
Growing Convergence, Greater Consequence: The Strategic Implications of Closer Indonesia-China Relations

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Indonesia's relationship with China has been characterised by a history of enmity, but residual concerns belie increasing economic and foreign policy convergence boosted by the positive effects of democratisation on Indonesia's perceptions of the Chinese. This article will argue that the growing convergence of interests between Indonesia and China is a positive development for Australia. China's rise has provided the engine of growth for Southeast Asia's largest economy and has increasingly cemented Indonesia's importance in the ASEAN-centred regional order. For Australia, it means a stronger, stable, and more prosperous neighbour next door with natural 'antibodies' against Chinese assertiveness.¹

In a 2008 book on the rise of Asia and the transformation of geopolitics, William Overholt, the Director of Rand Corporation's Centre for Asia Pacific Policy, made the following argument about Indonesia:

A reviving Indonesia, with its vast territory, large population, and determination to lead the region, still zealously guards against any hint of emergent Chinese hegemony. Even more than other countries in the region, Indonesia has powerful antibodies to any hint of strong Chinese assertion.²

It was Overholt's contention that although the US "had lost stature in Southeast Asia ... [this] did not presage Chinese dominance".³ Overholt is absolutely correct about Indonesia's wariness of China and indeed relations have been characterised traditionally by high political drama and a history of enmity. But residual Indonesian concerns about China are only part of the story. They belie ever closer economic and foreign policy convergence boosted by the positive effects of democratisation on Indonesia's perceptions of the Chinese. Relations between East Asia's two largest states have undergone a remarkable transformation in the period of

¹ The author would like to acknowledge the contribution of Beni Sukadis and Henwira Halim of the Indonesian Institute of Defence and Strategic Studies (Lesperssi) to aspects of this article. The author alone takes full responsibility for this text.

² William Overholt, *Asia, America, and the Transformation of Geopolitics* (Cambridge: Cambridge University Press, 2008), pp. 183-4.

³ *Ibid.*, p. 184.

Indonesia's democratisation, with significant implications for the broader security and prosperity of the Indo-Pacific region.⁴

This article will argue that the growing convergence of interests between Indonesia and China evident over the last decade is a positive development for Australia. China's rise has provided the engine of growth for Southeast Asia's largest economy and has increasingly cemented Indonesia's importance in the Association of South East Asian Nations (ASEAN)-centred regional order. For Australia, it means a stronger, stable, and more prosperous neighbour next door with Overholt's natural antibodies against Chinese assertiveness. Although Indonesia's relationship with China remains characterised by dichotomous elements—friendship versus residual distrust, economic complementarity versus competition—Indonesia has sought to maximise the opportunities inherent in China's rise, whilst continuing to hedge against the strategic uncertainties posed by China.

This article is divided into two key sections. The first section will briefly explore the historical and cultural basis of Overholt's argument and then explain how Indonesia's post-1998 democratisation experience resulted in important institutional, ideational and policy shifts, which improved Indonesian perceptions of China and facilitated the expansive and comprehensive bilateral relationship evident today. The second section of the article will examine the strategic implications of closer relations between Indonesia and China from an Australian perspective. It argues that the implications of shifting power dynamics in the Indo-Pacific have seen Indonesia emerge as a key arbiter of the ASEAN-centric regional order and as a corollary to this, increased Beijing's reliance on Jakarta for its regional foreign policy objectives, natural commodity and energy security needs. Indonesia's importance to China and its residual wariness of China's regional politico-security ambitions will therefore serve as a moderating influence on China's foreign policy behaviour, mitigating against the likelihood of regional armed conflict between China and Southeast Asian states.

Historical Enmities and Regime Change

'THE CHINESE MENACE'

To understand the considerable improvement in Indonesia-China relations over the last decade, one must appreciate the strength of historical animosities toward the Chinese state and ethnic Chinese in Indonesia, and the degree to which the military had justified its political hegemony based on the threat of communist subversion. It is these domestic political factors, in

⁴ 'Indo-Pacific', rather than 'Asia-Pacific' is a term used by Michael Wesley in his latest book to include the economic and strategic importance of India in addition to key Southeast and Northeast Asian states, in what he describes as the "Indo-Pacific power highway", see Michael Wesley, *There Goes the Neighbourhood: Australia and the Rise of Asia* (Sydney: New South Books, 2011), see pp. 8, 87.

addition to Indonesia's enduring strategic concerns about China, which form the basis of Overholt's 'antibodies' argument. Indonesia's second president, Suharto, officially came to power in a 1965 counter coup against communist and sympathetic military elements. Jakarta's growing political alignment with Beijing under first president, Soekarno, had culminated in the months prior to the coup attempt in Indonesia's withdrawal from the United Nations and the announcement of a political axis between Indonesia and China. Awash with rumours that Beijing was arming the PKI (*Partai Komunis Indonesia*, Indonesian Communist Party) political tensions in Indonesia exploded violently and spectacularly following 30 September 1965.

The anti-communist credentials of Suharto's New Order regime became an important source of its domestic political legitimacy and an excuse for repression of dissent and denial of ethnic Chinese their basic rights. Perpetuation and promulgation of internal security threats by the New Order, including the triangular threat found in the nexus between Indonesia's ethnic Chinese population, the PKI and Beijing's communist government, became a useful tool for preserving the legitimacy of the New Order regime and an excuse for ongoing authoritarian and repressive measures. Although the extent of direct Chinese involvement in the 1965 coup attempt remains unclear and has been repeatedly denied by Beijing; there is no doubt that China had actively supported the PKI through funding, coerced and leveraged its influence through Indonesia's ethnic Chinese community, and indicated its willingness to arm an Indonesian 'fifth force'.⁵

China's export of its revolutionary foreign policy to Southeast Asian states and its moral and financial support to regional communist insurgencies was one of the greatest stumbling blocks for China's rapprochement with Southeast Asian states. The animosities were particularly acute in Indonesia with the ascendancy of a military regime who had come to power through a systematic political and physical elimination of the left. For example, Chinese embassy and consular assets were attacked and destroyed in the months following the coup attempt. In tit for tat responses, Indonesian diplomats and their offices were targeted for violent reprisals within China.

