, 5 December 1998.

[149] See, R. Haller-Trost, *The Spratly Islands A Study on the Limitations of International Law*, Occasional paper No. 14, University of Kent At Canterburry, October 1990.

[150] John McBeth, "Oil-Rich Diet", *Far Eastern Economic Review*, Ibid.

[151] Michael G. Galagher, "China;s Illusory Threat to the South China Sea", *International Security*, Vol. 19, No. 1, Summer 1994, p. 173.

[152] Allen S. Whiting, "ASEAN Eyes China, The Security Dimension", *Asian Survey*, Vol. 37, no. 4, April 1997, p. 302.

current situation contribute to the portrayal of China as an aggressive and expansionist power. Indeed, the present circumstance tends to justify the military perception of China. One Indonesian scholar noted that China is still beholden by the holy trinity of state sovereignty, state status, and state security.[153] Whatever the case, the fact indicates that China remains to be seen as a regional threat of significant magnitude, which will not diminish in the foreseeable future. However, in order not to upset China, the Indonesian officials are rather reluctant to specifically use the term "threat". In private discussion, they take care to moderate terminology. "We do not talk about '*threat*' with respect to China, instead we use '*challenge*' or '*risk*".[154] Indeed, they are more comfortable to refer to China in that way, which in essence is just the same.

While China appears to be distancing itself from its claims over the Natuna gas fields, Indonesia continues to be watchful of Chinese actions. Despite persisting efforts to seek clarification, the Indonesian government has unilaterally taken two measures as a response to China's assertiveness in the South China Sea. First, despite its economic limitations, Indonesia added to its military capabilities by purchasing thirty-nine vessels from the former East German navy Indonesia's February 1993 with follow-on plans to construct twenty-one modern frigates in local shipyards.[155] Indonesia also secured the purchase of nine F-17 jet fighters from the US.[156] This tendency has been particularly evident in the early part of the 1990s. However, after realizing that China put claim over the territorial water of the Natuna Islands and did not give a satisfactory reply of the foundation for that claim, Indonesia showed a hardening line through the conduct of a series of military exercise in the area of Natuna Island. It was a big scale military exercise that involved all Indonesian air, sea and continental forces. All these measures were believed to be directed as a warning to China of Indonesia's seriousness to protect its territory.[157]

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[153] Hilman Adil, "China's Aspirations in Southeast Asia," *Jakarta Post*, 16 May 1995.

[154] Allen S. Whiting, Ibid. p. 307.

[155] Michael Vatikiotis, "Instant Navy", *Far Eastern Economic Review*, 18 February 1993.

[156] *Kompas*, 27 April 1996.

[157] *Kompas*, 19 September 1996.

Second, Indonesia took a more strategic measure by concluding an unprecedented mutual defence agreement with Australia on 18 December 1995.[158] Although Indonesia argued that the agreement is to guarantee peace and security in the region as well as appeasing concern among an Australian domestic audience who consider Indonesia as a threat,[159] there is no doubt that Indonesia's decision has invited criticism over the principle of free and active foreign policy. Indonesia's State Secretary denied that Indonesia has sacrificed the principles of foreign policy.[160] However, there is no doubt that the signing of defence agreement with Australia was conducted while China was in the mind of Indonesia's leaders.[161] Subsequent developments seemed to confirm this assumption. Indonesia and Australia are further reviewing the possibility of developing a defensive strategy in the Natuna Islands, which included strategic monitoring conducted through aeroplane, satellite and remote radar.[162] It was also reported that a number of Australian defence and specialist officials have visited Indonesia to realize the Natuna Islands defence operation. This cooperation was no coincidence as Indonesia has been alerted to China's territorial seawater claim around the Islands.

6.3. Sino-Indonesian Trade and Economic Relations: Problems and Prospects

One of the rationales for the restoration of diplomatic relations with China was to serve the national interest of economic development. In fact, it was not really a surprise as Indonesia already indicated towards such a move by reopening economic

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[158] *The Australia-Indonesia Agreement on Maintaining Security*, official text issued in Canberra, 14 December 1995. See also, Alan Dupont, "The Australia-Indonesia Security Agreement," *Indonesian Quarterly*, Vol. 24, No. 2, Second Quarter, 1996, pp. 195-206. Due to the worsening relations between Australia and Indonesia in the aftermath of the announcement of the result of August 1999 referendum in East Timor, on 16 September 1999 the Indonesian government unilaterally cancelled the agreement. "Perjanjian Keamanan dengan Australia Batal" [Defence Agreement with Australia Cancelled], *Suara Pembaruan*, 16 September 1999.

[159] Interview with Director General for Political Affairs, Ministry of Foreign Affairs, Nugroho Wisnumurti, 5 December 1998.

[160] Stated by State Secretary, Moerdiono, *Media Indonesia*, 19 March 1996.

[161] Australia proposed the agreement to Indonesia in June 1994 but it was not until September 1995 that Suharto agreed to elaborate a draft text.

[162] *Kompas*, 1 August 1997.

ties with China as early as 1985. The opening of diplomatic relations with China was indeed expected to further open new markets and to boost Indonesia's export to China that up to the end of 1980s had benefited Indonesia. It appeared that this objective received wide support among a large segment of Indonesian society, due to the fact that economic issues are less sensitive than the political one. While Indonesia emphasized on the advantages in the economic field in which China only extends trade preference to countries that have diplomatic relations, the thaw of diplomatic relations does not automatically open opportunities for economic cooperation and immediate gains, as there are many factors besides the political ones that are involved in the process.

A. The Realisation of Bilateral Trade Relations

China as a Market

Indonesia's decision to reopen official trade relations with China was welcomed by Indonesian businessmen. Subsequently, various explorations of cooperation in economic and trade sectors followed. Early indication showed that Indonesia's benefit from trade activities with China increased significantly and reached an average growth of 24 per cent for export and 19 per cent of import per year.[163] The total trade volume between the two countries also showed an improvement in 1989 by reaching the value of US$800 million, which was a hundred per cent increase compared to three years earlier. Indeed, by 1990 trade volume was recorded at US$1.18 billion.[164] In the short term, the normalization of diplomatic relations has increased trade volume between the two countries, and from Indonesia's perspective it has increased its export commodities to China. Thus, Indonesia's economic rationale has been justified.

Although the statistics show that trade volume between Indonesia and China has steadily been expanding every year (See Table 6.1), there is still a lot of work to

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[163] According to the Centre of Statistic Bureau (BPS) Indonesian trade with China experiences a surplus in consecutive years 1989 (US$41.1 million), 1990 (US$182.1 million), 1991 (US$355.9 million), 1992 (US$644.9 million), 1993 (US$313.3 million).

[164] *Suara Karya*, 5 June 1991.

undertake to secure Indonesia's interest in the longer term. This is particularly evident when the trade relations of both countries are taken into consideration in the context of other major trading partners. As far as Indonesia is concerned, China is not the main market destination for her commodities. Trade volume with China contributed only 1.39 per cent of overall trade in 1991 and 1.22 in 1992. It appeared that there was no significant increase in the next four years as the figure stayed at 1.23 per cent.[165] Although the general over all trade was increasing, in real terms the trade volume was relatively small and less significant. Additionally, this achievement was mainly because of the contribution of oil and plywood in Indonesia's commodities export structure to China.[166]

Table 6.1: Indonesia-China Trade Volume 1990-1997
(in US$million)

Year	Export	Import	Total
1990	0.834.4	0.652.3	1,486.7
1991	1,190.8	0.834.9	2,025.7
1992	1,396.0	0.751	2,148.0
1993	1,249.0	0.936	2,185.0
1994	1,322.0	1,369.0	2,691.0
1995	1,742.0	1,495.0	3,237.0
1996	2,057.5	1,597.6	3,655.1
1997	2,229.3	1,518.0	3,747.3

Source: The Statistic Central Bureau (BPS), 1998

The other factor that should be underlined is that the success of China's economy has so far been the result of its intensive contacts and dealings with countries in Asia that are categorized as the Greater China which include Hong Kong, Macao and Taiwan. Table 6.2 and its conversion into Figure 6.2 confirms that China's economic activities are mainly conducted in the East and Southeast Asian region. Its total trade value in Asia reached US$73446.70 million, while in comparison, Chinese trade volume with the US amounted to US$21461.48 million. Accordingly, China would emphasize more developing economic and trade relations particularly with the so-called the "Greater China" which according to Andrew Brick means exploiting China's advantage from a network of ethnic Chinese with proven entrepreneurial prowess throughout the region.[167] At the same time, China tends also to develop its

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[165] *Suara Pembaruan*, 7 October 1996.

[166] Central Bureau of Statistic (BPS), as quoted in *Suara Karya*, 27 Mach 1991.

trade with major developed countries such as Northern America and European countries, leaving Indonesia in a lower priority.

Table 6.2: China's Major Trading Partners, 1994
(Unit: US$1 million)

