

Research Article

Indonesia's Role in the Rise of East Asia amid China's Ascendancy

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Abstract

China is leading East Asia as the epicentrum of growth in the third decade of 21st century, however, the role of Indonesia is eminent in this rise. Meanwhile, the struggle over influence in the region is acrimonious, as USA, China and Russia are vying for support from countries in this strategic region. Through the lens of neorealism, this study attempts at examining the role of Indonesia in rising East Asia. It argues that Indonesia plays major role especially in mediating and balancing both US – China rivalries through carefully crafted diplomatic strategies. Indonesia provides regional frameworks within which cooperations between opposing countries is possible, while at the same time safeguarding these cooperations through balancing act. Indonesia's strategic position enables it to serve as a global balancer by accepting agreements with China and maintaining close security ties with the United States. Through prudent policies, Indonesia upholds regional stability and plays an effective mediating role among major global powers.

Keywords: Neorealism, Balancing Act, Indonesia, China, Intermediary.

INTRODUCTION

East Asia has experienced fascinating economic transformation in the last decades, with People's Republic of China (hereby referred to as China) as the main driving force behind the revival of this region. Historically, countries in East Asia are economically tied strongly, as evident in 1997 Asian Financial Crises when the region plunged altogether due to credit bubbles and fixed exchange rates (Yamazawa, 1998). Nowadays, valid data and recent facts clearly illustrate significant impact of China's steady economic growth and various initiatives of economic policies on East Asia's overall rise. Firstly, China's rise has economically brought about changes in (1) trade balance for its neighbors as the growth of China's Gross Domestic Product is at an impressive rate of 5% annually for more than 30 years. Domestically, the growth of middle class and increasing purchasing power of its population has changed the dynamics of domestic market in China, turning it into a strong consumer-based market. In 2020, World Bank indicated that China's GDP eventually reached US\$ 14.7 billion, making it the second largest economy in the world behind United States of America (USA). China is currently the largest importing and exporting country in the world, affirming its domination and vital role in international trade and global supply chain with the total value of China's foreign trade in the same

year is approximately US\$ 4.6 billion (de Maricourt & Wang, 2023; World Bank, 2023). Increasing size in China's economy consequently escalates demand in imports and assist supply for export of required products to other countries, which in turn drives economic growth among trading partners.

Meanwhile, (2) massive investment in infrastructure is one of the characters of China's economic revival. Through the initiative "One Belt, One Road" (BRI), China attempts to build cross-border connectivity that supports trade and investment. The total value of BRI is more than US\$ 65 billion annually since its inception in 2013, making it the largest infrastructure investment scheme ever recorded (McBride et al., 2023; C. N. Wang, 2023). The impact of BRI is visible in the increasing dependency of many countries to China's investment and support on infrastructure sector. This is evident in an analysis by Sznajderska and Kapuscinski, indicating especially how spillover effects of China's economy demonstrates strong linkages (Sznajderska & Kapuściński, 2020).

Secondly, China is a leading country in technology and innovation. High technology development such as 5G, artificial intelligence, e-commerce, transportation, civil engineering and sustainable energy production have strengthened China's position as the center of global innovation. As of June 2023, China currently possesses the most advanced 5G technology and its largest network. Companies like Baidu, Huawei, ZTE and Alibaba are major player and contender in both artificial intelligence and e-commerce (GT Staff Reporters, 2023). Besides that, China is also dubbed as the 'winner in the race' for clean energy technology, using cutting-edge technology in solar panels, wind turbines, hydropower, as well as the increasing use and production of electric vehicles (EV) (Chia, 2022). No exception is China's highspeed rail technology. For such advancement in technology, China assists its Asian neighbors in developing infrastructure through transfer of technology and investment, including but not limited to, Indonesia's Jakarta-Bandung Highspeed Railway, Lao – China Railway which is a section of Kunming – Singapore Railway line, and the US\$ 14 billion clean energy investment in the Philippines.

In the face of China's economic rise, the United States (US) is increasingly strengthening its influence in East Asia. The US responds to the challenge of China's dominance by enhancing its military presence, intensifying regional cooperation, and bolstering alliances with strategic partners. These measures include increased maritime patrols, heightened military support to regional allies, and expanding economic partnerships with countries in East Asia. Thus, the US actively seeks to maintain its primary role in regional geopolitics, underscoring that this global power remains a crucial player in shaping the evolving dynamics of security and economy in East Asia. Indonesia has taken concrete steps to manage the instability arising from the competition between the US, Russia, and China in East Asia. One of the main efforts is active participation in the ASEAN Regional Forum (ARF), a security and cooperation dialogue forum in the region. Indonesia uses this platform to support multilateral dialogue and seeks to create understanding among the involved countries (Kusuma, 2011).