The New Order dealt with the internal dimensions of its "Chinese problem" through a policy of assimilation and through the systematic codification and

⁵ For Premier Zhou Enlai's support for an Indonesian 'fifth force' of peasants and labourers see Agung, Ide Anak Agung Gde, *Twenty Years of Indonesian Foreign Policy 1945-1965* (The Hague and Paris: Mouton, 1973), p. 441. Merle Ricklefs described the Jakarta-based 'Bank of China' as the PKI's main source of Chinese financial aid, see Merle Ricklefs, *A History of Modern Indonesia Since 1300* (London: MacMillan, 1991), p. 277. In the months following the coup Peking labelled the new regime "reactionary and fascist", defended the PKI and gave some of its leaders political asylum, see Leo Suryadinata, *Pribumi Indonesians, The Chinese Minority and China: A Study of Perceptions and Policies* (Singapore: Marshall Cavendish, 2005), p. 162.

implementation of discriminative measures against its Chinese minority.⁶ Externally it manifested itself in Indonesia's de facto alliance with the West and a regional foreign policy premised on building Southeast Asia's resilience as a strategic buffer against China. Indonesia's highly polarised domestic political context preceding the coup and the trauma of subsequent bloodletting, established the foundations of intense distrust and enmity toward China. "Pathological Sinophobia", as one analyst characterised it came to define Indonesia-China relations under the New Order with diplomatic relations "frozen" for twenty-three years.⁷

THE "NORMALISATION" OF DIPLOMATIC RELATIONS

Although the normalisation of diplomatic relations came in 1990 it did not represent the positive disjuncture in relations as anticipated by China. In particular, it did not erase resentment and distrust of the Chinese, and particularly the negative association between Indonesia's ethnic Chinese community and the Chinese state in the minds of many *pribumi* (indigenous) Indonesians.⁸ Although China's material support for Southeast Asian communist movements largely ended as a result of Deng Xiaoping's post-1978 reforms, which saw China recast its foreign policy from a Maoist revolutionary agenda to a regional foreign policy predicated upon 'good neighbourliness', the 'latent danger' of Chinese communism was an ever present threat in New Order constructs.⁹

Key structural constraints remained at the domestic level in Indonesia which prevented closer relations, including ongoing discriminatory measures against Indonesia's Chinese community and the convenience of the 'China threat' for the military as an instrument for shoring up its political legitimacy. Indonesia adopted a "wait and see" approach toward China during the

⁶ In June 1967 the New Order 'Ampera' Cabinet promulgated 'The Basic Policy for the Solution of the Chinese Problem' aimed at accelerating assimilation or '*pembauran*', see Mely Tan, 'The Social and Cultural Dimensions of the Role of Ethnic Chinese in Indonesian Society', *Indonesia*, vol. 51 (1991), p. 114.

⁷ "Pathological sino-phobia" was an expression used by Geoffrey Gunn, see *New World Hegemony in the Malay World* (Eritrea: The Red Sea Press, 2000), p. 74.

⁸ Factors behind negative perceptions of Indonesia's Chinese community stem back to third century historical events, but are centred on doubts about the loyalty of ethnic Chinese to the Indonesian state; perceptions of Chinese exclusivity and arrogance; and *pribumi* resentment about the economic dominance of the ethnic Chinese, purported to be 5-7 percent of the population controlling around 70 percent of the Indonesian economy. But such figures "lack conclusive evidence" according to Centre for Strategic and International Studies (CSIS Jakarta) researcher, Evan Laksamana, see Evan Laksamana, 'Dimensions of Ambivalence in Indonesia-China Relations', *Harvard Asia Quarterly*, vol. XIII, no. 1 (Spring 2011), p. 27.

⁹ Indonesia made the normalisation of diplomatic ties with China contingent upon a clear statement from Beijing that it no longer supported the PKI. China's ongoing ambiguity about support for the PKI helped the anti-normalisation case within Indonesia, see Justus Van Der Kroef, "Normalizing" Relations with China: Indonesia's Policies and Perceptions', *Asian Survey*, vol. 26, no. 8 (August 1986), p. 910.

1990s, preferring to keep engagement largely indirect and multilateral.¹⁰ At a regional level, China's military modernisation program and South China Sea territorial claims, which seemed to include Indonesia's Natuna Islands, became Indonesia's principal strategic concern.¹¹

But in 1997 South China Sea tensions were quickly overshadowed by a much more deleterious regional development in the form of the Asian financial crisis. Wracked by unrest, rising food prices and broad public resentment against perceived Western affronts on Indonesia's dignity and sovereignty, the financial crisis destroyed the New Order's political legitimacy based on thirty years of economic growth. President Suharto resigned in May 1998 amidst mass protests demanding '*reformasi*'. The tumultuous political events presented an opportunity for a new era in Indonesia-China relations for which Beijing had positioned itself brilliantly.

China's embrace of East Asian regionalism from the mid-1990s, for instance, helped to engender greater trust and confidence in Southeast Asian states. The invocation of a common Asian identity and shared normative outlook, particularly around non-alignment, sovereignty-based norms, and ASEAN's consensus approach to conflict resolution, helped transform previously antagonistic relations into ones marked by unprecedented levels of cooperation and interdependence. Beijing's skilful response to the Asian financial crisis, evident in its refusal to devalue its currency, generous economic assistance, and conscious attempts to contrast itself to the punitive approach of the International Monetary Fund (IMF) and by extension, the United States, resonated positively throughout Southeast Asia.¹²

At this juncture Indonesia increasingly saw China as a constructive and responsible regional power, and Indonesia's greater receptivity to closer relations around this period can be understood in both pragmatic and normative terms. Indonesia's need for Chinese aid and investment, for example, including the capital of Indonesian Chinese entrepreneurs who had fled the brutal May riots in Jakarta during 1998, combined with mass refutation of the political instruments and ideological constructs of the New Order. The economic and political dimensions of the crisis which Indonesia faced between 1997 and 2001, combined to spur a paradigmatic shift in

¹⁰ Sukma argued that as other ASEAN countries began to deepen their relations with Beijing in the early 1990s, Indonesia pretty much sat on the sidelines, see Rizal Sukma, 'Indonesia-China Relations: The Politics of Re-engagement', *Asian Survey*, vol. 49, no. 4 (2009), p. 595.

¹¹ Indonesia's Natuna gas reserves are one of the largest in the world, at an estimated 210 trillion cubic feet, see Douglas Johnson, 'Drawn into the Fray: Indonesia's Natuna Islands Meet China's Long Gaze South', *Asian Affairs: An American Review*, vol. 24, no.3 (1997), p. 153.

¹² China offered Indonesia a \$200 million economic loan package and participated in the International Monetary Fund's rescue plans see respectively Alice Ba, 'China and ASEAN, Renavigating Relations for a 21st-century Asia', *Asian Survey*, vol. 43, no. 4 (2003), p. 637; Sukma, 'Indonesia-China Relations', p. 599.

Indonesia's approach toward the Chinese, with positive implications for Indonesia's relations with China and its ethnic Chinese community.