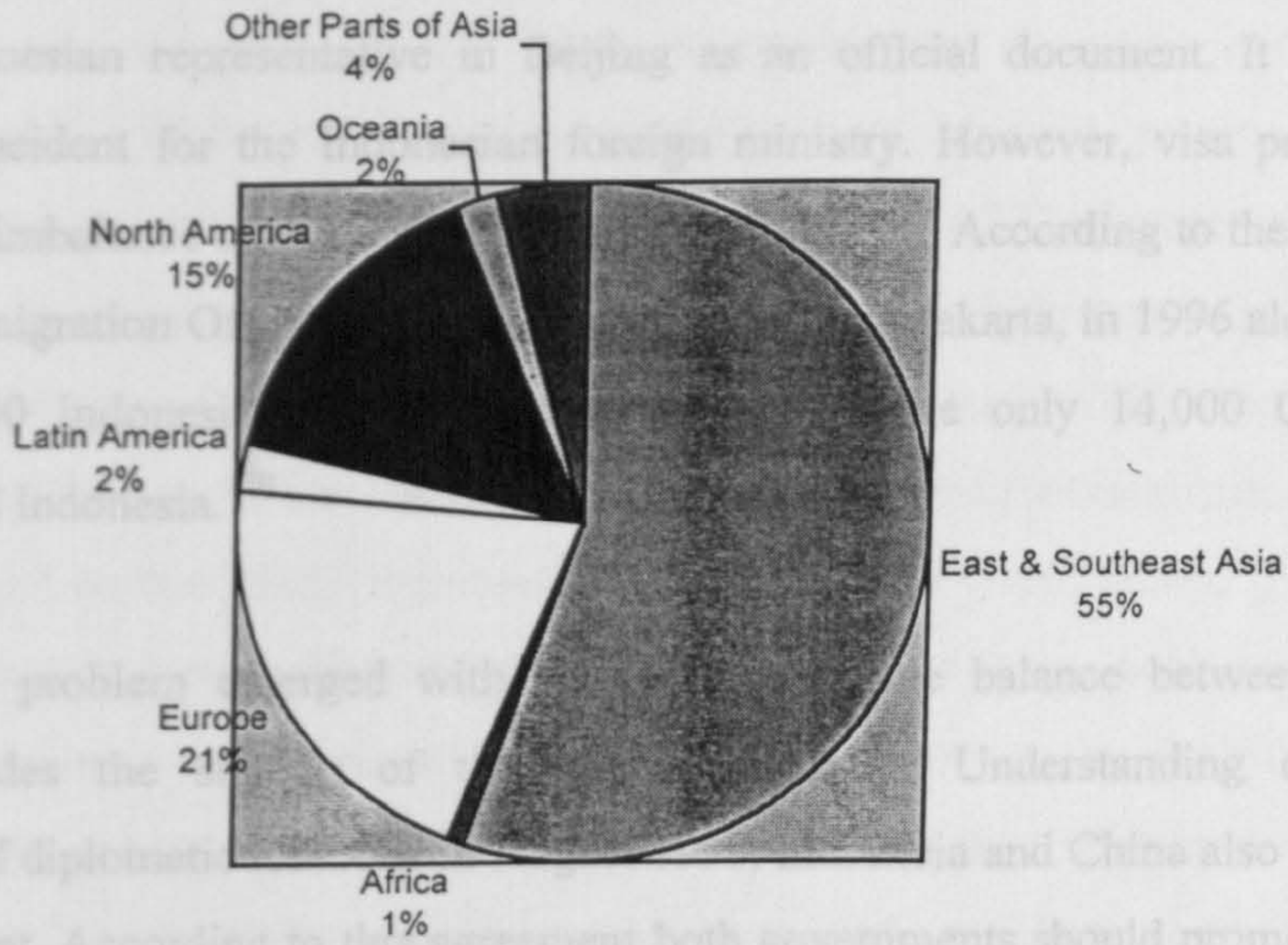
Region and Selected Countries	Export	Import	Total Value (US$ 1 million
Asia	73446.70	68765.15	142211.85
Japan	21573.12	26320.77	49893.89
Within Greater China	35273.16	23673.45	58946.67
Hong Kong	32364.41	9456.62	41821.16
Macao	666.50	132.00	798.50
Taiwan	2242.15	14084.83	16326.98
Korea (North)	424.52	199.22	623.74
Korea (South)	4402.30	7318.34	11720.65
ASEAN	6379.01	6829.85	13208.85
Brunei	16.26	0	16.26
Indonesia	1051.70	1588.37	2640.07
Malaysia	1117.66	1622.67	2740.32
Philippines	475.69	272.40	748.09
Singapore	2558.42	2482.02	5040.44
Thailand	1159.28	864.39	2023.67
Myanmar	369.11	143.28	512.39
Cambodia	35.27	1.00	36.27
Laos	34.97	4.38	40.36
Vietnam	341.66	149.19	532.82
Africa	1749.05	893.98	2643.03
Europe	18803.98	25040.20	43844.19
EU	14580.23	16938.76	31518.99
United Kingdom	2414.00	1769.90	4183.91
Germany	4761.45	7136.73	11898.23
France	1424.36	1939.01	3363.37
Italy	1590.66	3068.06	4658.72
Former USSR	1946.55	4662.58	6609.13
Russia	1581.14	3495.75	5076.89
Latin America	2454.75	2247.38	4702.13
North America	22860.16	15801.30	38661.46
Canada	1396.94	1830.75	3227.69
USA	21461.48	139.42	35431.90
Oceania	1723.84	2915.61	4639.45
Australia	1487.87	2451.81	3939.68

Source: *China's Latest Economic Statistics*, February 1995, pp. 19-23.

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[167] Andrew B. Brick, "Chinese Water Torture: Subversion Through Development," *Global Affairs*, Vol. 7, No. 2 (Spring 1992), p. 97.

Feature 6.2: China's Foreign Trade (1994)



Consequently, the importance and position of China's respective major trading partners has mainly caused a low level of trade volume between Indonesia and China. In this regard, Indonesia was China's twelfth trading partner, while China was Indonesia's fifth trade partner.[168] From this point of view, it appears that Indonesia relatively needs China more than the other way round.

Identifying Problems in Trade Relations

Once the political barrier was removed, the flow of people conducting business between China and Indonesia was expected to follow smoothly. Ironically, the Indonesian government, particularly the military as represented by BAKIN, was reluctant to lessen visa regulations. Procedurally, these were processed through several layers of bureaucracies, such as the Indonesian Embassy in Beijing, the Immigration Office and the influential Indonesian Intelligence Coordination Agency (BAKIN). While the overall process might take more than ten days, officials sometimes had different opinions.[169] One of the infamous incidents was the refusal of five Chinese

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[168] *Suara Pembaruan*, 4 November 1997.

[169] Visa application submitted to Indonesian Embassy in Beijing is further submitted to "clearing house"

businessmen to enter Indonesia despite the fact that they already held Indonesian visas issued in Beijing. In this case, Indonesian immigration officers did not consider the visa issued by Indonesian representative in Beijing as an official document. It was an embarrassing incident for the Indonesian foreign ministry. However, visa problems also created an imbalance of visits between the two countries. According to the data of Indonesia's Immigration Office and the Chinese Embassy in Jakarta, in 1996 alone, for example, 80,000 Indonesian nationals visited China, while only 14,000 Chinese nationals visited Indonesia.[170]

Another problem emerged with regard to the trade balance between both countries. Besides the signing of the Memorandum of Understanding on the normalization of diplomatic relations in August 1990, Indonesia and China also signed a trade agreement. According to this agreement both governments should promote the expansion of trade relations and grant each other most-favoured-nation treatment with respect to customs duties and other taxes, and duties applicable to trade exchange.[171] Therefore, Sino-Indonesian trade and economic relations were expected to have a balance and be mutually beneficial. However, problem might arise when there is an imbalance of trade between these two countries in which each would ask the other to increase its imports. Thus from time to time, the maintenance of the balance of trade became a difficult problem to handle as the governments' influence over the economy became less significant.[172]

Meanwhile, the question of inspection procedures took years to resolve. This reality showed that both countries applied a rigid policy in which China did not allow foreign surveyors to operate in China, while Indonesia insisted that its surveyors (SGS) be allowed to conduct inspection. The unresolved problem of inspection has increased suspicion of China dumping its products in Indonesia. After a discussion between

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in Jakarta that holds its meeting twice a week (Tuesday and Friday). The result is to be informed back to Beijing.

[170] *Suara Pembaruan*, 9 December 1997.

[171] *Jakarta Post*, 9 August 1990.

[172] *Suara Pembaruan*, 7 September 1995.

Indonesia's Trade Minister and Chinese Trade and Economic Relations Minister, both countries agreed to address the dumping issue. In this regard, the Chinese government drafted new regulations giving it the power to punish any company involved in dumping abroad.[173] While the dumping allegation was hard to prove, China's exclusion from the General Agreement on Tariff and Trade (GATT) prevents Indonesia from pursuing the matter through this body. For this reason, Indonesia supports the acceptance of China into GATT or the World trade Organization (WTO), which is also intended to tie China to perform according to the agreed international rules. Once China is accepted as the WTO member and bound by the GATT rules, it should consequently conduct deregulation and de-bureaucratisation to lessen tariff protection and non-tariff barriers, to eliminate all subsidies in contravention to the GATT ruling, and to adjust its policies in accordance with the pattern of a market economy. Accordingly, the Chinese market should be more open, and provide opportunities for the coming of imports from all over the world, including Indonesia.

While the effort to increase trade volume is still being pursued, China and Indonesia are actively involved in finding a solution to various problems arising from these activities. In fact, both governments have regularly convened a Joint Commission meeting to discuss problems and issues related to economic and trade relations. The meeting has been conducted four times, with the latest one held in Jakarta in August 1997. This is the place where both delegations exchange views on how to increase economic relations as well as to raise issues concerned to any party. Eventually, China identified three problems impeding the development of economic relations with China. These problems are the difficulties in getting an Indonesian visa and the length of time permitted for a Chinese national to stay in Indonesia, and the absence of the Bank of China branches in Indonesia, and the piracy of Chinese trade marks in Indonesia.[174]

B. Pattern of Trade Relations: Complementary or Competition

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[173] *Jakarta Post*, 11 September 1991.

[174] This view is expressed by Hu Cuo Chai, the Director of Asia, Ministry of Trade and Economic Cooperation of China, *Suara Pembaruan*, 4 November 1997.

Similarities and Differences of Economic Structure

During the period of 1968-81, Indonesia has enjoyed a rapid economic growth of roughly around 8% per annum and a healthy development in its balance of payments.[175] This achievement was very much induced by foreign aid and an unprecedented increase in oil revenues. However, the collapse of oil prices caused Indonesian economy to decline, particularly in the mid 1980s in which there was a sharp decline of surplus 4 per cent of GDP in 1980 to a deficit of 5.5 per cent in 1986. In responding to this situation the government attempted to reduce the country's dependence on oil exports. A series of deregulation packages was adopted with a view to improving the investment climate for private investors, including foreign investors, and promoting a more efficient private sector. Indonesia also introduced trade reforms aimed at reducing the anti-export bias in its trade regime. The most significant step taken by the government was to increase the competitive advantage of the manufacturing industry and agriculture sector in the international market place. As a result, there was a surge in manufactured exports, particularly low skill labour-intensive manufactured export since the late 1980s which for the first time put Indonesia on an export-led growth path similar to the one traversed earlier by the North-east Asian newly-industrialising economies (NIEs).[176]

Entering the 1990s, there was great optimism about the development of Indonesia's economy as real GDP grew more than 7 per cent per annum and the perennial foreign exchange constraint appeared to have been permanently relaxed.[177] In general, Indonesia's rapid economic growth was underpinned by rapid growth of all three major sectors, agriculture, manufacturing and services.[178] In 1995 Indonesia was,

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[175] Anwar Nasution, "Recent Economic Reform in Indonesia", *Indonesian Quarterly*, Vol. 19, No. 1, First Quarter, 1991, p.13.

[176] Thee Kian Wie, "Indonesia's Economic Performance Under the New Order: The Effect of Liberalization and Globalization", *Indonesian Quarterly*, Vol. 26, No. 2, Second Quarter, 1988, p.123.