Additionally, Indonesia consistently advocates for the principles of peaceful diplomacy and conflict resolution based on international law. The country has been

involved in the formation of regional cooperation mechanisms, such as the Zone of Peace, Freedom, and Neutrality in the South China Sea (SCS- ZOPFAN), aimed at addressing tensions in the region (Kusuma, 2011). Indonesia's role as a balancer in East Asia is reflected in its consistent advocacy for peaceful diplomacy and conflict resolution based on international law. Actively involved in establishing the Zone of Peace, Freedom, and Neutrality in the South China Sea (SCS-ZOPFAN), Indonesia becomes a moderate force facilitating dialogue and cooperation.

Amidst this shift in global order, Indonesia emerges as a rising power that supports East Asia's economic revival led by China. In recent years, Indonesia – China relations has been growing warm in quiet especially during Joko Widodo's administration (regardless of a short tension on Natuna waters), following more ambiguous stance during Yudhoyono's (Grossman, 2021; Sukma, 2009b). The deal in Jakarta – Bandung High-Speed Railway and China's 'vaccine diplomacy' has lent a hand for the relations of what president Jokowi called 'good friend and brother' (Grossman, 2021). As the fourth largest country in terms of population (thus available and abundant cheap labor), Indonesia is an important consumer-based market for China where BRI sea-route crosses Indonesia's territory in Natuna waters. Recently, this largest archipelagic country in the world have taken leadership in G20 (2022) and ASEAN (2023), confirming of its position as regional power in Southeast Asia. For East Asia, one of the significant roles that Indonesia has played especially amidst souring US – China relations, is mediating the tension. One of the pieces of evidence is highlighted in recent news article by Kompas, which features the effort of Indonesia's Minister for Foreign Affairs, Retno L. Marsudi, in bridging tension among convening parties during East Asian Summit (EAS) this early September (Aulia, 2023). This is a sign that Indonesia is holding an influential position in the Rise of East Asia led by China.

This article analyzes Indonesia's crucial role in East Asia's economic revival led by China, focusing on economic cooperation, investment, bilateral trade, manufacturing sector development, and growth. The study provides valuable insights for researchers, policymakers, and businesses, fostering cooperation, enhancing bilateral relations, and guiding effective policy development. Indonesia – China bilateral relations have drawn significant attention from academia and researchers. A number of articles discussing the matter from various aspects have been published. Nonetheless, in this critical analysis, we review several key articles to identify remaining research gap. A book chapter by Murphy entitled 'Indonesia Responds to China's Rise' asserts that Indonesia exhibits characteristic of a robust middle power especially in Southeast Asia by securing its national interest while also creating positive image of China, despite US-China feud in the region and China's growing influence in ASEAN (Murphy, 2014). However, this article exposed only a limited discussion on Indonesia's role in East Asia's rise. This gap was then explored by Lowy Institute in its report 'Indonesia in the South China Sea: Going It Alone' by stating that Indonesia changed its position from being mediator in this multilateral spat, to become more lenient toward China during Jokowi's administration (Connelly, 2016). However, the discussion focuses more on SCS dispute and neglecting Indonesia's

growing role in bridging relations between other countries and China, notably during East Asian Summit (EAS) and G20 summit.

Natuna conflict is indeed one of the main issues concerning China's relations with East Asian countries, including Indonesia. An article entitled 'The Analysis and Resolution of North Natuna Sea Conflict in the Future' provides three scenarios in regards to Indonesia's future in the face of China's growing presence. The article predicts that China will either (a) remain intrusive in its SCS policy, (b) reduce military strength in NNS, or (c) promote social capital and cooperative approach with ASEAN. It emphasizes how changes in Indonesian current system is imperative in facing this, especially appropriate mechanism and cooperation to prevent prolonged conflict in managing Indonesia – China cooperation in NNS without compromising national sovereignty (Samudro et al., 2023). An article by Gunawan entitled 'Attitudes and Strength of Indonesian Government in Resolving the Natuna Conflict: Analysis of Indonesia – China Interdependence Relations' discusses the importance of Indonesia – China cooperation in resolving the conflict, however, more in-depth research is crucial to explore strategies for both countries in preventing conflict escalation and promote peace in the region (Gunawan, 2023). Indonesia – China sea-border friction on South China Sea (SCS) is also explored in 'China and Indonesia's Responses to Maritime Disputes in the South China Sea: Forming a Tacit Understanding on Security', and it recommends that deeper cooperation between both powers (Zou, 2023). However, there is an available room for further research concerning impending factors that shapes silent understanding between both powers, and its long-term implication of this understanding toward regional security.