CRISIS AND REFORMASI: A PARADIGMATIC SHIFT

Bilateral relations had been 'satisfactory' but constrained following the resumption of diplomatic ties in 1990, but the financial crisis and regime change in Jakarta, unlocked considerable unrealised potential that both parties were keen to take advantage of. The interim president, Jusuf Habibie, began the dismantling of discriminatory measures against Indonesia's ethnic Chinese. But it was Indonesia's first democratically elected president, Abdurrahman Wahid, who was overt about a different policy approach to China and Indonesia's Chinese community, with both aspects important to his government's 'democratic' political legitimacy. Cognisant of broad anti-Western sentiment in Indonesia following the IMF's perceived condescension during the financial crisis and the subsequent loss of East Timor following an Australian-led UN military intervention, Wahid turned to China, (along with India and ASEAN states). This was dubbed an "Asia First" foreign policy strategy.¹³

In ideological terms the Wahid presidency signified an important break with the past because he directly challenged some of the New Order's sacred cows. Wahid, a forthright reformist and religious pluralist, confronted the New Order taboo subject of 'G30S/PKI' (30 September Movement) head-on, apologising for the massacres and human rights violations against alleged communists and their families; calling for G30S/PKI events to be re-examined, and attempting—although unsuccessfully—to revoke the ban on the Indonesian Communist Party.¹⁴ Wahid appointed prominent ethnic Chinese economist, Kwik Kian Gie as Coordinating Minister for the Economy

¹³ The correct name was 'Asia Coalition', see Rizal Sukma, 'Indonesia's Perceptions of China: The Domestic Bases of Persistent Ambiguity', in Herbert Yee and Ian Storey (eds.), *China Threat: Perceptions, Myths and Reality* (London: Routledge Curzon, 2002). Wahid chose China for his first official visit as President in December 1999 and sought and gained Chinese assurances on Indonesia's unity and territorial integrity. China's commitment to Indonesia's sovereignty, territorial integrity and national unity were made at the July 2000 ASEAN Plus Three meeting, see Anthony Smith, 'Indonesia's Foreign Policy under Abdurrahman Wahid: Radical or status quo State', *Contemporary Southeast Asia*, vol. 22, no. 3 (2000), p. 509.

¹⁴ See 'Terhadap Korban G30S/PKI Gus Dur: Sejak Dulu Minta Maaf', *Kompas*, 15 March 2000, <<http://groups.yahoo.com/group/ambon/message/5823>> [Accessed 1 April 2011]; Adrian Vickers and Katharine McGregor, 'Public Debates About History: Comparative Notes From Indonesia', *History Australia*, vol. 2, no. 2 (2005), p. 44-4. Communist parties are still banned in Indonesia.

and declared Chinese New Year a national holiday.¹⁵ He lifted the ban on the display of Chinese characters and the imports of Chinese publications.¹⁶

Important cultural and institutional shifts were also taking place within the Indonesian bureaucracy. The foundations of the military's dual socio-political role '*dwifungsi*' were steadily being dismantled during the early *reformasi* period. The system of '*kekaryaan*' in which the military had been institutionalised across the breadth of the Indonesian bureaucracy from 1966, was coming to an end. Within the Foreign Affairs Ministry, an internal reorganisation in 2001 ended the practice of military officers holding senior echelon positions (Inspector-General and Director-General level). Reforms to the legislative and regulatory basis of Indonesia's foreign policy, further empowered civilian oversight over foreign affairs.¹⁷

It was in these turbulent political years between October 1999 and Wahid's impeachment in July 2001 that the basic paradigmatic approach of Indonesia's policy toward 'the Chinese' shifted. Although Wahid's battle for reform against hardline New Order elements would bring about his downfall, improved relations with China and Indonesia's ethnic Chinese community were perceived as a necessary part of the Wahid administration's democratic political legitimacy based on economic recovery and the rehabilitation of Indonesia's tarnished international image. Although Wahid's 'Asia First' policy has been dismissed in the scholarship as more style over substance,¹⁸ it was during this period that closer relations with China became an overt and legitimate part of Indonesia's *reformasi* foreign policy.

¹⁵ The only ethnic Chinese ever appointed as minister under the New Order, wealthy businessman and Suharto crony, Bob Hasan, in Suharto's last cabinet. See Ian Storey, 'Indonesia's China Policy in the New Order and Beyond: Problems and Prospects', *Contemporary Southeast Asia*, vol. 22, no. 1 (April 2000), p. 166.

¹⁶ 'China Mourns Death of Indonesian Former President Wahid', *Xinhua*, 31 December 2009, <<http://id.china-embassy.org/eng/gdxw/t649792.htm>> [Accessed 29 March 2011]. University of Melbourne expert, Tim Lindsey argues that despite the repeal of some laws and positive attitudinal shifts toward the Indonesian Chinese, discriminatory colonial era laws, for example in the civil registration of ethnic Chinese, remain, see Tim Lindsey, 'Reconstituting the Ethnic Chinese in Post-Soeharto Indonesia: Law Racial Discrimination, and Reform', in Tim Lindsey and Helen Pausacker (eds.), *Chinese Indonesians: Remembering, Distorting, Forgetting* (Singapore: ISEAS, 2005), pp. 46-7.

¹⁷ The 2001 restructure of Indonesia's Foreign Ministry (*Kemlu*) (effective in 2002), ended military representation within the Ministry. Between 1999 and 2003 the Indonesian Government issued a number of laws and presidential decrees pertaining to the governance of Indonesia's foreign policy, which augmented civilian departmental authority and reduced military influence over foreign affairs, for example, see *President Republic Indonesia*, 'Undang-Undang Republik Indonesia Nomor 37 Tahun 1999 Tentang Hubungan Luar Negeri', <www.deptan.go.id/kln/daftar_phln/UU%201999%20No%2037%20ttg%20Hubungan%20Internasional.pdf> [Accessed 17 August 2010].

¹⁸ This argument was made by Sukma who argued that Wahid's attempt to make Asia, especially China, Indonesia's primary partner in order to reduce dependency on the West, i.e. the IMF and World Bank, represents the 'form' rather than 'substance' of foreign policy, see Sukma, 'Indonesia's Perceptions of China', p. 197.

