

**INDONESIA-CHINA STRATEGIC PARTNERSHIP  
UNDER SUSILO BAMBANG YUDHOYONO  
ADMINISTRATION, 2005-2014: AN ANALYSIS**

**BY**

**MUHAMMAD AZAN**

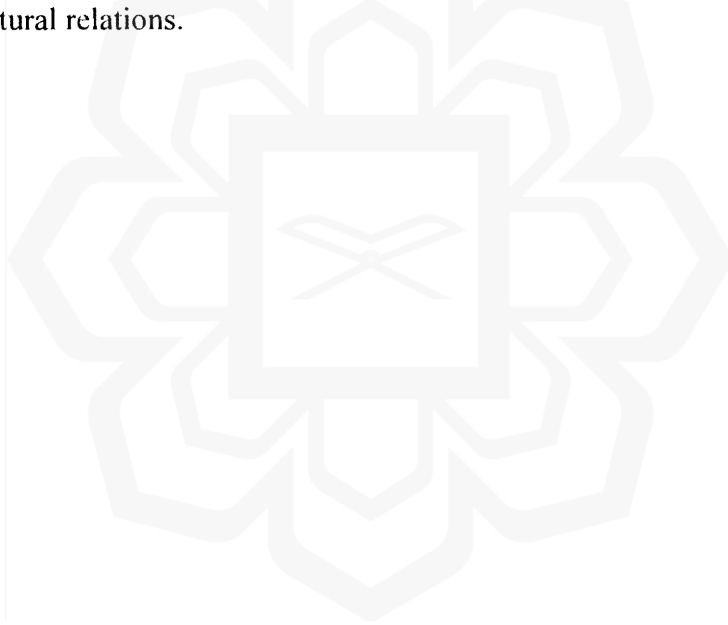
**A dissertation submitted in fulfilment of the requirement for  
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## ABSTRACT

This thesis analyzes the strategic partnership between Indonesia and China during the administration of President Susilo Bambang Yudhoyono and also assesses its impact on Indonesia's political, security and defense, economic, and society and culture development. This study is guided by a conceptual framework on strategic partnership composed of four factors, which are politics, strategy, economy, and geopolitics. Given these factors, there are at least three types of strategic partnership: political partnership, defense or military partnership, and economic partnership. This qualitative study used documents, agreements, and speeches of leaders as the main sources of data. This thesis is organized into five chapters discussing the nature of Indonesia-China partnership and its economic, social, political, and strategic impact on Indonesia. The findings of this study are the following: (1) The progressive growth of the Indonesian economy is the result of the partnership; (2) the Indonesian defense and security has strengthened; (3) there is increased political cooperation between Indonesia and China, and; (4) there is an improvement in Indonesia-China socio-cultural relations.



## مُلخَصُ البَحْث

يتناول هذا البحث الشراكة الإستراتيجية بين إندونيسيا والصين خلال رئاسة صوصلو بامبانج يودويونو لجمهورية إندونيسيا؛ للكشف عن آثارها السياسية والأمنية والدفاعية والاقتصادية والثقافية والاجتماعية في إندونيسيا، ويسترشد البحث بإطار مفهومي عن الشراكات الإستراتيجية التي تتكون من العوامل الأربعة السياسية والإستراتيجية والاقتصادية والجيوسياسية، فبالنظر إلى هذه العوامل؛ هناك ثلاثة أنواع للشراكة الإستراتيجية؛ أحدها الشراكة السياسية، والثاني الشراكة الدفاعية والعسكرية، والثالث الشراكة الاقتصادية، وقد اعتمد البحث المنهج النوعي، ومصادر بياناته هي الوثائق والاتفاقيات والخطب الرئاسية، ومن أبرز النتائج التي توصل إليها هذا البحث؛ أنّ النمو الاقتصادي في إندونيسيا من تأثير الشراكة الإندونيسية الصينية، وكذلك تعزيز الدفاع والأمن في إندونيسيا، وزيادة التعاون السياسي بين إندونيسيا والصين، وتعزيز العلاقات الاجتماعية والثقافية بين الدولتين.