Another article that draws attention is 'Digital Sovereignty in Indonesia – China Trade Relations,' but further study is necessary to explore further how digital sovereignty influences economic and political policy of both states and its impact on data privacy and security (Puspita et al., 2022). In the context of trade, article entitled 'Trade Cooperation between China and Indonesia in the Context of Carbon Border Tax: Current Situation and Prospect' analyzes trade cooperation between Indonesia and China in carbon border tax, yet it has not explored discussion on how the implementation of carbon border tax may affect trade relations of both countries and its attempt at cooperation in tackling global environmental challenges (Gang et al., 2023).

Additionally, 'China – Indonesia Relations: The Debate over Foreign Aid During the COVID-19 Era' argues how China's foreign aid is important in helping Indonesia to tackle pandemic COVID-19, but further investigation is needed to assess the impact of this foreign aid for bilateral relations, as well as the role and responds of Indonesia to this foreign aid (Candra & Zhafran, 2023). Another article 'Indonesia's Relations with China in the Age of COVID-19' highlights the importance of cooperation between Indonesia and China in overcoming pandemic COVID-19 (Yu & Han, 2023). Still, further research may be necessary to explore how this pandemic affects both countries' political, economic and security relations, as well as the implications on long-term cooperation of both countries. Finally, another relevant article 'Indonesia – China Relations: The Politics of Reengagement' discusses post-reformation Indonesia – China relations, however, further research is required to examine the role of Indonesia and China in building political and

economic stability in Southeast Asia and their relations in tackling global challenges like climate change, security and other regional issues (Sukma, 2009a). It can thus be inferred from the above literature study that critical analysis on Indonesia – China relations has been conducted and some of them have demonstrated thorough examination on the subject. However, there is a huge gap on the discussion, concerning the role of Indonesia in East Asia's rise led by China. This research aims specifically to fill this gap.

METHOD AND THEORY

In understanding Indonesia's role in the East Asia's economic revival led by China, this research will utilize comprehensive case study method coupled with qualitative analytical approach chosen for its relevance and methodological rigor. This approach enables in-depth analysis on the complexity of interaction between Indonesia and China, and other stakeholders. Case study method allows us to observe the phenomenon holistically and deeply. This research analyzes history, current dynamics, and future projection of Indonesia's role in East Asia's economic revival. Secondary data like official statements, reports, news releases, trade and economic data, journal articles and historical data will be analyzed to obtain comprehensive understanding of the topic. Combination of case study method and qualitative analysis will produce in-depth understanding on how Indonesia contributes to East Asia's economic revival led by China, how the dynamics of relations between the two developing countries are progressing, as well as its impact on the economy and geopolitics of the region.

In exploring Indonesia's involvement in East Asia's resurgence spearheaded by China, this study will apply neorealism in international relations as a theoretical framework particularly on dynamics of power, security and structure in international politics. This paper examines the issues of high politics, by exploring dynamics of power politics where Indonesia plays its role as regional power in Southeast Asia in the face of growing China's influence, a great power regionally and globally. Neorealism is considered suitable due to its relevance and applicability for dissecting high politics, as is this case. Neorealism is also selected because it focuses on behaviors of great powers and its impact on international system, using multi-level (individual, domestic and systemic level) analysis. Beyond that, this topic is substantially state-centric, which accurately aligns with neorealism's assumption that states are the main actors in international system.

Neorealism's main argument is that it is the structure of international system that shapes the behavior of states to compete for more power. Commonly known as structural realism, it argues that international system is anarchic because it has no higher authority above states and that states are main unitary rational actors operating in international system based on distribution of power. There is an unequal distribution of power among states as the main actors, therefore the behavior of states is determined by this structure that eventually drives states to compete for power and prioritizes its own interest. A state's power is conceptualized in neorealism as tangible resources and potentials, that includes military capability, socioeconomic strength, technological advancements, natural resources, population and workforce, as well as its geographical condition (Mearsheimer,

2016). Accordingly, because of its self-help nature, states will attempt to gain greater power relative to its competitors, creating security dilemma between states. In explaining states' behaviors, neorealism categorizes states into several groups according to its relative power and capabilities in international system, namely great powers, middle powers, small powers, regional powers and pivotal states (Mearsheimer, 2016; Schweller, 1999; Waltz, 1979).

In the framework of neorealism, China as the great power in the rise of East Asian economies, thus behaving accordingly by attempting to secure and expand its influence. China's capabilities, its assertiveness and foreign policies reflects its role as a great power both in the region and globally. China undoubtedly possesses one of the most prominent tangible and potential power in the world. In the language of Waltz's theory of international politics, China is considered as a great power because indicators demonstrate China's capacity in ensuring security and building up defense capacity. As such, China behaves in the way that great powers do, by actively maintaining and demonstrating its capability to defend against military offense by any rival and possesses capability to perform self-reliant unilateral offense, when necessary. This is evident in China's gradually increasing military budget and military exercises despite being the 3rd largest and strongest military (Global Fire Power, 2023; Monteiro, 2014). As China is assured of its great power status, its firmness is illustrated in the increasing number of military and political actions taken on disputed areas which were previously undisturbed, such as Senkaku/Diaoyu, Nine-Dash line in SCS, dispute over Doklam plateau (2017) with Bhutan and dispute on Arunachal Pradesh/Southern Tibet and Aksai Chin (2020 – 2021) with India. In the lens of neorealism, China has been attempting to balance USA as the recognized great power as a response to perceived security threat, while other countries are counter-balancing China's influence. This fact shows that China is a great power, behaving with its status, as well as being recognized as great power by other countries through its counter-balance act.