CONSENSUS AND CONVERGENCE

Indonesia's political liberalisation and increasing economic engagement with China has helped facilitate a growing convergence of interests across a range of policy areas including foreign policy. Of course, there are other factors at play, including post-1978 changes in China's own foreign policy outlook and broader systemic changes conducive to improved relations between China and Southeast Asia. But there is substantial evidence of increasing bilateral consultation and coordination on foreign policy issues, facilitated by a natural convergence of interests borne out of economic exchange.¹⁹ Indeed China's regional foreign policy, which is predicated upon regional stability for economic growth, dovetails nicely with Indonesia's priorities, which are aimed at enhancing its leadership of ASEAN, improving its economic diplomacy, and enhancing "South-South" or developing-state cooperation.²⁰

These mutual interests appear to have weakened the 'incipient geopolitical rivalry' that once characterised relations.²¹ It has been replaced with greater resignation in Indonesia about China's ascendancy (though not hegemony), and heightened awareness of the benefits in closer coordination on issues of mutual interest in the global arena. In 1999, Indonesia and China issued a Joint Communiqué committing to strengthening cooperation and exchange. Nevertheless, the "watershed" in Indonesia-China relations, as Indonesia's ambassador to China described it, came in 2005, when the Susilo Bambang Yudhoyono (SBY) administration signed a broad 'Strategic Partnership' agreement with Beijing. Incorporating political, defence, security, legal, economic and socio-cultural cooperation, the partnership was given a boost in January 2010 by the ratification of a five year 'plan of action' committing to a "bilateral dialogue mechanism on technical cooperation, cooperation in regional and international affairs and on funding arrangements".²²

Following Wen Jiabao's visit to Jakarta in April 2011, bilateral consultation between Indonesia's Coordinating Minister for Political, Legal and Security Affairs and China's State Councillor, the premier bilateral dialogue

¹⁹ The argument that economic engagement has led to increasing policy alignment between China and regional states was borne out by research conducted by Princeton University, see Aaron L. Friedberg (ed.), *Chinese Economic Growth and Political Influence: Examining PRC Relations with Australia, Indonesia, Malaysia and Singapore* (Princeton: Princeton University Woodrow Wilson School of Public and International Affairs, 2007), p.6.

²⁰ For a list of Indonesia's foreign policy priorities see *Kementerian Luar Negeri Republik Indonesia*, 'Landasan, Misi, Visi, Polugri', <www.kemlu.go.id/Pages/Polugri.aspx?IDP=21&l=id> [Accessed 29 June 2011].

²¹ 'Incipient geopolitical rivalry' was a term used by Michael Leifer, see 'Indonesia's Encounters with China and the Dilemmas of Engagement', in Alistair Johnstone and Robert Ross (eds.), *Engaging China: The Management of an Emerging Power* (London and New York: Routledge, 1999), p. 88.

²² Imron Cotan, 'Indonesia a Success Story in Asia and the Pacific' (Part 1 of 2), *The Jakarta Post*, 30 May 2011, <www.thejakartapost.com/news/2011/05/30/indonesia-a-success-story-asia-and-pacific-part-1-2.html> [Accessed 29 June 2011].

mechanism, has been strengthened. A new Memorandum of Understanding between Foreign Ministries was also agreed to. In a further sign of ever closer coordination, Indonesia and China have agreed to a range of joint activities, including training of diplomats, policy planning and research, and the establishment of hotlines between officials of foreign ministries at various levels.²³ Although Indonesia has strategic partnership agreements with a number of other states, including Australia, its strategic partnership agreement with China was concluded before that of Australia and the United States, revealing the increasing alignment of interests between Jakarta and Beijing following *reformasi*.

Closer bilateral relations have also served to reaffirm both Indonesia and China's sense of global gravitas. Both are economically significant with the world's first and fourth largest populations respectively. In the past, the shared ideational basis of their external outlooks emanating from the 1955 Bandung Asia-Africa Conference (precursor to the Non-Aligned Movement) lacked substance, but it has now engendered a common sense of civilisational entitlement and historical consequence for two of Asia's great powers. This is "the Asian century", Wen told his Indonesian audience in April 2011, and a "great rejuvenation of the Oriental Civilisation". Wen was clear that Indonesia and China were the driving forces of "this epoch-making change" and drew heavily on China's developing country solidarity, common historical experience and shared Asian consciousness with Indonesia.²⁴

China's foreign policy approach to Indonesia, moreover, reflects a strong appreciation of Indonesia's *primus inter pares* status within ASEAN and Indonesia's membership, alone among Southeast Asian states, in the G20 economic grouping. Indonesia has long been the critical veto actor in ASEAN, and its desire for a more high profile international role attracts China's ongoing and overt support. Premier Wen declared during his April visit to Jakarta that Indonesia had made "an outstanding contribution" to ASEAN. With similar sentiment China's State Councillor Dai Bingguo told Indonesia's President that "Indonesia and China are great regional countries", whose long-term relationship "benefits the region and world peace and prosperity".²⁵ Clearly, Indonesia is important to China in its ASEAN policies and G20 strategy, the latter based on both developing country solidarity and common desire to reform global financial institutions to reflect the new power centres of Asia.

²³ See 'China, Indonesia pledge to enhance bilateral strategic partnership', *Xinhua*, 30 April 2011, <<http://china.globaltimes.cn/diplomacy/2011-04/650337.html>> [Accessed 3 August 2011].

²⁴ See Greta Nabbs-Keller, 'Australia's Indonesia Policy: Lessons from China', *The Interpreter*, 5 May 2011, <www.lowyinterpreter.org/post/2011/05/05/Australias-Indonesia-policy-Lessons-from-China.aspx> [Accessed 7 September 2011].

²⁵ Embassy of the People's Republic of China in Indonesia, 'Indonesian President Meets with China's State Councillor', 21 January 2010, <<http://id.china-embassy.org/eng/ztbd/features/t653605.htm>> [Accessed 10 October 2010].

From a domestic political context, Indonesia's democratisation process has engendered a strong degree of policy consensus on China and increasing integration of Indonesia's ethnic Chinese into the mainstream.

As more and more indigenous Indonesians enter the middle classes the issue of economic inequality is evolving from one that carries a stigma for Chinese Indonesians to one that all Indonesian must face.²⁶

There are also increasing signs that Indonesia's Chinese are being 're-sinicised', manifest in Indonesia's official promotion of Indonesian Chinese culture, particularly in China. In May 2011, more than 300 Indonesian Chinese participated in an Indonesian cultural event in Fujian province, the ancestral homeland of many of Indonesia's Chinese, in an event aimed at "deepening old familial ties".²⁷ Moreover, Indonesia's muted reactions to a Wikileaks cable release in which senior Chinese officials "sought to promote secular Islam in Indonesia by encouraging interaction with China's 20 million Muslims", failed to cause a stir in Indonesia. This suggests that there is little political benefit in inciting anti-Chinese sentiment, in contrast to the New Order period.²⁸

Ironically, given their different political systems, Indonesia's transition from authoritarian to democratic rule has facilitated a growing convergence of interests between Indonesia and China by emancipating Indonesia from the ideological constructs of the New Order and enabling it to fully take advantage of China's concerted economic and diplomatic investment. Although Indonesia has pursued a liberal normative agenda in its relations with ASEAN, it seems its China policy is motivated more by pragmatic considerations seen in the inclusion of both China and Myanmar in Indonesia's Bali Democracy Forum. At the international level "Indonesia performs poorly on human rights issues ... explained by its fear of harming bilateral relations", according to Indonesian foreign policy scholar, Rizal Sukma. Indonesia is engaged in "democracy projection" rather than "promotion" and its efforts are focussed on the Southeast Asian neighbourhood.²⁹

²⁶ Ray Hervandi, 'Reimagining Chinese Indonesians in Democratic Indonesia', *East Asia Forum*, 21 May 2011, <www.eastasiaforum.org/2011/05/21/reimagining-chinese-indonesians-in-democratic-indonesia/> [Accessed 15 June 2011].