[177] Anwar Nasution, "The Years of Living Dangerously: The Impacts of Financial Sector Policy Reforms and Increasing Private Sector External Indebtedness in Indonesia, 1983-1992", *Indonesian Quarterly*, Vol. 20, No. 4, Fourth Quarter, 1992, p.405.

[178] See, World Bank, 1992, *World Bank Report 1992 – Development and the Environment*, Oxford

in terms of manufacturing value added, the seventh largest manufacturing sector among the developing countries.[179] In 1996, Indonesia's imports recorded an increase by 5.66% to US$42,928.5 million compared to the previous year. The increase was both registered in imports of oil and non-oil, respectively by 23.52% to US$3,595.5 million and US$39,333.0 million. Meanwhile, Indonesia's exports increased by 9.68% to US$49,814.8 million, and oil exports rose by 12% reaching US$11,721.8 million and non-oil exports rose by 8.98% to US$ 38,093.0 million. By 1997, the World Bank released its annual report and noted that the Indonesian economy in recent years had been performing well with GDP growing at an average of 7.7 per cent during the period of 1991-1994, at 8.2 per cent in 1995 and at 7.8 per cent in 1996.[180]

As far as China is concerned, in the 1990s it emerged as an economic power with a high economic growth. Domestic income, for instance, grew at an average of 8.7 per cent per year so did the population's income per capita in rural and urban areas. Up to 1995, Chinese reserved foreign currency amounted to US$280.8 billions with a surplus of US$16.8 billions, making her the biggest eleventh in the foreign trade. China is also among one of the first destinations for foreign investments. In 1995 there had been 258.00 foreign direct investments agreed worth US$397.5 billions and in that same year US$135.4 billion had been implemented. In 1997, China succeeded in ranking itself as among the top ten in the world trade, in which its total trade volume is recorded at US$32.5 billion.[181]

However, a simple comparison of the basic indicators of China and Indonesia as presented in Table 6.3 reveals many similarities as well as some important

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University Press, World Development Indicators, Table 2, pp.220; World Bank, 1977 (b), *World Development Indicators 1977*, IEC Information Center, Development Data Group, Washington D.C., Table 4.1, pp. 130-133.

[179] It was after China, Brazil, South Korea, Mexico, Argentina and India. See World Bank, 1977 (b), *World Development Indicators 1977*, IEC Information Center, Development Data Group, Washington D.C., Table 4.1, pp. 134-136.

[180] World Bank, *Indonesia: Sustaining High Growth with Equity*, Washington D.C., Report no. 16433-IND, May 1997, p.1.

[181] The rank consists of the US, Germany, Japan, Britain, France, Italy, Hong Kong, Canada, Holland and China. See, *Beijing Review*, March 30 - April 5, 1998.

differences between these two most populous countries in East Asia. Not long ago, both economies were relatively dependent on their agriculture sector.[182] And by the late 1980s, they were moving in the same direction from agriculture to industrialization. The data also indicates that these two agricultural economies were characterised by a relatively small endowment of capital relative to labour. In the process of pursuing industrialization, therefore, both are apt to capitalize on their comparative advantage in labour-intensive manufacture with a low human capital input. In terms of specialization, both utilise the agricultural sector to develop exports of agricultural resource-based goods. Consequently, both countries have large potential in the production and export of light manufacturers.

Table 6.3: Basic Indicators of China and Indonesia

	China	Indonesia
Population mid-1991 (in million)	1,149.5	181.3
Area ('000 km2)	9,561	1,905
Life Expectancy at birth (years) in 1991	69	60
Adult Illiteracy 1990 (%)	27	23
Structure of Production 1991		
GDP (millions of dollars)	369,651	116,476
Distribution (%)		
Agriculture	27	19
Industry	42	41
Manufacturing	38	21
Services	32	39
GDP per capita		
Dollars 1991	370	610
Average annual growth rate (%)		
1980-1991	7.8	3.9
Average annual rate of inflation (%)		
1970-1980	0.9	21.5
1980-1991	5.8	8.5
Merchandise trade 1991 (million of dollars)		
Exports	72,875	28,997
Imports	63,791	25,869
Average of Annual Growth rate (%)		
Exports		
1970-1980	8.7	7.2
1980-1991	11.5	4.5
Imports		
1970-1980	11.3	13.0
1980-1991	9.5	2.6
Terms of Trade		
1985	109	134
1991	111	101

Source: World Bank, World Development Report 1993, Washington D.C., 1993.

[182] In 1988, 32% of China's GDP originates from agriculture, while the contribution of agriculture in the case of Indonesia was 24%. See, World Bank, *World Development Report*, Washington D.C., 1990.

Despite Indonesia's greater economic openness, as reflected by the role of external trade in GDP, it is obvious that China's industrialisation has accelerated faster than Indonesia's. One of the important features of trade relationship reveals that the structure of Indonesia's export to China is less diversified than the structure of Indonesia's imports from China. Thus, against the high expectations of benefits from the opening of diplomatic relations with China, the fact shows that there are indeed barriers for Indonesia to benefit from dealing with China. As far as the structure of Indonesia's exports to China is concerned, it reveals that Indonesia's trade with China is very much focused on the segment of oil and gas commodities. From 1989 oil and gas became Indonesia's main export commodities to China.[183] It is understandable, as China needs an enormous amount of energy to keep its industries moving. On the other hand, Indonesia's balance of trade on non-oil and gas commodity leans toward China.[184]

As far as product commodities are concerned, Indonesia does not have comparative advantage vis-à-vis products from China. Indonesia and China seemed to rely on the same area of cheap labour. China is also a competitor to Indonesia's export goods, because its economic structure has a similar characteristic. For instance, China produces export-oriented goods, and light manufacturing goods such as textiles that was coincidentally one of Indonesia's main non-oil export commodities. Indeed, there are similarities in the types of product, particularly in small and medium industries such as tyre, textile, electronic, bicycle, freezers and children's toys. As a result, it is difficult for Indonesia's products to compete in the Chinese domestic market.

The Projection of Trade Relations

China began transforming its economy through the introduction of reform and modernization in the late 1970s. For its part, Indonesia reluctantly moved towards

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[183] According to the Center of Statistics Bureau, Indonesia's oil and gas export to China shows as follows: US$230.8 million (1989), US$259.5 million (1990), US$516.4 million (1991), US$628.7 million (1992), US$553.8 million (1993).

[184] According to the Central Statistics Bureau, except in 1992 Indonesian experienced a deficit of non-oil and gas trade balance. The figure shows that in 1989 Indonesia encountered deficit of US$185.3 million, US$66.6 million (1990), US$153.4 million (1991), and US$200.4 million (1993).

opening its market and adopted an export-oriented industry in the mid 1980s only after realizing that oil revenues could no longer be expected to maintain economic development. However, China appeared to accelerate its economic development and even surpassed Indonesia by the first half of the 1980s. In this regard, one Indonesian economist already warned of the implication of liberalization of the socio-political and economic system in China, which would eventually compete with Indonesia in attracting foreign capital and advanced technology from the developed countries.[185] Both countries would have to compete in selling their products to the world market that was becoming more protectionists. Nowadays, the old ideological commodity exports from Beijing have been replaced by the influx of industrial commodities to the world, let alone Indonesia. The competition has been predicted to be more intense as Indonesia is expected to take-off by the year 2000, while the Chinese Modernisation Strategy has already set its deadline for the same year.[186]

Since the normalization, there have been intensive visits by private businessmen from both countries from August 1990. In 1990, for instance, there were 1.063 Indonesian businessmen representing 574 companies who visited China, while 5.790 Chinese businessmen representing 1.368 companies travelled to Indonesia. The trend appeared to increase. In January 1991 alone, the record shows that there were 973 people representing 187 companies visiting Indonesia, while the number from Indonesia only reached the figure of 75 people representing 46 companies [187] This short period and figure suggests that China was more aggressive in opening its market opportunities than Indonesia. Indeed, since normalization China has appeared to be more active and prepared in expanding its market in Indonesia.

Despite the obstacles for Indonesia in penetrating the Chinese market due to similarities of trade structure, China is also considered as a serious competitor for

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[185] Christianto Wibisono, Sinar Harapan, "Perspektif Kompetisi RI-RRC: Mampukah Orde Baru Mendemokratisasikan Diri [The Perspective of Competition between Indonesia and China: Would The New Order be able to Democratize Itself], *Sinar Harapan*, 29 May 1985.

[186] The situation has totally changed as the result of economic crisis and political stability in Indonesia since 1998.

[187] *Merdeka*, 16 March 1991.

Indonesia's business economy. As the result of Chinese export-oriented production, the threat materialized in the form of the influx of Chinese goods that are much cheaper than the same one made in Indonesia. Indonesia's goods are unable to compete in the international market, and Chinese products in the Middle East have replaced even some of Indonesia's commodities.[188] Indonesian Minister for Industry Hartarto has openly referred to China as the main competitor to Indonesian industry.[189] Indeed, China has a large potential to develop further as an economic power, particularly in its export-oriented industry. He also underlined that China has become a competitive and an efficient industrial state. In June 1991, the Indonesian Minister of Trade J. Soedradjad Djiwandono met Chinese Deputy Trade and External Relations Wang Wendong in Jakarta and drew their attention of the influx of cheaper Chinese goods into Indonesia.[190] In this regard, Indonesia would impose an additional import duty aimed at protecting the same goods already produced in Indonesia, especially small machine equipment, chemical products, garments, shoes and bicycles. Indonesia suspected the possibility that the Chinese government gave subsidies to these industries.

Five years after the normalization of diplomatic relations, the trade balance between Indonesia and China was poised roughly in Indonesia's favour at an average of $292.4 million. From this balance, Indonesia's export volume has been larger than its import. The average growth of its exports to China stood at 7.95 percent, while its imports increased by 13.69 per cent, nearly twice its exports. If this growth is maintained, in the future the trade balance will soon be in favour of China. While both exports and imports showed an increasing tendency, looking at its export structure Indonesia depends very much on oil and gas, in which 40 to 50 percent of Indonesia's products are exported to China.[191] As far as non-oil and gas exports are concerned, the average growth is 10.71 percent. At the same, time, non-oil and gas imports are higher and stand at 16.22 percent per year. While Indonesia maintains its comparative

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[188] *Kompas*, 11 April 1991.

[189] *Suara Karya*, 20 May 1991.

[190] *Kompas*, 7 June 1991.

[191] "Prospek Hubungan Bisnis Indonesia & Cina," [The Prospect of Sino-Indonesian Business Relations].

advantage over oil and gas commodities, China holds a competitive advantage on non-oil and gas products. This is the case since the Chinese products are of higher quality than Indonesian, which makes them more competitive in Indonesian domestic and international markets. Table 6.4 shows that Indonesia tends to import more from China, for example in 1993 alone the Indonesian balance of non-oil/gas commodities suffered a US$200million deficit. Therefore, in the longer term, Indonesia could be predicted to import more goods from China.