In the framework of neorealism, Indonesia is considered to be a middle power. With 273 million people growing significantly along with its 5% annual GDP growth, top 16 largest economies in the world and remarkable military strength, Indonesia has been demonstrating its capability as a potential great power and definitive emerging power. However, Indonesia has had some limitations, thus its relative power is indicative of middle power status, as evident in the downfall of Indonesia's Global Maritime Fulcrum (GMF) policy (Arifia, 2020; Nauvarian & Pramudia, 2022; Rusdi, 2023). Neorealism postulates that states, provoked by the pursuit of security in an anarchic international system, engage in strategies to maximize their security, which for middle powers mean balancing or band-wagoning (Waltz, 1979). Therefore Indonesia, as a mid-level and regional power, does not seek dominance, rather employs strategies of balancing (Mearsheimer, 2001). With its relative power, Indonesia may perform balancing act as a regional power, managing security dilemma in the region for its national interest, as well as playing role as regional leadership especially for ASEAN. It engages in multilateral diplomacy in regards to its role as regional diplomacy and balancer.

According to Mearsheimer, the idea of balancing act for middle powers according to neorealism means that middle power must behave strategically on international system by engaging in carefully crafted diplomatic maneuver and military strategy to protect national and security interest. It behaves in balancing act, which often means establishing collective action with other states through partnerships, alliances or supranational organizations like ASEAN to proportionate the power of great powers. As regional leaders, middle power facilitate connection and interaction between great powers and small powers by becoming mediator, as well as mediating between great power in cases of competing interest between great powers in order to maintain regional stability. When necessary, band-wagoning to one great power might be viewed as beneficial when it serves the interest. Balancing could also mean that middle powers approach different great powers for different sectors for cooperation, thus maintaining outward cooperative and balance appearance (Goertz et al., 2016; Mearsheimer, 2001; Parent & Rosato, 2015).

By using neorealism, especially the idea of balancing act, this paper argues that Indonesia plays significant role by becoming balancer in the region as well as regional leader. It acts as mediator between China and USA as two great powers that conflict and compete, therefore providing larger option for states in the region for cooperation, while also maintaining threat at manageable level. Indonesia also sustains role as leader for multilateral diplomacy facilitator in large forum such as ASEAN, RCEP, EAS and G20. Beyond that, Indonesia also manages its balance internally and externally, by reaping benefits from robust economic cooperation with China through investment and trade, while maintaining regional stability. In facing China's economic revival, Indonesia adopts diplomatic strategic to maintain balance in economic and security sector, by minimizing negative impact while maximizing positive impact of bilateral relations with China.

Despite the theoretical framework of this paper being centered around the China-Indonesia relationship in the context of neorealism, the title "East Asia's Rise" remains relevant and can be convincingly linked. Firstly, Indonesia's role as a balancer, mediating between China and the United States in the region, has a positive impact on the dynamics of relations in East Asia. As a regional leader, Indonesia can stimulate broader cooperation, effectively supporting the overall rise of East Asia. Secondly, Indonesia, as a balancer, also plays a role in multilateral forums such as ASEAN, RCEP, EAS, and G20. This involvement contributes to regional thinking and policies, influencing the direction of growth and stability in East Asia. Thus, the role of Indonesia outlined in this paper is directly related to the dynamics of East Asia's rise. Thirdly, Indonesia's diplomatic strategy to maintain balance in the economic and security sectors, in the face of China's economic resurgence, supports the concept of East Asia's rise as a whole. By maximizing the benefits of economic cooperation with China, Indonesia not only preserves regional stability but also makes a positive contribution to the economic growth of East Asia. Therefore, despite the focus on China-Indonesia bilateral relations, the analysis and role of Indonesia described in this paper can robustly be associated with the rise of East Asia. The overall concept of balancing and regional leadership from Indonesia significantly contributes to the dynamics of development in East Asia.