²⁷ *Kementerian Luar Negeri Republik Indonesia*, 'Promosi Indonesia di Fujian-RRT: Pererat Hubungan Dengan "Saudara Tua"', 20 May 2011, <www.deplu.go.id/Pages/News.aspx?IDP=4805&l=id> [Accessed 15 June 2011].

²⁸ Mustaqim Adamrah, 'Nothing Surprising' for Indonesia from WikiLeaks', *The Jakarta Post*, 17 December 2010, <www.thejakartapost.com/news/2010/12/17/%E2%80%99nothing-surprising%E2%80%99-indonesia-wikileaks.html> [Accessed 6 April 2011]; Jimmy Hitipiew, 'How Far WikiLeaks Affected Indonesia-China Relations', *Kompas*, 16 December 2010, <<http://nasional.kompas.com/read/2010/12/16/18511940/>> [Accessed 19 April 2011].

²⁹ See Rizal Sukma in Brookings Institution and International Forum for Democratic Studies, 'The Foreign Policies of Emerging-Market Democracies: What Role for Human Rights and

Aside from the United States, China is now Indonesia's most important bilateral relationship. Chinese engagement and assistance converges neatly with Indonesia's national policy priorities predicated upon development, prosperity, defence self-reliance and the pursuit of a global diplomatic stature. Aside from the United States, China is now Indonesia's most important bilateral relationship. China offers Indonesia benefits that converge neatly with its national policy priorities predicated on development, prosperity, defence self-reliance, and global diplomatic stature. There is a perception amongst Indonesian military officers for example, that China offers Indonesia 'real benefits with less hassle', in contrast to the United States.³⁰ Although democratisation has clearly provided bilateral relations with a significant fillip, Indonesia's collective strategy through ASEAN has remained essentially the same since the early 1990s—ensuring China's peaceful integration into the regional order. Southeast Asians remain “fully aware of both the inherent promises and dangers that China present”, declared one of Indonesia's leading foreign policy thinkers.³¹ Although democratisation has eroded the domestic political basis for Overholt's “powerful antibodies” argument, uncertainty remains in the strategic dimensions of the relationship.

Strategic Implications

CHINA'S RELIANCE ON INDONESIA

China needs Indonesia. It increasingly seeks to win over Southeast Asia's largest state for China's energy security, access to Indonesia's 242 million strong consumer market, and foreign policy objectives based on harmonious regional relationships and economic prosperity. The Indonesian archipelago is comprised of more than 17,000 islands, straddling some of the world's most strategic waterways, including the Malacca, Sunda and Lombok Straits. The strategic significance of these waterways for China's commerce and energy security has been highlighted by many analysts, since they represent the only three major waterways connecting the Indian Ocean with the South

Democracy?', Report of Proceedings, 14-15 April 2011, <www.brookings.edu/reports/2011/06_human_rights_piccone.aspx> [Accessed 29 June 2011].

³⁰ There are a range of reasons why Indonesia has turned to China for its defence needs, not least ongoing resentment in Indonesian military (TNI) ranks about previous US policy embargoes. But it is also based on the fact that China remains the only major power truly willing to transfer its military technology and help Indonesia enhance its own defence industry. Confidential views of TNI officers (active and retired), consulted 9-17 July 2010; see also Kelvin Wong and Yang Fang, 'Made in China: Beijing Woos Southeast Asian Defence Market', *RSIS Commentaries*, 18 August 2010, <www.rsis.edu.sg/publications/Perspective/RSIS0942010.pdf> [Accessed 19 January 2011].

³¹ Dewi Fortuna Anwar, 'Between ASEAN, China and the United States', *The Jakarta Post*, 30 August 2010, <www.thejakartapost.com/news/2010/08/30/between-asean-china-and-united-states.html> [Accessed 10 October 2010].

China Sea, providing critical access to Middle East oil supplies.³² “Eighty per cent of China’s oil imports pass through the Malacca Strait” and more than half the world’s annual merchant fleet passes through the straits of Malacca, Sunda and Lombok.³³

These Sea Lines of Communication running through the Indonesian archipelago are of critical importance not only for China’s energy security, but also for its trade and strategic manoeuvrability. Ongoing access enables China to manoeuvre its naval assets between the Pacific and Indian Oceans, potentially ‘limiting’ access to the southern part of the South China Sea. China’s reassurance to Jakarta on its extant maritime territorial boundaries, including Indonesia’s gas-rich Natuna Islands, its growing engagement with Indonesia’s armed forces, evidenced by plans for coordinated patrols against illegal Chinese fishing vessels and a recent joint special forces exercise, is motivated in part by Beijing’s need to secure access to these sea lanes, i.e., keep Indonesia ‘on-side’.³⁴ It is also, apart from a confidence building measure, a useful means by which Beijing can test Indonesia’s military capabilities.

As the world’s fourth most populous state, Indonesia represents a growing consumer market for Chinese goods and is an increasingly vital source of natural commodities to China—namely coal, palm oil and liquefied natural gas. To put the potential of Indonesia’s economy in perspective it is currently “expanding at the third fastest rate in Asia”, and if projections are correct, is set to exceed Turkey and the Netherlands in GDP terms by 2011 becoming the world’s fourth largest economy by 2040.³⁵ China is Indonesia’s second largest trading partner, while ASEAN ranked as China’s

³² For example, see John Mearsheimer, ‘The Gathering Storm: China’s Challenge to U.S. Power in Asia’, Fourth Annual Michael Hintze Lecture in International Security, 4 August 2010, <<http://mearsheimer.uchicago.edu/pdfs/T0008.pdf>> [Accessed 10 October 2010], p. 11; Rory Medcalf and Raoul Heinrichs, *Crisis and Confidence: Major Powers and Maritime Security in Indo-Pacific Asia*, Sydney: Lowy Institute for International Policy, 2011).