Table 6.4: The Value of Indonesian Oil/Gas and Non Oil/Gas Export/Import Commodities to China (Million US$)

	Oil/Gas Export Commodities			
1990	259.5	574.9	641.5	-66
1991	516.4	674.5	827.9	-153.4
1992	628.7	767.7	744.9	22.8
1993	553.8	695.7	896.1	-200.4

Source: The Central Bureau of Statistics (BPS)

Table 6.5 shows that China has a stronger and better performance than Indonesia, particularly in products such as textiles, shoes and home appliances. It is the home appliance product that has contributed as the biggest contributor to attract foreign reserves that is US$43.9 billion or 29.5 percent from its total export. This value has jumped 25 times from the 1985 figure of US$1.7 billion. Among home appliance products are ship, machine, computer component, communication equipment, and optical goods. As far as textiles are concerned, China contributes 13 percent of the world market. According to Chinese government statistics, the value of exports of textiles from January to May 1997 is US$16 billion, which is an increase of 33 percent from the same period of previous year. The most significant contribution has been in garments (US$10.5 billion) and textiles (US$5.5 billion) that are an increase of 30 percent and 24 percent respectively. Chinese performance on shoes has been spectacular as its share stands at 40 percent from 9 billion of world product. In 1996, for instance, China gained the value of 8.5 billion from shoe exports. The development of Chinese economic power is predicted to continue further, along with its economic reform.

Bisnis Indonesia, 30 September 1996.

Table 6.5: The Comparison of the Performance of Product Export Between Indonesia and China in Global Market

Commodities	China		Indonesia	
	Value (US$billion)	Export Growth (%)	Value (US$billion)	Export Growth
Textile & Product Textile	16	33	2.76	12.51
Shoes	8.6	28	2.45	4.62
Machine and Electronics	43.9	139	3.26	30.59

Source: *Bisnis Indonesia*, 2 October 1997

Indonesian non-oil/gas export commodities to China between 1990-1994 increased by 6.81 percent, while its imports increased by 15.51 percent. According to the Central Bureau of Statistics, Indonesia's exports to China increased by an average of 10.16 percent per annum in 1990-1994, while its imports from that country grew by 17.31 percent per year.[192] Far from increasing its readiness to compete with China, Indonesia simply tried to diversify its exports to China, which again remain in the domain of primary commodities, particularly plywood. This is best illustrated by the statement of former Chairman of Indonesian Chamber of Commerce (KADIN) and the Chairman of the Indonesia-China Foundation for Economic, Social and Cultural Cooperation who argued,

> We have to keep the balance of our trade with China, whose exports to Indonesia have been increasing at a faster pace than its import from it. To cope with the increasing imports from china, we should boost our exports of wood products, oil, natural gas and palm oil to China. Our trade with China will be in deficit if we import more capital goods, while our exports to that country [China] comprise mostly of agricultural produce.[193]

C. Investment Issue: Extending Suspicions of Ethnic Chinese

One of the characteristics of economic development in China and Indonesia has been their respective need to attract more foreign capital. According to the World Bank, China succeeded in attracting US$38 billion foreign direct investment, while

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[192] *Jakarta Post*, 3 August 1995.

[193] Ibid.

Indonesia was far below at US$5 billion.[194] As both China and Indonesia are actively in need of foreign investment, there is a fundamental difference in their strategies.[195] For China, the effort to attract investment is part of the modernization process. More importantly, it is also a long-term strategy, which is intended to bring the latest technology and modern management techniques. In other words, it is an answer to the situation where China has been left behind not only in terms of technology, but also in management techniques and human resource development. For Indonesia, its strategy to attract foreign investment aims at increasing capital, with only an indirect focus on the incumbent management skills, technology and human resource development. Indonesia's need for capital is tremendous (US$480 billion per year), compared to China's huge economy which requires only $100 billion a year, due to the growing gap between domestic savings and investment as evidenced by the persistent current and capital accounts deficits and government shortfalls. On the contrary, China's savings are catching up with its investment requirements.

Apart from absorbing foreign investors and their technology and management skills, China's strategy also involves a large amount of foreign-investment abroad to strengthen its capital account. Thus the investment abroad would generate future income. On the contrary, Indonesian is very much dictated by the concern for immediate gains. Thus its orientation has been short-term, lasting for five years, regardless whether technology and management skills are attached to the investment. The Indonesian economy has been in a hurry to catch up to the last train concept, which means that everyone was in a rush to cash in on what was perceived to be the last opportunity.[196] Apparently, this was as the result of 25-year economic development plan, and more importantly the then ageing figure of President Suharto's leadership that had given no hint of an apparent successor.

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[194] *The World Bank Tables*, External Finance for Developing Countries, 1966. The surge of foreign direct investment in China was mainly due to better opportunities, low risks and take-off in flows from overseas Chinese and Korean investors.

[195] *Jakarta Post*, 29 July 1993.

[196] As a result, the interest rate level is always high and the uncertainty becomes the most certain variable.

In order to attract more foreign investors, the Indonesian government issued government regulation no. 20/1994, which enables foreign investors to invest their capital in various sectors and to own 100 percent of its share.[197] It was intended to create efficiency, to increase Indonesia's competitiveness in the international market as well as to anticipate the global market. Ironically, the government effort is often faced by the dilemma of reality to protect national interests. Political uncertainty over the future of Indonesia's political stability, especially the issue of leadership, has prevented the investor from engaging in long-term investment in Indonesia. However, given the short orientation of investment, interest rates in Indonesia are relatively higher than China. Thus, when this advantage is added to better infrastructure and government facilities in the areas of economic zones, Indonesia is unable to compete with China. In this regard, Indonesia and China are competing in attracting foreign investment.[198] Former US Ambassador to Indonesia John Holdridge argued that China needs capital investment especially in small industry, so does Indonesia, therefore it is difficult for both to avoid competition in the international capital market.[199] The then Indonesian foreign minister Ali Alatas argued that many respect, Indonesia and China could become a counterpart. However, their economies as developing countries would not complement each other, and occasionally have to compete.[200] The existence of competition between Indonesia and China to attract foreign investment was indeed acknowledged by other Indonesian official.[201]

While the competition is there, it does not mean that Indonesia and China could not co-operate in the context of investment. Both could benefit from investments in their respective countries. However, this sort of cooperation with China invites two

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[197] "Nilai Perdagngan Mesin dan Elektronika RI-Cina Masih di Bawah Lima Persen," [Trade Value on Machinery and Electronic Goods between Indonesia and China is Still under 5 per cent], *Suara Pembaruan*, 2 June 1995.

[198] By 1993, China has replaced Indonesia and regained its position as the leading recipient of Japanese ODA (official development assistance). See,Yong Deng, "Chinese Relations with Japan: ..., *Pacific Affairs*, Ibid. p. 378.

[199] *Antara*, 26 November 1990.

[200] *Business News*, 30 November 1990.

[201] Nugroho Wisnumurti, Director General of Political Affairs, Ministry of Foreign Affairs. Interview on 4 December 1998.

opinions. First, it consists of those who encourage efforts to attract China to invest its capital in Indonesia. Second, there are those who are in favour of investing in China. Their argument is based on the assumption of various advantages held by China such as better infrastructure, facilities and lower interest rate. There is only one way in which these two assumptions can be pursued, namely by harmonizing investment with economic and national interests. Thus investment in China should only be conducted as long as it gives benefit to Indonesia. In practice, for instance, it could be implemented by utilising Indonesian raw materials, thus bringing in foreign currencies and increasing half-processed products, such as crude palm oil, rubber raw materials and canned industrial food. Indonesian investment in China should be directed to control export commodities distribution in order to strengthen market access in China. However, there are still many Chinese businessmen who still prefer to maintain an indirect business with Indonesia through Hong Kong and Singapore.[202] This is the legacy of an old pattern that was long practised from 1967 to 1985.

However, the issue of investment in China has been complicated by allegations of capital flight, which has become a big topic in the Indonesian domestic political discourse of 1990s, linking China and the ethnic Chinese. It was the investment of capital owned by Indonesian ethnic Chinese in China that became an issue. Many Indonesians believed that investment in China by the Indonesian ethnic Chinese was equal to capital flight. There should not be a problem if this trend was intended to help Indonesian economy, and the cultural and social orientation of the ethnic Chinese was not involved. However, those who were against this trend presented their case by arguing that investment in China was against the national interest, given that Indonesia still needed capital to maintain its development.[203] On the positive side, some prominent figures categorized this trend as part of globalisation and the investment in China was carried out more because of economic reasons than affiliation.[204]

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[202] *Bisnis Indonesia*, 22 October 1994.

[203] *Merdeka*, 2 April 1993; *Bisnis Indonesia*, 8 April 1993; "Analisa Kwiek Kian Gie: Investasi Pengusaha Indonesia di RRC" [The Analysis of Kiwk Kian Gie: The Investment of Indonesian Businessmen in China], *Bisnis Indonesia*, 12 April 1993.

[204] *Suara Pembaruan*, 7 April 1993; *Bisnis Indonesia*, 12 April 1993.

According to data from the Coordination Council for Capital Investment (BKPM), by 1992 Chinese investment in Indonesia stands at US$41,5 million or 0.1 per cent from total foreign investment in Indonesia.[205] This also means placing China at number 28 of 41 countries investing in Indonesia. Other Chinese investments in Indonesia include in the development of small industry in Surabaya, the development of refinery project and urea fertiliser project between Sinopec and Indonesian companies such as the Barito Pacific Group, the Bimantara Group and the Napan Group.[206] In 1994, China's investment is worth US$164.9 million, which consists of 25 projects.[207] However, China estimates that its investment in Indonesia is worth US$240 million.[208] The investment is mostly in the oil and gas sectors, mining and financial services. According to China, Indonesian investment in Chins shows US$319 million in the field of ceramic industry and property. It is expected that with the regulation introduced by the government, China would further increase its investment in Indonesia.

By late 1992, there were a significant number of Indonesian investors putting their money in China, mainly in infrastructure projects such as the development of an industrial complex and food industry.[209] The Lippo Ltd, for instance, invested US$1 billion in Fujian. Hagemeger Pacific Corporation Ltd of Liem Sioei Liong developed five thousand acres of industrial estate to accommodate hundreds of industrial activities in the south China seashore. Another Liem company, *Indomie*, invested US$600,000 in Beijing. Additionally, there are three pulp factories from Indonesia in China established by the *Grup Sinar Mas* and the *Group Indrayon*, in which each value is estimated to be worth between US$1 to 2 billion, and the former also built an industrial estate

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[205] "Hubungan Perekonomian Indonesia-RRC Pascanormalisasi,"[Sino-Indonesian Economic Relations After the Normalization], *Bisnis Indonesia*, 23 June 1993.