## APPROVAL PAGE

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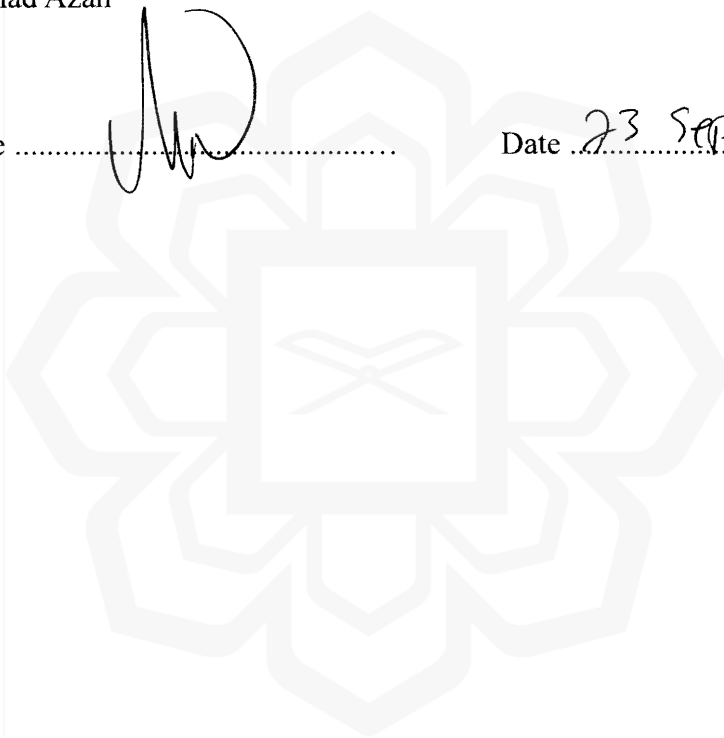
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# CHAPTER ONE

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

The history of Indonesia's relations with China can be traced back to ancient times. However, Indonesia's relations with the People's Republic of China (PRC) began when Indonesia granted diplomatic recognition to the communist-controlled Chinese government in Beijing in 1950. The relationship between Indonesia and China was smooth until the incident of "30 September Movement/PKI" or GESTAPU (*Gerakan September Tiga Puluh/Partai Komunis Indonesia*). The GESTAPU kidnapped seven army generals of the Indonesian armed forces. The abducted generals were all killed and their bodies were thrown into a well in Lubang Buaya, a vicinity of Jakarta. This resulted in a breakdown of all kinds of relations between Indonesia and China. Due to this incident, President Soeharto, who succeeded President Soekarno, froze diplomatic, economic, and military cooperation with China.

The Indonesia-China relationship remained suspended until 1977, when China invited representatives of Indonesia's Chamber of Commerce to attend the Guangzhou China Trade Show. Surprisingly, Indonesia participated, which indicated how the country was in need of establishing diplomatic, economic, and other types of cooperation. While the relations between Indonesia and China improved, it was far from large-scale cooperation. In 1985, Indonesia-China trade relations were established. However, this trade relations was not comprehensive. In 1998, large-scale demonstrations broke out in Jakarta, resulting in the fall of Soeharto and the rise of the Reformation Movement. The post Soeharto Indonesian leaders felt that Indonesia's

economic development needed closer cooperation with the rising Chinese economy in the region. After being elected in 1999, President Abdurrahman Wahid invited Chinese businesses to invest in Indonesia. Jakarta concluded cooperation agreements with China in the fields of technology and finance, and the promotion of tourism. Wahid's successor, President Megawati Soekarno Putri (Megawati), took further steps to strengthen political and economic cooperation between Indonesia and China. Indonesian leaders believed that Indonesia's economic development needed more cooperation with China. Therefore, the subsequent President Susilo Bambang Yudhoyono concluded a Comprehensive Strategic Partnership with China in 2013. It was expected that the 2013 Comprehensive Strategic Partnership will significantly contribute to economic development on Indonesia. Therefore, the impact of this partnership on Indonesia's development policies needs investigation.