RESULT AND ANALYSIS

In the logic of neorealism, Indonesia-China economic and diplomatic cooperation reflects a rational state strategy to maximize relative gains and adapt to global power dynamics. The growth in trade and investment signifies strategic steps by these nations to navigate global dynamics. Indonesia, as a middle power, leverages control over key commodities to shape its bargaining position. Diplomatic balance with China and the U.S. demonstrates adaptation to global political realities. Limited security cooperation with China, coupled with close military ties to the U.S., reflects Indonesia's rational calculations amid regional tensions. Acting as a mediator, Indonesia plays a role in the international security structure.

Economic indicators illustrate that Indonesia – China economic cooperation is at its peak during recent years, particularly after 2013 BRI agreement between Indonesia and China. There are three real economic indicators that shows this strengthening relation, namely in (a) trade relations and (b) investment. In terms of trade, despite the history of fluctuating relations between the two, Indonesia – China trade value increased exponentially from a total of US\$ 8,705 billion in 2005 to US\$ 48.229 billion in 2015, while in 2021 it values at an impressive number of US\$ 110.01 billion (Anwar, 2019). Indonesia currently lists China as its largest trading partner, while for China, Indonesia is its 12th largest but by far the largest in Southeast Asian region. Meanwhile, China's investment in Indonesia has more than doubled since the initiation of BRI in 2013, numbering at US\$ 8,2 billion in 2022 from merely US\$ 297 million in 2013 (Setiawati, 2023; Shofa, 2023). More importantly, Indonesia receives massive China's investment in mining production essential for China's clean energy rise, such as nickel (i.e. in Morowali and Weda) and glass for solar panel (involving Rempang island dispute in Riau Islands) (Dinata et al., 2020; Kurnia, 2023). In return, Indonesia accepts China's offer to construct the notorious Jakarta – Bandung Highspeed Railway project. Beyond that, China contributes a huge share in the constructions of numerous Indonesia's National Strategic Project (Oswaldo, 2023). China is hereby Indonesia's largest trading partner as well as largest contributor of FDI.

The above increase in Indonesia – China relations is a result of Indonesia's extensive economic diplomacy to benefit from spillover effect of China's rising status as great power. China's growing economy implies that there is an immense market potential, investment opportunities as well as capitalization that Indonesia could tap into. Indonesia's attempt began in 2005 when President Yudhoyono signed a declaration of 'Strategic Partnership,' extended with 'Comprehensive Strategic Partnership' in 2013 especially emphasizing the importance of Maritime Silk Road (MSR). Since then, state visit between the two has only grown closer as more state visit are held more frequently: 2013, 2015, 2017, 2018, 2019, 2022 and finally 2023. In building close relations, it requires active approach from both sides to strengthen the bond, which manifests in various ways.

For Indonesia, strengthening economic ties with China is crucial because of relative gains that Indonesia may obtain from spillover of China's growing economy, demand and investment opportunities. In neorealism, arrangement of economic cooperation is

measured by its benefit to optimize state's relative power regionally and globally. Meanwhile, Indonesia's reserve of untapped natural and human resources is massive, however it is evident that Indonesia experienced major obstacle in providing financial resource for the development. At the same time, Indonesia is also seeking for further markets for its available products. China's rise becomes the new option of investor other than the traditional Western countries that can assist Indonesia in materializing its goals in becoming regional power. However, Indonesia is indeed in competition with emerging economies in Southeast Asia to become regional power, including Vietnam, Singapore, Malaysia, Thailand and the Philippines as these countries are rapidly growing and also are attracting investments.

To do so, Indonesia actively employs a number of strategies in its economic diplomacy with China to improve its relative position in the region and globally. First, Indonesia is actively initiating a number of business forums to discuss economic cooperation with China. Endeavors includes (but not limited to) Belt and Road Forum for Economic Cooperation in 2017, Indonesia – China Investment Forum (2019), Indonesia – China Business Summit (2020), Indonesia – China Energy Forum (2019) and Indonesia – China High Level Economic Dialogue (2020) (Bilateral Cooperation, 2023). More recently, China's Prime Minister Li Qiang attended Indonesia – China Business Reception, highlighting 6 sustainable economic development agendas, namely down-streaming, digitalization, infrastructure development, education, economic distribution and decarbonization (Suryakusumah, 2023). The above forums foster opportunities for Chinese and Indonesian investors to meet and discuss economic cooperation, to enhance business ties between the two. One of the results is China's doubling trade and investment in Indonesia between 2021 to 2022 (Koswaraputra, 2022).

In the context of economic initiatives between Indonesia and China, convincing spillover effects can be observed through a significant increase in trade and investment. The organization of various business forums, particularly after the participation of China's Prime Minister in the Indonesia-China Business Reception, has created opportunities for investors from both countries to meet and forge more economic collaborations. The emphasis on the six sustainable economic development agendas highlighted in the event, such as down streaming, digitalization, and infrastructure development, has generated positive impacts that permeate various economic sectors. The substantial increase in China's trade and investment in Indonesia, doubling in figures, also indicates sustained spillover effects from the close economic collaboration between the two nations. Thus, Indonesia's efforts to enhance its position in economic relations with China effectively generate widespread positive impacts, reflecting the success of its economic diplomacy strategy.