³³ See Abraham Denmark, ‘Crafting a Strategic Vision: A New Era of U.S.-Indonesia Relations’, *Center for a New American Century*, June 2010, <www.cnas.org/files/documents/publications/CNAS_Crafting%20a%20Strategic%20Vision_Denmark.pdf> [Accessed 2 July 2011], pp. 13, 9 respectively.

³⁴ Confidential discussions with Indonesian Foreign Ministry and TNI officials suggest China has done much to quietly reassure Indonesia on its extant territorial borders. Views of TNI officers (active and retired) and Foreign Ministry officials, consulted between 9-17 July and 30 November 2010. In the 1990s, however, China’s ambiguous approach to Indonesia’s Natuna Islands, led to expedited development and a large 1996 Indonesian joint military exercise. China has given Jakarta assurances over its sovereignty and its adherence to 1982 UN Convention on the Law of the Sea, but it has, nevertheless, produced baseline maps seeming to overlap Indonesia’s EEZ. See Douglas Johnson, ‘Drawn into the Fray’, p. 153.

³⁵ Cyrillus Harinowo Hadiwerdoyo, ‘Indonesia: Towards a One Trillion Dollar Economy’, *The Jakarta Post*, 10 May 2011, <www.thejakartapost.com/news/2011/05/09/indonesia-towards-a-one-trillion-dollar-economy.html> [Accessed 11 July 2011]; William Pesek, ‘Chindonesia to be new money phrase’, *Jakarta Globe*, 15 July 2009, <www.thejakartaglobe.com/analysis/chindonesia-to-be-new-money-phrase/318273> [Accessed 11 July 2011].

fourth largest.³⁶ Trade volume has increased by an average of 25 percent since 2001, reaching US\$42.7 billion in 2010 and targeted at US\$80 billion by 2014.³⁷ In 2010 the ASEAN-China Free Trade Area (ACFTA) came into effect, creating the world's largest free trade area and providing significant potential for increasing trade and investment exchange between China and Indonesia.³⁸ The ACFTA has attracted criticism in Indonesia over the trade deficit with China and anxiety about China's growing influence over Indonesia's economy. But there is, as yet, little evidence that China has used its economic influence to exert political leverage over Jakarta.³⁹

Bilateral economic cooperation between Indonesia and China is focused at increasing cooperation in investment, infrastructure, agricultural, forestry and energy sectors, including the development of small and medium enterprises. China recently announced plans to establish a China-Indonesia economic and trade cooperation zone. In addition, it is eager for Chinese companies to play a part in Indonesia's establishment of six economic corridors and special economic zones.⁴⁰ The significance of Chinese infrastructure investment in Indonesia—particularly roads, ports, rails, telecommunications and transport—was summed up in *The Jakarta Post* :

China has ... become a major financier to mega projects in Indonesia, the role played by the World Bank, Asian Development Bank, Europe, Japan and the United States in the past.⁴¹

Indonesia is a critical cog in China's economic integration with Southeast Asia states and larger transport, trade, tourism and people-to-people connectivity with Southeast Asia. China's provision of soft loans, favourable credit arrangements and massive infrastructure investment in Indonesia ensures that China benefits from Indonesia's huge development potential

³⁶ Wen Jiabao, 'Remarks at China-Indonesia Strategic Business Dialogue', *Beijing Review.com.cn*, 20 June 2011, <www.bjreview.com.cn/document/txt/2011-06/20/content_369848.htm> [Accessed 11 July 2011].

³⁷ See Cotan, 'Indonesia a Success Story in Asia and the Pacific'.

³⁸ The ACFTA has not been without its Indonesian detractors, worried about Chinese competitiveness and Indonesia's US\$1.2 billion trade deficit with China. See Linda Yulisman, 'No Talks with RI on ASEAN Free Trade Pact: China', *The Jakarta Post*, 13 April 2011, <www.thejakartapost.com/news/2011/04/13/no-talks-with-ri-asean-free-trade-pact-china.html> [Accessed 13 April 2011].

³⁹ China has attempted to placate Indonesian concerns over the trade deficit by providing export credits to Indonesia and \$9 billion in soft and commercial loans for infrastructure projects, see Rangga D.Fadillah, 'China affirms plans to relocate factories to Indonesia', *The Jakarta Post*, 13 August 2011, <www.thejakartapost.com/news/2011/08/13/china-%E2%80%998affirms%E2%80%99-plan-relocate-factories-indonesia.html> [Accessed 6 September 2011]. For an explication of the economic dimensions of Indonesia's ambivalence about China see Laksana, 'Dimensions of Ambivalence in Indonesia-China Relations', pp. 27-28;

⁴⁰ Wen Jiabao, 'Remarks at China-Indonesia Strategic Business Dialogue'.

⁴¹ '60 years of Indonesia-China Relations', *The Jakarta Post*, 13 April 2010, <www.thejakartapost.com/news/2010/04/13/60-years-indonesiachina-relations.html> [Accessed 10 October 2010]. The Suramadu Bridge and Asahan hydro plant were described by Wen Jiabao as landmark projects in Southeast Asia, see Wen Jiabao, 'Remarks at China-Indonesia Strategic Business Dialogue'.

and massive consumer market, with flow on benefits for trust and regional harmony.⁴²

This growing convergence of economic interests between Indonesia and China is best reflected in the new catchphrase 'Chindonesia', which was a term coined around 2009 to denote the huge economic potential of China, India and Indonesia as Asia's next "growth triangle".⁴³ At the heart of the 'Chindonesia' concept is the complementarity between the economies of Indonesia with India and China. Indonesia has emerged as vital supplier of China's energy and food requirements in what business analysts characterise as a "symbiotic relationship to China's growth".⁴⁴ As the world's second largest coal exporter and largest exporter of palm oil, Indonesia has become a vital supplier of commodities for China's power and food industry—Indonesia is the "rocket fuel" for India and China's growth, as one Bloomberg analyst put it.⁴⁵

INDONESIA'S SIGNIFICANCE

Political reform has engendered a policy consensus on China and brought ethnic Chinese further into the mainstream. But China understands it still has a 'trust issue' in Jakarta. Wen Jiabao was explicit about this during his April 2011 visit with reassurances about China's constructive regional role. "I am being truthful ... concerning China's domestic and foreign policies", Wen prefaced his speech. He told Indonesia "China has kept its word" on its commitment to a tranquil and prosperous neighbourhood. Although expressing a preference for "bilateral channels" on regional territorial disputes, the Premier told Indonesia it would "adhere to the principle of good-neighbourliness and equal consultation".⁴⁶

At the heart of lingering unease in Jakarta is China's opaque and assertive position on the South China Sea. Although Indonesia is not a claimant in the dispute it understands that competing South China Sea territorial claims remain the single most dangerous flashpoint in Southeast Asia-China relations.⁴⁷ Indonesia has therefore been a key mediator and honest broker

⁴² China has provided Indonesia with \$2.8bn in preferential export buyer's credit, with Indonesia being the biggest beneficiary of these types of loans from China. More than 1000 Chinese companies are currently operating in Indonesia, which have invested over \$6 billion. See *Ibid.*

⁴³ The term was first coined by Nicholas Cashmore, head of Indonesia research as CSLA Asia Pacific Markets, see Alex Dunnin, 'Arise Chindonesia', *Financial Standard.Online*, 21 October 2009, <www.financialstandard.com.au/news/view/27096/> [Accessed 6 July 2011].