[206] Ibid.

[207] "Neraca Perdagangan Dengan Cina Dikhawatirkan Akan Terus Minus," [Trade Balance with China Is Worryingly Expected to be Minus], *Suara Pembaruan*, 22 August 1995.

[208] "Hubungan Bisnis Indonesia-Cina: Belum Menggambarkan Potensi Riil," [Sino-Indonesian Business Relations Has not Reflected the Real Potential], *Bisnis Indonesia*, 18 November 1997.

[209] "Hubungan Perekonomian ..." *Business Indonesia*, Ibid.

estimated to be worth US$350 million.[210] However, Table 6.6 underlines that there is a huge increase in the value of Indonesia's investment in China in 1992. However, no one knows the exact figure of Indonesian businessmen's investment in China. There has been no official record, either from neither the government nor the businessmen themselves. Similarly, there has been no declaration from the Chinese government in this regard. While not knowing the exact figure, Indonesian Ambassador to China mentioned the figure of US$6 billion, mostly in Fujian.[211]

However, there are indeed some reasons why China's investment in Indonesia is relatively low. First, the Chinese government does not encourage this move, as China itself still needs capital to develop its economy. Second, investors from both sides have not had guarantees for their investments, as the two governments have not signed an investment guaranty. Furthermore, on the part of China, they believe that the licensing process in Indonesia is complicated.[212] Third, Indonesian perceptions and suspicions about people coming from China have prevented the government from granting a speedy entry visa. Even up to 1995, Chinese businessmen complained of their difficulties in gaining Indonesian visas.[213] Fourth, no Chinese bank operates in Indonesia, as the Indonesian government was concerned that it might be used by the ethnic Chinese businessmen to transfer their capital to China directly, without government knowledge and control.

Table 6.6: ASEAN Countries' Foreign Direct Investment in China

(US$ million)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	Total
Singapore	62.6	75.5	137.4	69.8	136.6	111.1	103.5	155.2	996.6	1.848.3
Thailand	23.3	14.6	13.2	4.5	37.7	56.8	41.7	108.3	723.4	1.023.5
The Philippines	2.1	40.46	3.8	30.4	7.3	4.7	10.8	17.4	273.2	390.3
Malaysia	0.4	0.2	0.2	9.6	5.2	2.7	3.2	40.2	209.1	270.8
Indonesia	0.8	1.7	0.0	1.2	2.1	1.0	0.3	10.9	121.4	139.4
Total	89.2	132.6	154.6	115.5	188.9	176.3	159.5	332	2.323.7	3.672.3

Source: Asia, INC, November 1993.

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[210] The figure is provided by Indonesian Embassy official in Beijing. *Suara Pembaruan*, 6 November 1997.

[211] *Suara Pembaruan*, 7 September 1995.

[212] *Suara Karya*, 24 December 1994.

[213] *Media Indonesia*, 17 June 1995.

In the 1990s, there were reports that Indonesian ethnic Chinese businessmen were investing their capital in China. Mochtar Riady, for example, was reported to have invested US$10 billion in Fujian. However, the Indonesian government played down the allegation of capital flight and even dubbed it as a "selling game" from China.[214] The then Indonesian Minister for Investment Sanyoto further explained that the flow of capital could not be categorised as capital flight. He defines capital flight as meaning that the capital would never return back to the country of origin. Nevertheless, he failed to explain how Indonesia would benefit from such investment. The investment in China received a strong opposition from Indonesia since it still needs the same capital to develop its domestic economy.[215] Many Indonesians remain suspicious of the true motive of the ethnic Chinese tycoons' investment in China.

6.4. Conclusion

Indonesia's foreign policy in 1990s was characterised by the domination of Suharto and his efforts to bring Indonesia to the world stage. As part of the implementation of a free and active foreign policy, Indonesia became more assertive and claimed the leadership of the third world countries, especially in the context of the Non-Aligned Movement. Indeed, the normalization of diplomatic relations with China has paved the way for Indonesia to play a bigger role in international politics. However, as far as Sino-Indonesian relations are concerned, there remain domestic factors that prevent the development of a close relationship with China, which include the old historical aspects, suspicion towards Indonesian ethnic Chinese and more importantly the military's mistrust towards the ethnic Chinese and China. As a result, Indonesia has embarked on two approaches in developing its relations with China. In terms of strategic political and security aspects, Indonesia adopts a multilateral approach, which means that cooperation with China is mainly pursued in the context of multilateral

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[214] *Bisnis Indonesia*, 16 August 1993.

[215] To prevent the capital flight to China, the Indonesian government has taken a measure by increasing interest rate. Ironically, it affected Indonesian domestic economic such as the increase of credit interest up to 20 per cent. On the contrary, the interest rate in China shows 7 to 8 per cent, while its inflation rate is less than 2 per cent per annum. Therefore, the investment opportunity in China is more conducive and attractive than in Indonesia. Consequently, foreign investors are more willing to invest their capital in China than Indonesia, and even Indonesians who own capital prefer China.

cooperation. However, as far as the economy is concerned, Indonesia has been more than willing to develop bilateral cooperation.

There is no doubt that the dynamics of Sino-Indonesian relations have been influenced by interrelations among the major powers in the region, particularly the US, China and Japan. Indeed, the future structure of the balance of power in the region where both Indonesia and China interact remains to be seen. At least, Indonesia reluctantly prefers the continuation of the US presence in the region, instead of China or Japan. Early indications showed that the rift between the US against Indonesia and China respectively, has caused both countries to work closer with each other. However, this kind of cooperation was based on a marriage of convenience, especially when both countries were put under pressure from the Western countries on issues sensitive to them such as human rights. Thus, it was rather for a short-term purpose and had no spill over into other fields.

Indeed, the political constellation in East Asia had opened a significant opportunity for the ASEAN to play a role in facilitating dialog among major powers. Indeed, ASEAN has found its increasingly important role in defining the future structure of order in the region. In this context, Indonesia, along with other ASEAN member countries, has further tried to attract China into a web of cooperation that includes the ARF and more importantly a dialog on managing potential conflicts in the South China Sea. It is worth noting that Indonesia and ASEAN had no other choice than to engage China, as they had no capability or intention to militarily confront China. In this context, the increasing power and influence of China has been considered as inevitable. Therefore, the nature of engagement with China has been more appeasement and cooperation than confrontation. Nevertheless, Indonesia and other ASEAN member countries would stand up if their national interests were threatened. While officials continue their talks, there seemed an encouraging sign when China as well as Indonesia began publishing white books on defence and security, which were aimed to calm their respective neighbours as to their respective attitude in the future.

Indeed, one of the striking features in the 1990s has been apprehension towards China's growing military power and development as the consequences of its economic success. The situation became more alarming when one looked at it in the context of the South China Sea disputes. While agreeing to participate in the informal Workshop initiated by Indonesia, China continues its policy of asserting its claim over the islands by using military forces. At the same time, China is reluctant to solve the issue multilaterally, rather it favours bilateral negotiations with other claimant states. As far as Indonesia is concerned, it always claimed to be an honest and impartial part of the disputes. However, by 1993 Indonesian officials knew that China has laid claim over the territorial water of the Natuna Islands in which Indonesia has built a gas exploration field, which came as a shock to them.

Nevertheless, China appeared to avoid giving a satisfactory explanation to Indonesia's request for clarification, rather than underlining that China's claim was based on historical grounds. Indonesia has also sent officials to Beijing but to no avail. China's claim of the delimitation of the Chinese baseline border in South China Sea was formally delivered to Indonesian government in May 1996, which sparked great alarm among Indonesian leaders. While the civilian foreign ministry tried to open dialogue, the military appeared to prefer to push a harder line against China. Alongside efforts to increase Indonesia's military capability in the early 1990s, the military conducted a series of full military exercises in the area surrounding the Natuna Islands. This action was taken to warn China of Indonesia's seriousness in asserting its claim. Another option has also been conducted by concluding an unprecedented defence pact with Australia. There is no question that the policy of embarking on these measures had Suharto's support.

As far as economy and trade is concerned, Indonesia has indeed developed extensive relations with China. Unfortunately, the economic structure of both countries has put Indonesia in a less competitive circumstance vis-à-vis China. At the same time, old suspicion of the linkage between Indonesian ethnic Chinese and China have impeded investment activities. Many Indonesians regard the trend of Indonesian investment in China as capital flight. Indeed, as ethnic Chinese minority owns the majority of the capital, this tendency has become a major issue in Indonesian domestic

politics. The government's policy on investment in China is quite supportive, provided that it would generate national income for Indonesia. However, that expectation is far from reality as the Indonesian economy has a number of similarities with China, which prevent that from happening.

Chapter Seven

Conclusions: The Evolution of Indonesian Perceptions of China and Policies Towards China

Given the composition of the New Order leadership, there is no question that Indonesia's perception of China has been dominated by the views of Suharto and his military supporters. Indeed, Indonesia's portrayal of China as a threat officially emerged only after the coming of the New Order regime. However, this perception was not formulated in a short time and as the result of the 1965 coup attempt. Rather, it was shaped as the result of their experiences during previous periods after the proclamation of independence in August 1945. Thus, previous Indonesian historical background and experience has significantly contributed to the formulation of the New Order's outlook towards China, as well as other major powers, with the concept and nature of China as a threat to Indonesia eventually defined under the New Order regime. In this context, three periods may be seen as having basically laid the foundation to the perception of China among Indonesian leaders.

The first of these is the revolutionary period of 1945-1949, when Indonesia was struggling to achieve sovereignty and to maintain its independence and territorial integrity. In other words, the revolutionary period in Indonesian history was dominated by attempts to gain vital national interests. During this period, the threat to Indonesia had come from within and without the boundary of Indonesia, especially in uniting the Indonesian vast territory and in upholding the authority of the central government. The Communist action to launch a rebellion in 1948 was widely seen as an act of betrayal at a time when the struggle to achieve full independence was still being pursued. This action left a deep suspicion among Indonesian leaders, particularly among the military and Islamic quarters, and a predisposition to distrust the communists. Meanwhile, the Western powers' refusal to grant an immediate recognition to the newly proclaimed Indonesia left Indonesian nationalist leaders fuming. As the result, they believed that that Indonesia should not be dependent on them. Coinciding with the coming of

confrontation between the Soviet Union and America, the Indonesian leaders then formulated the principle of a free and independent foreign policy, which emphasised that Indonesian foreign policy, should be directed to serve national interests.