Secondly, Indonesian officials (including president and ministers) frequently invite China's officials and pay a visit to China's ministries/government agencies to extend economic cooperation. In such meetings, further discussion can be deepened to persuade China's investment or offer arrangements to strengthen ties. Such meetings between highest level officials are crucial to shortcut business and cooperation deals as well as symbolizing the importance of cooperation under deliberation. For example, Indonesia

Minister of Foreign Affairs, Retno L. Marsudi stated that President Joko Widodo (thus Jokowi) persuaded Premier Li Keqiang to accelerate China's implementation of trade and investment pledges (Karmini, 2023). At ministerial level, Indonesian Coordinating Minister for Maritime and Investment Luhut Binsar Pandjaitan visited China's national Development and Reform Commission (NDRC) in an attempt to continue negotiation on the development of food estate in Sumatera and Kalimantan (Putri, 2023). Similar meetings have taken place regularly and is predicted to continue further as the relations grew stronger.

Third, Indonesia actively pursues closer ties with China in terms of investment and trade by offering incentives and reducing barriers for both parties. Trade barriers are used to shield the national economy from foreign products, including protecting local producers from imported goods. However, when tariffs and trade barriers are reduced or eliminated, it means that Indonesia is opening its market to China, even though this exposes local producers and the economy to greater vulnerability from foreign economic influences. In the neorealist perspective, such actions are negotiable only if the benefits outweigh the risks. In her recent visit, Minister Marsudi offered common removal of trade barriers to strengthen bilateral trade relations, yet pointing out Indonesia's consideration for public interest (Tempo, 2023).

Meanwhile in terms of investment, some of Indonesia's attempt at expanding healthy investment climate are specifically designed for China as an emerging player in global investment. One of them is the notorious Omnibus Law, which provided regulations on tax incentives, tax holiday, labor regulation, tax reforms, and investment procedure for companies to improve Indonesia's competitiveness among other nations. Indonesia has designated Special Economic Zones (SEZs) as PSN in order to simplify licensing procedure and expediting acquisition of land. Under Indonesian Investment Coordinating Board (BKPM), Minister Bahlil Lahadalia has set up a help-desk specifically targeting China's investor to facilitate application. Consequently, China has successfully landed its investment in some of the major deals, including Weda Bay Industrial Park in Maluku, Rempang Ecocity and Indonesia Morowali Industrial Park (Yean & Negara, 2020). In some cases, Indonesia publicly preferred China's investment, such as in Jakarta – Bandung High-speed Railway.

Despite this closeness, however, Indonesia's burgeoning unhealthy dependence on China have caused several adverse impacts that the former must mitigate. China currently holds the upper hand because it is Indonesia's largest trading partner and investor, while for China, Indonesia is only its 12th largest. Moreover, Indonesia has elevated its debt to China at all-time's high US\$ 411.5 million, while the former's infrastructure projects as part of PSN are mostly funded by the latter. Such dependency is perilous as it exposes Indonesia to vulnerability to China's pressure and economic stability. Beyond that, China's involvement in Indonesia has stirred Indonesian politics due to two reasons: (1) it awakens historical stereotypes on Chinese population due to rumors on large incoming of China's migrants along with factories, and (2) politicization of the above stereotypes as well as public anxiety that China's involvement in Indonesia might compromise its sovereignty (Simandjuntak & Lin, 2023). Public anxiety is exactly

on the issue of China's ability to compromise Indonesia's sovereignty, as evident in its impertinence by violating Indonesia's territorial waters in NNS. Such anxiety is exacerbated amidst the developing issues regarding China companies in Indonesia, including: (1) poor relations between Chinese nationalities with local Indonesians in Chinese factories, (2) environmental degradation resulting from China's mining companies, (3) rumors on influx of 200,000 China's illegal workers in some of its factories (Tritto, 2023). In addition, China's reputation for weaponizing its trade for national security and economic interest makes the anxiety even worse (Trystanto, 2021).

One of Indonesia's features in safeguarding its bargaining position in global economy is holding control over a key commodity: nickel. Nickel is currently one of the most sought-after raw materials to produce batteries required for electronic devices, especially EV. Indonesia currently possesses the largest nickel reserves in the world, producing at 771,000 metric tons in 2020 alone, the largest production rate of any nickel producers at the moment (Tritto, 2023). With this, Indonesia holds the strongest position in global nickel production, incurring global dependency on Indonesia. This is visible when Indonesia's ban on exporting raw nickel ore caused disruption European EV production as well as shifting strategies of China's companies relying on nickel supply. This ban forced China's companies to invest more in Indonesia's nickel ore processing, as it aligns with China's ambition to become the global player in EV makes it vulnerable and dependent to Indonesia's nickel supply. With this fact, Indonesia dominantly controls the export on intermediate nickel products and thus a bargaining power for Indonesia.