⁴⁴ Arijit Ghosh, 'Indonesia Vying to Enter BRIC, Has Star Role in "Chindonesia"', *Bloomberg*, 10 July 2009, <www.bloomberg.com/apps/news?pid=newsarchive&sid=aQN6xO_LfM4Y> [Accessed 6 July 2011].

⁴⁵ China, Indonesia and India, generate growth equal to 44 percent of the US economy; Indonesia's economy is expanding at the third fastest rate in Asia, see *Ibid.*

⁴⁶ See Nabbs-Keller, 'Australia's Indonesia Policy'.

⁴⁷ China's infamous nine-dotted line map appears to include parts of Indonesia's EEZ around the Natuna Islands. See Djalit Singh, 'South China Sea developments at the ASEAN Regional Forum', *East Asia Forum*, 3 August 2011.

for more than 20 years having chaired the informal *Workshops on Managing Potential Conflicts in the South China Sea* since 1990. Indonesia collectively, with ASEAN, have had some success at July's ASEAN Regional Forum meeting in shifting Beijing's preference for bilateral negotiations on South China Sea claims, with an agreement from China to progress 'Guidelines for the Implementation of the Declaration of Conduct of Parties in the South China Sea'. And China will continue to come under considerable pressure from the region, led by Indonesia, to advance the Guidelines as a basis for a 'binding' code of conduct. Although Indonesia's ability to exercise political leverage over China in confidential diplomatic exchanges is difficult to ascertain, a number of public statements made by senior Indonesian officials—including President SBY—were clearly designed to pressure Beijing.⁴⁸

China's provocation of armed conflict over South China Sea claims would be seriously detrimental to China's regional relations and economic stability. In fact, it is highly unlikely that Beijing would risk its strategically important relationship with Indonesia, inciting anti-Chinese sentiment and undermining decades spent building trust and integration with ASEAN. As one Chinese analyst explained, "China needs Indonesia's ongoing neutrality on the South China Sea", and will treat its "relations with Jakarta with care".⁴⁹ Indonesia understands there are expectations of its regional leadership and will push China toward a binding code of conduct. Beijing, in turn, would not want to see Indonesia pushed further into the embrace of the United States, with Washington focused once again on Southeast Asia and determined to make up lost ground to China.

STRONG NEIGHBOUR, PIVOTAL STATE

There are many scholars and strategic analysts in Australia writing about China's rise. Fewer address Indonesia's influence in the emerging Indo-Pacific order and its significance to Australia as a counterweight to Chinese assertiveness.⁵⁰ Indonesia's traditional mediation role and moderating

⁴⁸ See Embassy of the Republic of Indonesia, 'President asks ASEAN foreign ministers to hasten South China Sea talks', Singapore, 20 July 2011, <www.kbrisingapura.com/news_2007_2011_5.php?lang=eng> [Accessed 6 September 2011]; and Michael Tene's "its time" comments in Ismira Lutfia, 'Indonesia urges calm as South China Sea tensions mount', *The Jakarta Globe*, 18 June 2011, <www.thejakartaglobe.com/home/indonesia-urges-calm-as-south-china-sea-tensions-mount/447692> [Accessed 6 September 2011].

⁴⁹ Daojiong Zha, 'China and the May 1998 Riots of Indonesia: Exploring the Issues', *The Pacific Review*, vol. 13, no. 4 (2000), p. 572.

⁵⁰ Rod Lyon's ASPI report 'Forks in the River' is recent notable exception, which argues that Australia should pursue a much closer strategic partnership with Indonesia in the context of rapid geopolitical change and relative decline in US power, see Rod Lyons, *Forks in the River: Australia's Strategic Options in a Transformational Asia* (Canberra: Australian Strategic Policy Institute, 2011). Hugh White touched on it towards the conclusion on his *Quarterly Essay*, where he discussed the importance of Indonesia in this power shift and Australia's need to consider Indonesia, a growing middle power of increasing strategic weight, more seriously and with less ambiguity than we have done so previously, see Hugh White, 'Power Shift: Australia's

influence on regional tensions is enhanced by both closer relations with China and systemic processes underpinning Indonesia's leadership of ASEAN (and by extension, regional governance mechanisms). Although Indonesia has buried many ghosts of the past and its changed political circumstances have eased old enmities with China, Overholt's powerful antibodies argument continues in the ideational legacies of Indonesia's foreign policy and its enduring politico-security rationale for ASEAN.

Indonesia's ability to augment regional stability and mitigate against the likelihood of regional armed conflict between China and ASEAN states can be understood through three interlinked and mutually reinforcing factors surrounding closer Indonesia-China relations. First, Indonesia's economic success and concomitant rise in diplomatic stature over the last decade, means that Indonesia has become a pivotal state in the Indo-Pacific region—Australia's region. This fact, underpinned by Indonesia's avowedly independent foreign policy doctrine and aversion to hegemonic power dominance in Southeast Asia, posits Indonesia as an important counter-balance to China. Second, due to a combination of Indonesia's strategic geographic location and natural resource wealth, China is becoming increasingly reliant on Indonesia both for its energy security and resource requirements, and in Jakarta's support for its regional foreign policy agenda. Put simply, China needs Indonesia's trust and cooperation if it is to achieve further economic and political integration with ASEAN states. Third, the confluence of these first two factors augments Indonesia's significance to Beijing. Indonesia has proved a wily and elusive subject of Chinese advances in the past. It is not beyond "twisting the dragon's tail", as one analyst characterised it and Jakarta's ability to moderate China's "rough diplomacy" has been enhanced by closer bilateral relations since 1998.⁵¹

Now referred to as the additional 'I' in the BRIC (Brazil, Russia, India and China) economic grouping, lauded as both an 'emerging market economy' and 'emerging market democracy', Indonesia is changing from the poor, unstable, authoritarian state next door into a stable, prosperous and increasingly influential neighbour to Australia. This is an unprecedented development for Australia, which has long enjoyed a developmental and defence capability edge over Indonesia. But Indonesia is no longer considered a strategic threat to Australia and few, if any, in Canberra would

Future Between Washington and Beijing', *Quarterly Essay*, no. 39 (2010), pp. 64-5; see also Michael Wesley, *There Goes the Neighbourhood: Australia and the Rise of Asia* (Sydney: New South Books, 2011), pp. 51-4, 171-4.