## **1.2 STATEMENT OF THE PROBLEM**

Indonesia and China established diplomatic relations on 13<sup>th</sup> April 1950, which was suspended on 30<sup>th</sup> October 1967 due to the occurrence of the 30 September Movement in 1965. Diplomatic relations were resumed in 1990. Under the presidency of Abdurrahman Wahid, China received preferential treatment in Indonesian foreign policy and there was also a rapid increase in diplomatic relations between Indonesia and China at that time. When Megawati served as President of Indonesia, the cooperation between the two countries grew stronger. Zhu Rongji's visit to Jakarta in 2001 and Megawati's visit to China from 24<sup>th</sup> to 27<sup>th</sup> March 2002 resulted in an agreement on increasing economic and political cooperation with China. However, the relations between Indonesia and China became more intensive and closer under Susilo's presidency. In 2005, Indonesia and China signed a Declaration of Strategic

Partnership in Jakarta. In this document, both countries expressed their interest to increase cooperation in the economic, political, legal, and security fields. Then, in 2010, Indonesia and China signed the Plan of Action (PoA) Declaration of Strategic Partnership in Jakarta. In addition, Yudhoyono also increased bilateral relations between Indonesia and China to become a Comprehensive Strategic Partnership, covering the fields of politics, defense, security, economics, maritime, aerospace, science, technology, socio-cultural, and international and regional cooperation. This study analyzes the strategic partnership between Indonesia and China during the administration of President Susilo. It also analyzes the effect of the strategic partnership on Indonesia's political, security and defense, economic, and social-culture development.

### **1.3 RESEARCH QUESTIONS**

This study aims to answers the following questions:

1. What is the scope of the Indonesia-China strategic partnership?
2. Why did Susilo Bambang Yudhoyono's government choose China to be its strategic partner?
3. How did the Indonesia-China strategic partnership affect Indonesia's political, security and defense, economic, and social-culture development?

### **1.4 RESEARCH OBJECTIVES**

This research wants to achieve the following research objectives:

1. To examine the Indonesia-China strategic partnership

2. To discuss reasons for Indonesia's choice of China as a strategic partner
3. To analyze the effect of the Indonesia-China strategic partnership on Indonesia's political, security and defense, economic, and social-culture development

## **1.5 SIGNIFICANCE OF THE STUDY**

Based on my initial research, I discovered that there are not many studies done on the topic of the strategic partnership between Indonesia and China under Susilo. Hopefully, this research is expected not only to be used by academics, but also by policymakers to design a proper policy for the Indonesian government.

## **1.6 LITERATURE REVIEW**

In view of the fact that there is not much literature on this topic, the literature review of this study is divided into the following sections:

### **1.6.1 Indonesia-China Cooperation in General**

Indonesia and China had a good relationship under the Soekarno administration. According to Pradana (2016), Indonesia and China had close diplomatic relations, particularly during the period from 1959 to 1965 in which both countries established the Jakarta-Beijing Axis. The Jakarta-Beijing Axis was Indonesia's effort to reduce the influence of the United States of America (USA) and Britain on domestic development. Also, as a new country, Indonesia wanted to find support at the United Nations. Moreover, Suryadinata (1998) elaborated that Indonesia-China relations were strong because Indonesia informally supported communist and socialist countries, and

suppressed the anti-China movement. However, in 1965, there was a revolt in Indonesia carried out by the Indonesian Communist Party (PKI). This worsened the bilateral relationship between the two countries. Drake (1991) explained that this revolt led by PKI was the major problem that made Indonesia cease its relationship with China. Indonesia suspected that China was helping the coup in 1965. During Soekarno's era, the relationship between Indonesia and China was not a strategic partnership because the two countries only focused on political and economic cooperation (Suryadinata, 1984; Widodo and Hadi, 2008; Zainuddin, 2008).