In the challenging fact that Indonesia must encounter, the rising middle power must tread its relations with China delicately, therefore its diplomatic approach appears to be soft on China. In recent ASEAN ministerial meeting, for example, Indonesia took benign advice to China, requesting avoidance on the use of force against Taiwan, accentuating its free and active, non-alignment foreign policy style (Rakhmat, 2022). In the case of SCS, Indonesia's approach is more lenient on ambivalent neutral position. More vividly, President Jokowi stated that Indonesia is 'non-party' in SCS dispute, and even further Minister Luhut affirmed that NNS case 'should not be exaggerated' by Indonesian populace (Connelly, 2017). Similarly, in United Nations' Human Rights Council, Indonesia used the excuse of preventing political clash to reject the motion against China's alleged human rights abuse in Xinjiang against Muslim Uighurs (The Jakarta Post, 2022). It can be inferred from the above cases that Indonesia attentively assuring that its responses, policies and actions will not in any way hurt its relations with China.

However, when sovereignty is compromised, Indonesia firmly takes necessary measures. President Jokowi's move to personally visit Natuna Islands in response to China's breach of Indonesia's EEZ indicates Indonesia's firm stance on its territorial rights. Indonesia's gallant stance on the violation is based on its assured position that China's attempt at harming regional stability will incur their own cost. Jeopardizing relation with Indonesia is counter-productive for China since it may halt China's current rise while in competition with the US. In response to the above case, China mitigated the growing sentiment by approaching various actors in Indonesia (Fitriani, 2021). Even more, the balance of power prevailing in the region is too costly to challenge, because China is

facing other ASEAN claimants of SCS: Malaysia, Vietnam, Brunei, the Philippines (with the US in its back) and of course, Indonesia. Therefore, interplay between economic cost and security arrangement in Southeast Asia has prevented China from overstepping boundaries by using force.

This means that without compromising its own independence, Indonesia is solemnly playing the role as intermediary between the US, China and ASEAN especially in the highly nerve-wracking SCS dispute. Indonesia can play this role because of its (1) closeness with China, (2) Indonesia's considerable prominence in Southeast Asia and (3) a non-partisan in the SCS dispute, while at the same time possesses (4) the ability to negotiate closely with ASEAN members. Understanding China's tendency to prioritize economic interest over the cost of military clash (Mearsheimer, 2001) and without this determining role of Indonesia, China would depend solely on Indonesia's strategic diplomatic maneuver on securing regional stability. Indonesia's mediatory role becomes even more critical because security alliances among ASEAN members are divided between US allies (Thailand, Singapore and the Philippines) and China's (Cambodia, Laos and Myanmar), while Indonesia is a declared neutral (Pramono, 2018).

In a bid to guarantee this balance of power in the region, Indonesia is leading balancing act in regional Southeast Asia by (1) taking regional leadership in negotiation on contentious issues. Meetings such as East Asian Summit (EAS), Regional Comprehensive Economic Partnership (RCEP) and ASEAN + 3 have assisted countries in Asia Pacific, including rivals to meet in a single forum. In a recent EAS meeting, Minister Marsudi successfully facilitated a joint declaration of countries from rival blocks, namely Japan, China and the US (Aulia, 2023). Similarly, president Jokowi showcased its diplomatic endeavor in mediating discussion between warring parties of Russia and Ukraine, along with other Western counterparts in G-20 meeting in 2022 during Indonesia's leadership (France 24, 2022). More importantly, Indonesia promotes discussion on SCS conflict through ASEAN Outlook on the Indo-Pacific (AOIP) by peaceful means, particularly highlighting ASEAN's centrality on US-China rivalry and addressing its stance on this issue (Fitriani, 2021).

Indonesia's leadership is more apparent at RCEP because it is Indonesia that initiated this forum and thus holding the role as country coordinator in negotiating economic agreement for 16 members, including opposing ones like India, China, Japan, Australia, South Korea, New Zealand and ASEAN (Kementerian Perdagangan RI, 2019). These exemplifies how Indonesia is the key determining factor of success for these meetings because its carefully crafted diplomatic strategies that fosters 'free and active' relations thus giving Indonesia opportunity to mediate differences among rivals. This is because of Indonesia's neutral stance on almost all of contentious rivalries. In ASEAN, Indonesia can mediate between US allies and other ASEAN members with China, because of both Indonesia's claim on neutral stance in US-China rivalries as well as its closeness to China. Through this role, Indonesia successfully highlights its regional leadership in Asia Pacific to focus more on economic interlinkages rather than unproductive rivalries.