⁵¹ "Twisting the dragon's tail" was an expression used by Geoffrey Gunn, *New World Hegemony in the Malay World*. "Rough diplomacy" is a term used by Rizal Sukma, to describe Chinese assertiveness on South China Sea issues in 2010, see Mustaqim Adamrah, 'Asian Giant yet to Convince Neighbours of its Motives', *The Jakarta Post*, 1 October 2010, <www.thejakartapost.com/news/2010/10/01/asian-giant-yet-convince-neighbors-its-motives.html> [Accessed 11 November 2010].

view Indonesia as a conventional military threat; a shift from Australia's earlier strategic thinking.⁵² As Australia's 2009 Defence White Paper revealed, Australia's greatest strategic threat is the uncertainty posed by China's military build-up and territorial ambitions in the South and East China Seas. This is a view shared by Indonesia, albeit influenced by its own nuances and strategic culture.

Indonesia is now a pivotal state in the Indo-Pacific order and a key arbiter of that order. Indonesia's support for US inclusion in the expanded East Asia Summit was crucial. Jakarta's regional strategic approach is based on a doctrine of 'balance' and 'dynamic equilibrium'—the 'Natalegawa Doctrine'—which seeks to avoid regional dominance and undue interference by major powers.⁵³ The difference is now that Indonesia is more powerful and thereby more influential in the region. "We expect Indonesia to play a major role", declared former Japanese Foreign Minister Takeaki Matsumoto recently in the context of the South China Sea.⁵⁴

The shift in global economic and political power to the Indo-Pacific has enhanced ASEAN's authority and relevance, and by extension Indonesia's. Management of the regional economic and political order is firmly anchored in ASEAN as reflected in a raft of fora, including the ASEAN Plus mechanisms, ASEAN Regional Forum, the ASEAN Defence Ministers Meeting and now the expanded East Asia Summit. ASEAN remains the cornerstone of Indonesia's foreign policy despite some frustrations, and there is a strong sense of ideational continuity in Indonesia's strategic policies, harking back to the early Cold War environment when Indonesia's 'independent and active' foreign policy tenets were first formulated. In many ways the Suharto-order rationale for ASEAN as strategic buffer has gained greater currency in recent years. But not against the communist Chinese menace, but against a powerful Chinese state increasingly seeking to assert its interests and an extant hegemon in the United States, increasingly unsettled by such developments.

Conclusion

Australia and Indonesia's strategic policy approaches to China are essentially convergent, although you will not see Indonesia 'taking sides' in Sino-US rivalries or framing its discourse in terms of alliance relationships or expanded US-basing facilities, evident in heated debates within Australia

⁵² For shift in strategic threat perceptions from Indonesia to China in the context of the 2009 White Paper see Graeme Dobell, 'White Paper: China Nightmare, Indonesian Dream', *Lowy Interpreter*, 4 May 2009, <www.lowyinterpreter.org/post/2009/05/04/Defence-White-Paper-China-nightmare-Indonesian-dream.aspx> [Accessed 1 July 2011].

⁵³ Ahmad Rizky Mardhatillah Umar, 'A Critical Reading of the Natalegawa Doctrine', *The Jakarta Post*, 7 January 2011, <www.thejakartapost.com/news/2011/01/07/a-critical-reading-%E2%80%98natalegawa-doctrine%E2%80%99.html> [Accessed 12 March 2011].

⁵⁴ 'Indonesia Leader Talks Ties, South China Sea Tensions', *The Japan Times Online*, 18 June 2011, <<http://search.japantimes.co.jp/cgi-bin/nn20110618a2.html>> [Accessed 2 July 2011].

over how it should respond to China's rise. Indonesia does not fully trust China and remains concerned about Chinese assertiveness in the South China Sea, but will maintain a measured rhetoric over China publicly, since it stands to gain immense benefits from the bilateral relationship in economic, military and diplomatic terms. Indonesia will continue to hedge against China based on its independent foreign policy doctrine and concerns about China's longer term politico-security intentions.

Such contradictory elements of Indonesia's relationship with China are not especially problematic for Australia. In fact, Australia faces many of the same challenges as Indonesia does with respect to dealing with a principal trading partner who it does not fully trust in strategic terms. In broad terms, Indonesia's post-1998 rapprochement with China has being hugely beneficial to Sino-Southeast Asian relations cementing Indonesia and Southeast Asia's economic integration with China, and engendering prosperity and regional harmony in contrast to the antagonisms of the past. Similarly, growing defence cooperation between Indonesia and China should not be seen as a threatening development to Australia, as it will have positive spin-offs for Indonesia's military capabilities and professionalism—key objectives of Australia's defence engagement with Indonesia.

The fact that Indonesia continues to hedge against China is positive for Australia. As Jakarta seeks a meaningful *modus vivendi* between ASEAN states and China on the South China Sea, Australia's utility to Jakarta is further augmented. Australia's contribution to East Asian regionalism has long been appreciated by Indonesia. Indeed, it has been an area of collaboration largely quarantined from the past vagaries of the bilateral relationship. Indonesia understands Australia is an important regional middle power, who also constitutes a useful balancing actor to Chinese assertiveness along with states such as South Korea and India. There are opportunities for Australia in the overlap of its regional strategic objectives with Indonesia and it should seriously invest in processes which underpin Indonesia's regional leadership role and enhance Jakarta's leverage over Beijing. These could include closer first and second track coordination on regional economic and security issues; a renewed focus on enhancing Indonesia's defence and diplomatic capabilities; and substantive support for the Jakarta-based ASEAN Secretariat, for example.

In conclusion, a stable, prosperous and externally-focused Indonesia constitutes an important counterweight to China based on its strategic consequence to Beijing and growing significance for China's regional foreign policy agenda. This article has argued that closer relations between Asia's giants, driven by Indonesia's democratisation experience and economic convergence, should be seen as a positive development for broader regional stability. Indonesia and China are drawing closer together, but Overholt's antibodies toward Chinese assertiveness will still circulate within the Indonesian organ for some time to come. This is good news for Australia.

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