The second formative period was during the implementation of parliamentary democracy. This era was characterised by political instability and domestic cleavages that followed the lines of ethnicity and religious sentiment. The failure of this system was symbolized by the inability of any cabinet to realize Indonesia's national interest in economic development. Foreign policy became a contentious issue. Any effort to attract foreign aid was seen as sacrificing Indonesia's free and independent foreign policy. Thus the Indonesian political system was embroiled in domestic political rivalry among elite leaders, from which foreign policy could not escape. Indonesia's unity was also threatened by the emergence of regional rebellions with the support of Western powers, particularly the US. In this context, with clear evidence of Western interference in Indonesia's domestic affairs, suspicion and mistrust of the Western powers deepened.

The implementation of democracy also coincided with the establishment of formal links between Indonesia and China. Prior to 1950 both countries were preoccupied by respective internal matters. Relations began to emerge only after the communists took power in China and Indonesia gained full international recognition in 1949. However, the relationship did not run smoothly from the very beginning as the result of Chinese hostility after Indonesia successfully crushed the communist inspired Madiun rebellion in 1948 and the prevailing suspicions among the Indonesian leaders towards communism. The opening of diplomatic relations took place only after the then Hatta's cabinet realized that it would be difficult for Indonesia to maintain its independent and active foreign policy principles without opening formal ties with China. However, the situation was somewhat vulnerable to pressure from the Indonesian domestic audience. To contain suspicions of China among Islamic political leaders, the relations were kept at a low key by raising Indonesia's representation in Beijing to ambassadorial level. In fact, many other Indonesian leaders shared the suspicion of China. Their distrust mainly stemmed from China's attitude towards the overseas

Chinese in Indonesia. For Beijing, the issue of the ethnic Chinese in Indonesia was part of its struggle to win overseas Chinese support against Taipei. To the Indonesian military, on the other hand, they believed that Chinese officials rendered their support to revive the battered PKI with support from the Chinese nationals who lived in Indonesia.

Indeed, the improvement in Sino-Indonesian relations only occurred after the exclusion of the Muslim oriented Masyumi party from the cabinet, while at the same time the PKI was included to reach a majority. The relations rapidly improved and enabled Sukarno to conclude the Sino-Indonesian Treaty on Dual Nationality which according to Jakarta was considered an important step towards cutting Beijing's ties with the economically powerful overseas Chinese in Indonesia. Indonesia's interest in combating neo-colonialism and imperialism under Sukarno had further enabled Indonesia and China to get closer. Nevertheless, Sukarno's policy appeared to be against the wish of the military, particularly the army, which were concerned about the growing influence of the PKI and the support given by the ethnic Chinese to the PKI. Thus the expulsion of the ethnic Chinese and the ban on their conducting business in rural areas of West Java province in the late 1950s was intended to upset that political configuration. However, Beijing's apprehension that Indonesia might fall into the Moscow or Washington camp enabled the Chinese leaders to soften their attitude to Indonesia.

The third period was after Sukarno's introduction of Guided Democracy in 1959. By applying this system, he rested his power base on two main pillars, namely the army and the PKI. Sukarno often played one pillar against the other with the aim of maintaining his authority, while keeping them in check. Under Guided Democracy, Sukarno intensified Indonesia's effort to gain the vital national interest of achieving comprehensive independence, particularly the return of West Irian. However, the Western powers' reluctance to give immediate support to Indonesia in regaining the West Irian territory had the effect of radicalizing Indonesia's foreign policy. Indonesia was then dominated by revolutionary waves, and immediately embarked on a two front diplomacy of conducting negotiations through the United Nations and embarking on

military measure to overtake the territory. Only after the intervention of the US was the solution achieved and military conflict avoided.

Inspired by the success of regaining West Irian, Sukarno continued his revolutionary struggle against Western powers. This time, the threat was portrayed as Western neo-colonialism and imperialism, as symbolized by Indonesia's confrontation against the creation of the Malaysian Federation, which was perceived as a base from which neo-colonialist and imperialist power would jeoperdize Indonesia's security. In fact, the conflict with Malaysia was also part of rivalry between the army and the PKI. For the latter, it was intended to abort the prospect of an American-backed economic stabilization, while for the former it was to help it maintain its nationalist stature. For Sukarno, the conflict was to keep political initiative in his hands. However, the effect of Sukarno's radical foreign policy was to bring Indonesia closer to China. The latter had no difficulty in supporting Indonesia as Beijing shared Sukarno's revolutionary struggle as the price of drawing Indonesia closer to China. Beijing considered its alliance with Jakarta as the key to break the US encircelment and containment in Southeast Asia.

Indeed, there seemed to be an ideological and psychological compatibility between Sukarno and the views of revolutionary China and the PKI leaders. Accordingly, Sukarno's assessment of China as a dominant force in Asia was paralleled by his attitude towards the PKI in domestic politics. This created a situation where the PKI was able to exert more influence and gain considerable power. Accordingly, a power structure relationship was created where China became Indonesia's main foreign friend, while the PKI was established as Sukarno's chief domestic ally. China seemed determined to maintain good relations with Indonesia, regardless of the outbreak of the anti-Chinese demonstration in 1963, when Beijing blamed the incident on imperialist and anti-revolutionary groups. The relationship soon improved and both countries agreed to conclude the creation of a 'Peking-Jakarta Axis.' However, the close relationship between the two countries did not reflect Indonesian domestic political reality. It created apprehension and increased enmity towards the PKI among Indonesian leaders, particularly the army, and, to a lesser extent, the Islamic forces as well as

conservative nationalist groups. Sukarno's close relations with the PKI eventually tipped the equilibrium in favour of the latter at the expense of the army. Indeed, the balance of power between the army and the PKI in which Sukarno played as a balancing force had become difficult to maintain. In the end, the events of the 30 September/1 October 1965 coup destroyed Sukarno's system and eventually changed the direction of Indonesia's political course. Although there remains controversy surrounding the exact nature of the coup and the issue remains debatable, the New Order's version was that the PKI, with the support from Beijing, was considered to be the main perpetrator of the event.

While Sukarno was practically weakened and powerless after the coup attempt, it soon appeared that the destruction of Guided Democracy meant that the army emerged as the victor against Sukarno's other pillars, the PKI. Indeed, the situation created an opportunity for Suharto and the military to seize the initiative. With support from the army generals Suharto gradually asserted his authority and systematically pushed Sukarno away from power. The PKI was immediately outlawed and its members were persecuted while some others were arbitrarily prosecuted. Suharto subsequently managed to take control of power and he declared his new regime as the New Order as it was an antithesis from the previous era, then to be called the Old Order. Despite blaming the PKI, China was also implicated for its involvement. While China's involvement is still debatable, what matters here is that Suharto and his army generals perceived it that way. In this regard, China was considered as the external supporter of the PKI and was allegedly involved in the 1965 abortive coup. Inevitably, the freezing of diplomatic relations with China was the consequence of the hostility and rivalry between the army and the PKI that developed under the Guided Democracy period. Thus, since the coming of the New Order regime, Communist China was regarded as a threat to Indonesia's national security.

Suffice it to say that the New Order marked the ascendancy of the military in Indonesian politics. Suharto worked closely with the army generals to assert control and dominate the direction of Indonesia's destiny. He immediately redefined Indonesia's national interest in terms of creating political stability and economic development.

Suharto adopted a more authoritarian style in which the political system was maintained with the primary objective to facilitate the creation of stability. Indeed, political stability was regarded as a prerequisite for economic development. Thus, while maintaining the importance of the vital interests of maintaining territorial integrity, sovereignty and independence, Suharto gave the highest priority to the realization of political stability and economic development. Suharto also immediately reintroduced the doctrine of *dwifungsi* that enabled the military to assume not only a defence role, but also to become a social and political force. Thus the military played a pivotal role in the highest ranks of government at regional and local levels. At the same time, the political parties ceased to be a driving force in Indonesian politics. The New Order appeared to distrust the multi-party system as implemented during the liberal democracy. Instead, the government limited the number of political parties and interfered in the parties' affairs in an effort to keep them weak. Here too, the objective was to serve the creation of stability. The government also created the Golkar, which functioned as a political tool to garner support during the five yearly general elections. The parliament, which was heavily dominated by pro-government members, acted only as a rubber stamp for government policy.

While maintaining the principle of a free and active foreign policy, the New Order regime discontinued Sukarno's aggressive foreign policy. Instead, they adopted a low profile and good neighbourhood style that was aimed at creating stability in Indonesia's environment and easing apprehension among its neighbours. Indonesia continued as a member of the non-aligned movement countries while distancing itself from the socialist/communist states. This orientation also enabled Indonesia to focus on developing its economy, and to attract foreign aid and capital from anti-Communist countries, particularly the US. Indonesia always maintained a policy that in principle kept a distance from the rivalry between the US and the Soviet Union. Thus the emphasis was on a policy of cooperation and accommodation that was intended to gain international support for Indonesia's stability and economic development, while at the same time maintaining its freedom of action. In fact, Suharto was more than prepared to

discard the suspicion and hostility towards Western powers that had been shown by his predecessor.

The impact of the freezing of diplomatic relations with China led essentially to no diplomatic relations at all existing from the beginning of the New Order. Indonesia was then able to channel its energy into addressing domestic problems. Under these circumstances, foreign policy was directed to serve Indonesia's national interests in creating stability and economic development. Regionally, foreign policy was focused on creating peace and stability in the Southeast Asian region that had been absent for so many years. Suharto discontinued Sukarno's aggressiveness and replaced its style with a low profile foreign policy. Since foreign policy was now intended to serve Indonesia's economic development, Indonesia in practical terms came closer to the West, particularly in the light of Indonesia's need for foreign aid and capital investment. In the first decade of the New Order regime, this situation did not change to any significant extent.

Indeed, the main difference between Sukarno and Suharto was in the attitude towards the Western powers, China and communism. While adopting a distinct policy of viewing the Western powers as allies, the New Order portrayed China and communism as threats to Indonesia. The concept of threat was indeed a point of contention between Sukarno and the military, which went back to the period under the Guided Democracy. For Sukarno, the so-called threat from the North was associated with the creation of the Malaysian Federation and British involvement in that process which was considered as a neo-colonialist threat to encircle Indonesia. On the contrary, the military perceived the threat from the North as a danger posed by the communist, notably China. Accordingly, the fall of Sukarno meant that it was the military's perception that prevailed. Indeed, given the dominant position of the military, Indonesian perceptions of China essentially reflected their views. It is worth noting that in the early years of the New Order, there was no distinction between Suharto and the military as both were part of a solid and unified unit. Indeed, they defined the concept of China as a threat to Indonesia's national security in three ways. First, it was portrayed as hostile to the ideology of Pancasila.