After Soeharto succeeded Soekarno, Indonesia froze all diplomatic relations with China. Pradana (2016) explained that Soeharto's policy was to effectively free Indonesia from diplomatic relations with China in 1967. Soeharto believed that China was involved in the event known as the *"September 30, 1965, Movement"* and considered China as a threat to Indonesia. However, Soeharto's new goal and a major change in military and political power resulted in the restoration of diplomatic relations between the two countries (Sukma, 1999). Furthermore, the restoration of diplomatic relations between Indonesia and China was needed because both countries needed to work together to maintain the stability of the region. By maintaining its relationship with China, Indonesia represented free and active foreign policy. Sukma (1994) explained that Indonesia-China relations improved after the signing of the Memorandum of Understanding (MoU) between the two countries, which resulted in the resumption of diplomatic relations on 8<sup>th</sup> August 1990. The MoU resulted in the normalization of relations between Indonesia and China, which later became increasingly evident. Kroef (1989) and Rusydati (2014) expressed that Indonesia and China carried out various relations and economic cooperation in 1988. Trade became the main focus of cooperation between the two countries after normalization and they

carried out various types of trade cooperation toward the resumption of diplomatic ties between Indonesia and China. China dominated the economic cooperation with Indonesia and this was due to its economic revival. However, Indonesia-China bilateral relations under the Soeharto administration cannot be called as strategic partnership. This is due to the freezing of relations between the two countries for 22 years and also that the relations between both countries focused only on the economic development at a very early stage (Munawar, 1984; Suryadinata, 1998; Viollita, 2013).

The bilateral relations between Indonesia and China, which had not fully developed during Soeharto's administration, improved during the Presidency of Abdurrahman Wahid. Dwivianto (2016) stated that the policy adopted by Gus Dur, namely eliminating discrimination against people of Chinese descent, led to the strengthening of cooperation between Indonesia and China. However, the relationship between Indonesia and China that was established under Gus Dur was not a strategic partnership because it was merely the beginning of Indonesia-China relations after the New Order era and it still remains in its infancy stage.

Indonesia-China relations further improved when China signed a free trade agreement with Association of Southeast Asian Nations (ASEAN). Yue (1998) stated that the establishment of the ASEAN Free Trade Area was motivated by economic, political, domestic, and external factors, and was an important factor in strengthening Indonesia-China relations. According to Booth (2011), ASEAN-China Free Trade Area (ACFTA) was at its peak in 2010. It strengthens the development of economic relations between China and Southeast Asia and also with Indonesia.

### **1.6.2 Strategic Partnership by the Indonesian Government**

The bilateral relations between Indonesia and China improved during Susilo's era. Adam (2007) and Wulandari, Damayanti, and Dipokusumo (2015) mentioned that Indonesia and China under Susilo's presidency agreed to sign a strategic partnership in which both countries agreed to cooperate in various fields, including security and defense. Indonesia signed two strategic partnership agreements with China in order to improve its development. Viollita (2013) stated that Indonesia and China entered into strategic partnership cooperation in 2005 that continued to 2010 and led to a Plan of Action. These strategic partnerships involved cooperation in the fields of economics, defense, security, politics, social culture, agriculture, and maritime and technology sciences.

Indonesia and China agreed to cooperate in the field of technology transfer, namely the manufacture of C-705 missiles. Through this collaboration, Indonesia benefited from being able to make the main material for its own defense system. This relationship between Indonesia and China is good because Indonesia does not want to depend entirely on Western countries for the procurement of its defense system (Wulandari, Damayanti, and Dipokusumo, 2015). Furthermore, there is cooperation in the space sector, whereby Indonesia is incorporated in China's Asia-Pacific Space Cooperation Organization (APSCO). China needed Indonesia as a strategic partnership in Southeast Asia in order for it to be part of Southeast Asia's economic growth and also part of the program that helps serve its objectives. Aziz (2012) considered that the signing of a strategic partnership between Indonesia and China during the Susilo administration was the peak of diplomatic relations between the two countries.

Even though there has been work on strategic partnership during Susilo's time, the literature does not elaborate more about Indonesia-China strategic partnership.

Moreover, the existing literature about this strategic partnership does not address every issue of concern. Therefore, this study will analyze the strategic partnership signed between Indonesia and China under Susilo's presidency.