In balancing militarily, Indonesia has limited attempts at security cooperation with China while balancing China's military prowess through closer ties with the US. China has exposed Indonesia to a threat because of frequent incidents in SCS, therefore Indonesia have grown wary of China's military might. To balance this power, the US is a preferable military partner for Indonesia because of Indonesia – US history in military cooperation. In 2013 – 2021, arms trade between Indonesia and US (US\$ 946 million) is three times as large as Indonesia – China (US\$ 269 million) (Fitriani, 2022). There are indeed some indicators of engagements in Indonesia – China security cooperation, including Annual Indonesia – China Defense Security Consultation Talk, Xiangshan Forum and ASEAN Defense Ministerial Meeting Plus which involves China (Fitriani, 2022). Regardless of that and current Biden administration's focus on AUKUS, Indonesia – US signs the deal to provide training for Indonesia's special Maritime Security Agency (BAKAMLA) (White House, 2022). Regular military exercises are still also conducted as previously, and more importantly around Riau Islands territory where previous China – Indonesia clash occurred in Natuna waters (Grossman, 2022; Rachman, 2023). Indonesia hereby increases its relative position by balancing China's looming tension in SCS with security cooperation with ASEAN and the US.

The fact that Indonesia is the intermediary actor in assuring controls of rivalries in the region demonstrates its significance in the rise of East Asia. Indonesia plays as a mediator between ASEAN, China and the US in the intense rivalries between two global powers. Current growth in the region is provoked largely by China's investment and trade relations with countries in the region, however looming threat of China's growing military prominence that might jeopardize these countries remain. It is noteworthy that China – US rivalries, in turn, have created balance of power in the region that produces stability for economic growth (Pramono, 2018). In such situation, however, economic cooperation is challenging, yet Indonesia's role enables regional structure that facilitates it.

CONCLUSION

In conclusion, the explained economic indicators illustrates significant impact of China – Indonesia economic cooperation in recent years, with notable increase in trade relations and investments. The massive growth in trade value from US\$ 8.7 billion in 2005 to a remarkable US\$ 110.01 billion in 2021, epitomizes the growing ties between Indonesia and China. Moreover, China's investment in Indonesia has expanded, reaching US\$ 8.2 billion in 2022, a stark contrast to the US\$ 297 million in 2013. This substantial increase in economic collaboration is a testament to Indonesia's strategic effort to tap into the spillover effects of China's impressive economic growth.

Indonesia's active approach in fostering economic relations with China is rooted in the recognition of the immense market potential and investment opportunities from China. By establishing strategic partnerships and conducting high-level state visits, Indonesia has successfully deepened its economic ties with China. This deliberate diplomatic engagement has not only facilitated discussions on economic cooperation but has also paved the way for significant trade and investment deals. Moreover, Indonesia

has taken measures to create a favorable investment climate, offering incentives and reducing barriers to attract Chinese investments, particularly in sectors vital for China's clean energy initiatives.

However, this deepening economic interdependence with China also raises important considerations for Indonesia. While China has become Indonesia's largest trading partner and investors, this asymmetry in economic power may expose Indonesia to potential vulnerabilities and pressures from China. The substantial debt owed to China and the involvement of Chinese companies in sensitive sectors have sparked public concern and political debates within Indonesia. Striking a delicate balance between economic cooperation and safeguarding national interest is paramount for Indonesia. Additionally, Indonesia's abundant reserves of key commodities, such as nickel, give it a significant bargaining chip in the global landscape, particularly in the context of clean energy technologies.

In navigating these complex dynamics, Indonesia's diplomatic finesse is evident. Indonesia exhibits remarkable diplomatic intelligence in cultivating economic ties with China. Through active engagement and high-level visits, Indonesia strengthens economic bonds through business forums and investment incentives. Diplomatic equilibrium with both China and the U.S. reflects adaptability to global political realities. As a mediator in the South China Sea dispute, Indonesia asserts neutrality and advocates peaceful approaches via the ASEAN Outlook on the Indo-Pacific. Leveraging key commodities like nickel, Indonesia negotiates its role in the global order, establishing a robust bargaining position. Through this astute diplomacy, Indonesia not only emerges as a regional leader but also plays a pivotal role in shaping the trajectory of East Asia's economic resurgence. By carefully calibrating its responses and policies, Indonesia has positioned itself as a critical intermediary in the broader geopolitical landscape, particularly in the South China Sea dispute. Its ability to mediate the US, China and ASEAN member states showcases Indonesia's regional leadership and its role in fostering stability and economic growth in East Asia. As the region continues to evolve, Indonesia's central position in balancing economic interests with security considerations will remain pivotal in shaping the trajectory of East Asia's economic revival.

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