Indeed, China with its communism was regarded as a danger to the ideology of Pancasila that essentially does not recognize class struggles. In this identity China was perceived to be a danger to the already diverse Indonesian society. Second, China was seen as supporting the communist movement in Indonesia, particularly in the context of the PKI's effort to make a political come back. Third, China was accused of interfering in the political affairs of Indonesia by exercising influence over the ethnic Chinese. Indeed, whenever they launched allegations of China's involvement and interference in Indonesian domestic politics, the military always justified their claims by revealing proof of China's interference with the ethnic Chinese.

Accordingly, the portrayal of China as a threat can be considered as the crystallization of the long running background that was experienced by the military leaders, including Suharto, among Indonesian leaders and Indonesian society. In this regard, the concept of China as a threat should be understood as carrying two connotations, namely the external and the domestic. As far as the external dimension is concerned, China has been portrayed as inheriting the attitude of the old Chinese Empire. Accordingly, the modern state of China is always perceived as an expansionist and aggressive power that always tries to expand its influence over Southeast Asia. China is also seen as an external power that would always try to dominate the Southeast Asian region, including Indonesia. Contemporary historical experiences seemed to strengthen Indonesia's perception of China. As far as the domestic perspective is concerned, the threat of China was always related to the issue of the ethnic Chinese. However, a hostile Indonesian perception of the ethnic-Chinese is not a recent phenomenon, rather the product of a long historical experience going back to the colonial period. The social and privileged status conferred upon them by the Dutch colonial powers left a deep hatred among ordinary Indonesians towards the ethnic Chinese. The issue of ethnic Chinese is often perceived in the context of the question of loyalty, cultural orientation, economic domination and the attitude of the ethnic Chinese. However, the alleged involvement of the ethnic Chinese in the 1965 coup attempt further undermined their place in Indonesian society. Unfortunately, they have often been politicised by the New Order regime for both economic and political purposes.

In fact, the government benefited from the portrayal of China as a threat in four ways. First, the reference to China as a threat became one of the sources of legitimacy for Suharto, for the military and for the whole New Order regime. Indeed, they claimed to be the saviours of the state, thus giving a source of legitimacy for the New Order regime in strengthening its authority and power. Second, it facilitated the creation of stability and economic development. Additionally, any force that was perceived as being against or undermining the credibility of the New Order policy could easily be discredited as conspiring with the enemy. Externally, it brought sympathy from states hostile to communism, thus opening the way for foreign aid and economic assistance from the countries that held a similar anti-Communist outlook, particularly the United States, in terms of financial and political support, that was required to build Indonesia's economy. Third, it was intended to encourage the integration of the ethnic Chinese into Indonesian society. It was hoped that the ethnic Chinese would be unwilling to jeopardize their fate by turning their attention to Beijing, or otherwise they would easily be accused of being symphatetic to communism. Fourth, it helped facilitate the creation of regional cooperation in the form of the Association of Southeast Asian Nations (ASEAN). It is widely believed that the factor of China was the raison d'être for the establishment of ASEAN due to the sense of insecurity against China.

The New Order perception of China had its repercussions on foreign policy. Along with the overall nature of Suharto's regime, foreign policy making was undoubtedly influenced also by the military. This was particularly evident on issues related to the question of security and defence. Indeed, policy towards China became one of the military's centres of attention since it went to the heart of the notion of the threat of China. Thus, as the main institution responsible for the conduct of foreign policy, the ministry of foreign affairs (Deplu) had to share its authority with the military. However the relationship between Deplu and the military was also centred on Suharto who rested at the centre of the power structure. While Deplu retained the main functions of the conduct of diplomacy and relations with other countries, as far as China was concerned the involvement of the military was compulsory. It is the dynamic of the

relationship between Suharto, the military and Deplu that was characteristic of Indonesia's foreign policy of China.

Indeed, the New Order regime succeeded in maintaining the perception of China as a threat and the freezing of diplomatic relations for more than two decades. During this period, it appeared that Suharto and the military shared similar views of China. The need to serve domestic interests and the presence of hard-line elements in China had prevented any early move towards rapprochement. In the mean time, the constellation of world politics that was characterized by the East West competition had sharpened suspicion towards communism. However, the nature and concept of China as a threat was not static, indeed its multifaceted nature held the potential for evolution and reformulation over time, which in turn had implications for the policy towards China. Indeed, Indonesia's perception of China was changing in line with the development in Indonesia's domestic political economy, the transformation in its environment, and more importantly the political, economic and security dynamics of China, the country that had long been considered as a threat. Thus any changes to one of these factors might certainly challenge the Indonesian perception.

In line with its modernisation policy introduced in 1978, China under Deng Xiaoping indicated its willingness to restore relations with Indonesia. This proposal was made in the context of China's effort to create a friendly environment to boost its economic program. China's initiative did indeed open up the 'taboo' subject of normalisation that had been suppressed in the first decade of the New Order. The dominant position of the military during that time prevented any prospects in that direction. However, it subsequently appeared that there had been disagreement among Indonesian elite leaders that crystallised into two camps of opponents and proponents of normalisation, namely the military (Hankam) and civilian ministry of foreign affairs (Deplu). For the opponents of normalisation that mostly came from the Ministry of Defense (Hankam and BAKIN), their objections ranged from the security dimension, including the issue of ethnic Chinese as well as Chinese political ambitions in Southeast Asia. On the contrary, the proponents of normalisation, as pioneered by foreign minister

Adam Malik, argued that normalisation was required due to the increasing role of China in the world. At the same time, it should help facilitate the settlement of the Cambodian problem, bring benefit for Indonesia's economy and more importantly, pave the way for Indonesia's intention to play a leadership role, especially in the context of the Non-Aligned Movement.

Malik's position seemed to be more far reaching, as the military remained concerned with the domestic political situation. In the end, Suharto intervened by underlining that Indonesia was willing to conduct relations with any state, regardless of its having a political system that was different to Indonesia. However, he set a condition that the relationships should be based on mutual respect and non-interference in the domestic affairs. While keeping the need to be vigilant, Suharto stated that Indonesia was in the process of normalizing relations with China. Indeed, Suharto appeared to comprehend China's signal for normalisation, including its decision to cease support for the communist revolutionary movements in Southeast Asia, notably the PKI. Suharto's intervention appeared to tame Malik's repeated call for normalisation, while at the same time appeasing the military's assertion of the need to be vigilant towards China. Nevertheless, this development revealed different perceptions between the military and the civilian leadership over the issue of China.

However, the first significant challenge to Indonesia's perception of China originated from China's economic success by the mid 1980s as a result of the introduction of modernisation and the open door policy. Concurrently, Indonesia was also faced by two new realities. First, Indonesia had a problem of maintaining its economic growth that had been long dependent on oil export commodities. In this condition, Indonesia was compelled to increase its non-oil commodity exports. Thus, China was considered as a market opportunity for Indonesia's products. Second, the New Order had successfully created political stability by fusing political parties into three by early 1970s, and more importantly through the acceptance of Pancasila as the sole ideology. Accordingly, all the political parties and organizations had to declare their belief in Pancasila in their respective bylaws. At the same, it also reduced the possible

exploitation of the ethnic Chinese by China as the former had already declared their adherence to Pancasila. This development certainly increased Indonesia's confidence in dealing with Communist China. This development in effect decreased the possible subversion by other ideologies, including communism, as Pancasila was considered to be strong enough to counter these challenges. In the end, the sense of security had increased significantly, thus the conditions for normalisation were ripe by the mid 1980s.

However, strong resistance from the military had prevented such a move from materialising. Thus the change of perception of China as a threat appeared to emerge more in Suharto than the military. Eventually, Suharto agreed to the reopening of direct trade as it was concluded in 1985, while the issue of normalisation was kept off the agenda. He obviously supported this move and cleverly played the card of the KADIN as a force behind this action. However, to appease the opponents of the normalisation, Suharto's government made it clear that the opening of direct trade should not be interpreted as leading to normalisation of diplomatic relations. For the military, they had no other option but to reluctantly support Indonesia's move to conduct a direct trade with China. Nevertheless, they maintained vigilance by issuing administrative regulations and barriers to prevent the coming of communist subversive elements from China.

It took about four years for Indonesia to normalize the relations with China. To the surprise of many, Suharto and the Chinese Foreign Minister agreed to restore relations during the funeral of Japanese Emperor Hirohito in 1989. One year later, relations were fully restored. It appeared that the timing of this move coincided with the ascendancy of Suharto as the sole dominant player over the military. Suharto's decision to restore diplomatic relations came as a surprise many Indonesian elite leaders, let alone the military. For the proponents of the move, it was an inevitable situation as the result of the need to fulfil Indonesia's interests, particularly in the domestic economic field, and the need to play a greater role on the international stage. More importantly, China's guarantee not to support the PKI, and not to interfere in Indonesian domestic

affairs and not to exploit the Indonesian ethnic Chinese had definitely assured and convinced Suharto of China's willingness to develop good and fruitful relations with Indonesia.

However, the opponents of normalisation, particularly the military, were faced by a situation in which they had no other choice, except lining up their support behind Suharto. In fact, normalisation was carried out against the conservative opposition of the military that had long perceived China as a threat. As the portrayal of China as a threat gave the military a legitimate basis as the protector of the state against the enemy, the 'sudden' disappearance of the projected external enemy put the military in a defensive position and indeed threatened its legitimate role as the guardian of the state. However, it is misleading to read the normalisation as Suharto siding with Deplu, rather it symbolized Suharto's primacy over the military and domination in foreign policy. The military tried to halt the process by exploiting the Tiananmen incident as a proof that China had not changed and the conservative elements remained in place. However, it did not succeed as China showed its determination to normalize relations with Indonesia, especially in its effort to restore China's image that has been tarnished by the Tiananmen incident, and Suharto was the one who held the final say. Thus the normalisation symbolized the disagreement between Suharto and his old supporters.