## **1.7 CONCEPTUAL FRAMEWORK**

This study examines the Indonesia-China strategic partnership. It is guided by a conceptual framework composed of strategic partnership, factors, and its types.

### **1.7.1 Strategic Partnership**

Strategic partnership is understood as a bilateral or multilateral relation agreement among states over politics, economy, geopolitics, as well as strategy. According to Czechowska (2013), strategic partnership is a bilateral relation characterized simultaneously by institutional flexibility and exceptional closeness, as well as the intensiveness of relations between subjects that keep their legal sovereignty that are convinced about the integrity of their strategic goals and, therefore, decide to cooperate on a long-term basis to implement them. Collaboration in strategic partnership formed is not only limited in scope between countries but also includes states and international and supranational organizations, federal states, and even continents. For Kay (2000), strategic partnership can be understood as a tool used by a powerful state, or states, to maximize political, economic, and military dominance in the international system. It can be used to shape and affect the international structure or change the autonomy of a nation. Powerful countries can utilize strategic partnerships to establish the international system and extend impress areas, while small states can use it for the objective of obtaining more security and the greatest economic and political advantage.

Gajauskaitė (2013) discussed strategic partnership in the context of the end of the Cold War. The concept of a strategic partnership reflected neo-realism that postulates on the structure of the international system: states are sovereign international actors that belong to a hierarchical category of power and operate under granted opportunities and constraints by that category in order to maximize its benefits and minimize action costs, taking into account the fact that their primary strategic goal is national security. So, the idea of a strategic partnership reflected the use of national power in collaboration with other nations when looking at the implementation of states interests.

Pashkov (2000) explained the current situation of strategic partnerships. It is defined by the strategic objectives and collaboration needed to reach these objectives. Nevertheless, in order to establish the general objectives, states have to recognize and convey their national interests. Strategic partnership can be defined in the context of a state's strategic interests; that is, a state's concrete strategic interests can be carried out only on the grounds of bilateral collaboration with another country that has the same strategic concerns. Cooperation in strategic areas such as security, military, politics, and economy can also be called a strategic partnership. Wilkins (2008) stated that strategic partnerships are a structured collaboration between states (or other actors) to take joint advantage of economic opportunities or to respond to security challenges more effectively than could be achieved in isolation. Strategic partnering occurs both in and between the international and domestic sectors (levels). Besides allowing information, skills, and resources to be shared, a strategic partnership also permits partners to share risk. Meanwhile, Blanco (2015) defined strategic partnership, in a broader term, as a correlation in which coordinated planning is performed towards a desirable end, which

is a general goal of the parties involved and is based on common interests or even common values.

### **1.7.2 Factors of Strategic Partnership and its Types**

According to Wilkins (2008), there are four factors in strategic partnership: politics, strategy, economy, and geopolitics. States conclude strategic partnership for political reasons, which require the entry of politics, diplomats, and governmental institutions of all levels. In politics, there are goals or interests that countries want to achieve. Politics includes the main concepts about the state, power, decision making, policy, and division or allocation. In the Indonesia-China strategic partnership, China has an interest in increasing its influence in ASEAN and creating regional stability to be conducive to its economic growth.

The strategy factor also requires a collaboration between the military and other structures responsible for national security. In order to achieve a good relation, the cooperating countries need to analyze the aspect of defense and security, including acquisition and resources, homeland security, strategy, reconstruction, nuclear issues, and terrorism. Indonesia and China collaborated because they need each other to meet their national needs. Indonesia needs security cooperation with China and vice versa as an enhancement of China's security and stability in ASEAN and the Asia Pacific regions.

States also sign partnership for economic reasons. The economic factor needs cooperation between private sectors. Economic cooperation is needed by a country that wants to improve their economy and national development. Economic cooperation and the union between countries will accelerate economic growth and stability in the involved countries. China has an interest in securing energy needs and increasing the

economic benefits of trade and its investments in Indonesia. Similarly, Indonesia wants to cooperate intensively with China due to the development of many of its domestic sectors.

Geopolitics necessitates non-governmental organizations and different social groups. Granieri (2015) explained that geopolitics is an approach to studying contemporary international affairs that are anchored in the study of history, geography, and culture. Indonesia and China want to increase understanding and friendship between their respective people of different cultures, though some of them remain the same due to the impact of ethnic Chinese in Indonesia. Moreover, Indonesia's geographical location is very strategic, which makes China want to cooperate with Indonesia. The sea is the center of the trade route that is often used by many countries in exporting and importing. The strategic location of Indonesia, which has four main trade routes, makes the country increasingly sought after.

Given these factors, there are at least three types of strategic partnership: political partnership, defense or military partnership, and economic partnership.

While partnership can be viewed as the state of being a colleague or partners, political partnership is related to the ideas or strategies of a particular party or group in politics. According to Hannah (1958), politics is the most important form of human activity because it involves interaction among free and equal citizens. While Pollock (1900) explained that partnership is the relation that subsists between persons carrying on a business in common with a view of profit. In addition, political partnership can be defined as a form of states' interests resulting in cooperation to achieve common goal.

Military partnership can be defined as a collaboration between a group of nations that are supposed to give protection to all alliances from the threat of common enemies

(Olson and Zeckhauser, 1966). Protection means to provide security or deterrence for the public good.

Economic, according to McAfee (2005), is the allocation of scarce resources among people by examining what goods and services end up in the hands of which people. Thus, economic partnerships are an intensive cooperation that must be agreed upon by the countries that are involved in the cooperation for the purposes of reciprocal economic integration and participation.

Indonesia and China signed a comprehensive strategic partnership with the focus to cooperate towards economic, military, and political issues. According to the agreement, Indonesia will get investment in infrastructure and it is expected that the balance of trade between Indonesia and China will improve. Both countries will also engage in new and renewable energy cooperation, military exercises and training, maritime security, defense industry, and technology transfer. Politically, the two countries will cooperate in all areas of mutual interest.

## **1.8 ARGUMENT OF THE STUDY**

The Indonesian government under the presidency of Susilo Bambang Susilo developed a new vision for Indonesia, which was to see Indonesian states become economically developed and more influential. His government also assumed that Indonesia can achieve his objective of economic development if it had access to technology, capital and the necessary infrastructure. Thus, Susilo's administration believed that Indonesia needed to form a strategic partnership with China in order to achieve its economic goals. However, the question arises as to whether the Indonesia-China strategic partnership helped the Indonesian economy to grow and develop as assumed and

whether this partnership has positively affected Indonesia's economy. These concerns are the focus of this study.

## **1.9 RESEARCH METHODOLOGY**

### **1.9.1 Research Design**

This study uses a qualitative research methodology. Qualitative research development of concepts helps to understand social phenomena in natural (rather than experimental) settings, giving due emphasis to the meanings, experiences, and views of the participants. This method provides a descriptive explanation about the Indonesia-China strategic partnership.

### **1.9.2 Data Collection**

In order to examine the Indonesia-China strategic partnership under Susilo's administration, the qualitative method is used to collect the primary data and secondary data. The primary data used are documents from the Indonesian and Chinese governments, non-government organizations (NGOs), agreements, speeches and interview recordings from well-known leaders. The secondary data used are published books, theses, articles, journals, and conference papers.

### **1.9.3 Data Analysis**

Qualitative Data Analysis (QDA) is the range of processes and procedures whereby the collected qualitative data is turned into some form of explanation, understanding, or interpretation of the people and situations that are being investigated. The data analysis of this study uses interpretative philosophy in order to examine the meaningful and symbolic content of the collected qualitative data.

## **1.10 CHAPTER OUTLINE**

This thesis is divided into five chapters. Chapter One presents the background of the study, statement of the problem, research questions, research objectives, the significance of the study, literature review, theoretical framework, and research methodology. Chapter Two discusses the history of the strategic partnership between Indonesia and China. Chapter Three will provide Indonesia-China strategic partnership. Chapter Four focuses on the effects of the Indonesia-China strategic partnership on Indonesia's economy and state development. Lastly, Chapter Five provides the summary of the study and recommendations for future research.