It soon appeared that the period after normalisation was characterized by a visible cleavage between Suharto and the military. In fact, it began to emerge in the late 1980s during the election process for the vice-presidency post in which the military became worried about Suharto's domination. The latter immediately reacted by removing the influential Chief of Military Command Gen. Benny Moerdani, filling in the top position with those who had served previously as his adjutant. Suharto's decision to blame and punish the military officers involved in the 1991 Dili incident had exaggerated the relations. However, one of his most controversial decisions was the reintroduction of Islam into Indonesian politics through the creation of the ICMI in December 1990. While Suharto's true motive is still debatable, there are opinions suggesting that Suharto needed strong support to secure his re-election in the 1993

general election, and to balance the unreliable support from the military. Suharto's move was considered as blatantly violating the national consensus to keep sectarianism away from politics. However, the implications did not only concern this national consensus, but the increasing military hostility towards Suharto.

The period after normalisation was also characterized by increased anti-Chinese feelings. There is no doubt that Suharto's much publicized call in early 1990s to ethnic Chinese businessmen to spare some amount of their equity to Indonesian *pribumi* cooperatives did, to a certain extent, play a part. While Suharto's call was initially intended to answer critics of economic domination by ethnic Chinese under the New Order, it simultaneously made ordinary Indonesians aware of the extent of the economic gap between pribumi and the ethnic Chinese. While attacking ethnic Chinese businessmen, Suharto also denounced his family business in which many of them have collaborated with ethnic Chinese businessmen. In the end, this policy backfired. It was unfortunate that in this situation, the attack upon the ethnic Chinese became more frequent and violent. Nearly all riots that initially had nothing to do with ethnic Chinese easily turned into an expression of anti-Chinese feelings.

However, the increased anti-Chinese feeling was mainly triggered by four factors. First, it was generally directed against the government. Anti-Chinese feeling was an expression of frustration and disillusionment on the part of ordinary people as a result of collusion, corruption and collaboration than often involved elite leaders and ethnic Chinese. Second, enhanced by Suharto's support, the Islamic right-wing elements exploited the situation by raising the issue of ethnic Chinese domination in the economy as an injustice to Indonesian *pribumi*. They even tended to widen the issue by claiming the existence of a conspiracy between the ethnic Chinese and the military against Islam. Third, it was the result of Suharto's failure to recognize the existence of racial problems in Indonesia. Instead, he always underlined the ethnic Chinese issue as merely a problem of economic disparity. Fourth, the military's ambiguous attitude towards ethnic Chinese also played its part. Indeed, the military largely exploited the ethnic Chinese in terms of economy and financial resources. However, if something went wrong, they

could easily put the blame on the ethnic Chinese as a handy scapegoat. On some occasions, the military also let the riots target the ethnic Chinese, which was, to a certain extent, aimed at discrediting Suharto.

In the midst of a domestic power struggle and the reemergence of the issue of ethnic Chinese, the perception of China as a threat experienced several changes. At the top of Indonesia's leadership, Suharto appeared to already abandon the view of China as a threat. On the other hand, the military remained suspicious of China for as long as the ideology of communism was not officially abandoned. The ideological persistence in China was even used as a warning that the collapse of the communist empire in Eastern Europe did not necessarily mean the disappearance of the communist threat. Thus the military was in a position of needing to seek another justification. The answer was found in the form of the reemergence of Chinese nationalism in which China was portrayed as inheriting the aggressive and expansionist attitude of the old Chinese Empire. The image of China as persisting in expanding its influence was widened to include the economic perspective. In this regard, China was portrayed as being in the process of reviving cultural and ethnic sentiments to appeal the Indonesian ethnic Chinese to invest their capital in China. Thus the threat of communism was expanded from *Zhongguo* (Middle Kingdom) to also involve *Zhonghua* (Greater China).

As far as foreign policy was concerned, the period of the 1990s was characterised by the domination of Suharto and his participation in bringing Indonesia to the world stage. As part of the implementation of free and active principles, Indonesia's foreign policy became more assertive and Suharto actively involved himself in various international meetings, especially in his capacity as the leader of the Non-Aligned Movement. Indeed, foreign policy had become one of Suharto's priorities. Accordingly, the military role was less significant, while Deplu retained its importance due to Suharto's need of backing and expertise in diplomacy. Indeed, the normalisation of diplomatic relations with China paved the way for Indonesia –and Suharto- to play a bigger role in international politics. While, Suharto appeared to succeed in increasing

Indonesia's international prestige, domestic realities particularly over the issue of East Timor, seemed to antagonize and overshadow Indonesia's success.

However, as far as Sino-Indonesian relations are concerned, the domestic factors in Indonesia prevented the development of a close relationship with China. They included the old historical aspect, suspicion towards Indonesian ethnic Chinese and more importantly the military's mistrust of the ethnic Chinese and China. Although their respective problems with the US, especially over human rights issues, brought the two countries closer, there was no spill over into other fields as the military leaders had not forgotten the perceived involvement of China in the 1965 attempted coup. As a result, in developing relations with China, Indonesia will be reluctant to develop close bilateral relations. Indeed, there is no doubt that the dynamic of Sino-Indonesian relations has been, and will always be, influenced by interrelations among major powers in the region, particularly the US, China and Japan. Thus, the presence of the US in the region was able to create stability against a possible Chinese or Japanese threat. The most worrying development in the 1990s has been growing apprehension towards China's military power and development as the result of its economic success and unclear foreign policy objectives. Indonesia, along with other ASEAN member countries, has attracted China into a web of cooperation that includes the ARF and more importantly a dialog on managing potential conflicts in the South China Sea. It is worth noting that Indonesia and ASEAN had no other choice but to engage China, as they had no capability or intention to militarily confront China. In this context, the increasing power and influence of China was considered as inevitable. Therefore, the nature of engagement with China has been more concerned with accommodation and cooperation rather than confrontation. While officials continued their talks, there seemed an encouraging sign in which China as well as Indonesia began publishing a white book on defence and security, which was aimed at calming their respective neighbours as to their respective attitude in the future.

Nevertheless, Indonesia and the ASEAN member countries would stand up if China threatened their national interests. This is particularly evident in the case of the

South China Sea disputes. China's attitude remains ambiguous. While agreeing to participate in the informal Workshop initiated by Indonesia, China continues its policy of asserting its claim over the islands by using military force. China is reluctant to settle through multilateral negotiation, especially when it involved non-claimant states. Bilateral negotiation has been China's preferred approach to settle the issue. As far as Indonesia is concerned, it always claimed to take an honest and impartial position in the disputes. However, by 1993 the Indonesian officials knew that China had laid claim over the territorial water of the Natuna Islands in which Indonesia has built a gas exploration field. This was a shock for Indonesian leaders who immediately demanded a clarification from China.

Nevertheless, China appeared to avoid giving a satisfactory reply to Indonesia's request for clarification, rather than repeating their claim as being based on historical grounds. To assert its claim, Beijing officially presented its claim of the delimitation of the baseline border in the South China Sea to Jakarta in May 1996, which was received with great alarm among Indonesian leaders. While the civilian foreign ministry officials conducted dialogue, the military adopted a harder line. This initially took the form of increasing Indonesia's military capabilities in the early 1990s, and conducting military exercises in the territorial water of the Natuna Islands. These actions were none other than to warn China of Indonesia's seriousness in asserting its claim. There is no question that the policy to embark on these measures enjoyed Suharto's support. In an unprecedented move, Suharto also concluded a craftily worked out defence agreement with Australia without intensive involvement of the ministry of foreign affairs in its process. Despite being aimed at appeasing the Australian hostile domestic audience, the agreement was also directed at China. Thus when a vital national interest was in jeopardy, Indonesian leaders would line up together and speak the same rhetoric.

Indonesia's domestic reality and suspicion of China affected the development in trade and economic relations in the 1990s. While trade relations have developed extensively, the economic structure of both countries has placed Indonesia in a less competitive condition vis-à-vis China. While the short-term trade balance was

encouraging for Indonesia, in the longer term Indonesia would suffer from the possible influx of competitive and cheaper Chinese commodities. Additionally, the old suspicion of the linkage between Indonesian ethnic Chinese and China has prevented the development of investment activities. Many Indonesians regard the trend of Indonesian investment in China as a capital flight, as the ethnic Chinese minority owns most of Indonesian capital. This reality has become a major issue in Indonesian domestic politics. The government's policy on investment in China is quite supportive, provided that it would generate national income for Indonesia. However, that expectation is far from reality as it would be impossible to measure how investment in China might benefit Indonesia.

To conclude, national interest has been one of the most important driving forces behind foreign policy in Indonesia as elsewhere. Indeed, it was the source of foreign policy that determined the state's policy in relation to with other countries. For most countries, the most important national interests have been to preserve national unity and territorial integrity that are often called vital interests. There are also other national interests, which mean their level of priorities are lower than such vital interests and their priority has been changing from time to time. They include, among others, the objectives to pursue economic development, to fulfil the political needs of a state and its political leaders, to increase international prestige, and to expand the capability of the state. While there has been a wide agreement about the correlation between national interests and foreign policy, the question of who defines national interest and foreign policy became an issue of disagreement among scholars. They may come up with different models as a way of analysing the decision making process. The implementation of these models of analysis appeared to be more suitable in the case of the developed countries, while for the developing countries they need to be modified to accommodate the political reality. Therefore, the answer after all lies in the political condition and structure of states, with an obvious distinction between the so-called developing countries and the developed countries.

Given their lack of institutional development and democratic practice and tradition, most of the developing countries are also characterized by a significant weakness in the form of inadequacies in the state institutions that are required to unite their mostly diversified societies. Consequently, they often fall under strong leadership as a way of keeping the country intact. There is also a significant tradition and history in the developing countries for the executive power to hold a dominant role. Accordingly, the power structure relationship also often follows a personalized or patrimonial network, which is mostly supported by their tradition and history. While holding the ultimate power, the executive leader tends to foster rivalry between bureaucratic departments, which eventually would strengthen his power. Equally important, the personal experience of this particular leader would certainly contribute to the formulation of national interest and foreign policy.

Accordingly, the pursuit of national interest should also be seen in the context of the interest of the ruling regime. In this regard, national interest has blatantly been exploited to serve certain parts of the ruling faction, notably the military and the head of the government. National interest was also used as a base of legitimacy and to prolong their stay in power. Indeed, national interest and foreign policy in the developing countries are the business of the elite politics, particularly those surrounding the executive power. However, it is also important to note that the formulation of national interest and foreign policy are not merely the result of interactions between bureaucratic offices around the government. Special attention should equally be given to the role and position of the top executive leader, who gradually asserts his influence and control over domestic politics and foreign policy. These purely domestic factors have been pivotal in the formulation and evolution of Indonesian perceptions of, and policy towards China. As this thesis has sought to demonstrate, Indonesia's policy towards China has emerged from the interplay between the domestic politics of Indonesia and China's multiple (and variable) identity in Indonesian minds as an ideological force, a regional superpower and a domestic and international economic power.

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