China’s Dual Neighborhood Diplomacy and Indonesia’s New Pragmatic Leadership  
*How Can ASEAN Preserve its Centrality in a New Challenging Dynamic?*

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The formation of the ASEAN economic community by the end of 2015 will be hailed as a hallmark of ASEAN’s fifty-seven years of passionate cooperation among regional leaders in Southeast Asia. While many consider this achievement as a milestone for ASEAN to pursue further integration, the challenges ahead are also evident.\(^1\) One of the serious challenges is China’s greater involvement in the region. Although China’s new neighborhood policy under President Xi Jinping’s strong and visionary leadership has delivered great economic opportunity for the region, it has also tested ASEAN’s credibility, particularly its ability to maintain the balance of influence between major powers in the region. China has been an ASEAN dialogue partner since 1996 and its contribution to supporting the economic development of ASEAN members has increased significantly ever since. China’s role will increase in the near future with its new commitment to deepen the ASEAN China Free Trade Area (ACFTA) as well as the establishment of the Asian Infrastructure Investment Bank (AIIB), which will contribute to vital interests of ASEAN member states. China has greatly helped ASEAN to grow economically through various cooperation frameworks, but its genuine support for ASEAN’s credibility and unity is questionable.

This article addresses two major issues: the increasing influence of China in Southeast Asia and the role of Indonesia’s new, pragmatic leadership. To what extent will the post-2015 ASEAN be able to shape the changing regional economic and political architecture in a context where China is obviously attempting to strengthen its grip on the region? What role can Indonesia play to consolidate ASEAN centrality and respond to new regional dynamics? This article argues that maintaining ASEAN centrality is imperative for both ASEAN and its dialogue partners, particularly in terms of maintaining the balance of regional influence between the traditional major powers

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and a rising China. ASEAN may lose its political centrality unless its leaders are able to forge a clear direction within this new dynamic. If the traditional great and middle powers want to navigate within the new Asian dynamic, they must help ASEAN to fortify its capacity, credibility, mutual trust, and unity. These nations must unceasingly and proactively back up ASEAN forums, norms and mechanisms, and prove that the cooperation frameworks they promote deliver as many tangible benefits as China’s economic initiatives do.

**ASEAN and China Relationship: Economically Strong, but Politically Shaky**

The rise of China as a regional power has received mixed responses from ASEAN member states. On the one hand, ASEAN member states need China to promote their economic development. On the other hand, they have had an uneasy and tense political relationship with China. This is particularly true with regards to the South China Sea dispute, where China tends to ignore ASEAN leaders’ vocal calls for a peaceful settlement.

China is successfully emerging as an economic magnet that is able to draw in neighboring countries and build a concrete relationship. The economic relationship between ASEAN and China is formalized within the framework of the ACFTA. China first proposed the idea of forming a free trade area at the ASEAN+3 Summit in November 2000. The proposal was presented in November 2001 by then-Premier Zhu Rongji at the ASEAN-China Summit. ASEAN members initially responded cautiously to the proposal. However, a year later, ASEAN established the Framework Agreement on Comprehensive Economic Cooperation Between ASEAN and the People’s Republic of China, which became a legal instrument to guide overall ASEAN-China economic cooperation, including establishing the ACFTA. The ACFTA was eventually launched in 2010.

The results have been remarkable. China has become ASEAN’s largest trading partner, while ASEAN is China’s third largest trading partner. Bilateral trade has increased by 11 percent per year, reaching $443 billion in 2013. A new commitment was recently signed to increase the trade up to $500 billion by 2015 and $1 trillion by 2020.

China’s proposals also include the establishment of the AIIB. China is aware that Asian countries need large amounts of funding for their infrastructure development, and that existing financial institutions are not addressing this need. It is estimated that some $8 trillion will be needed between 2010 and 2020. The ADB’s capital base is only about $160 billion, while the World Bank holds only $223 billion. The AIIB is seen as

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a very strategic way to raise funds for infrastructure development in Asian countries.\(^5\)

This explains why significant numbers of Asian countries, including ASEAN members, enthusiastically support the initiative. Twenty-one countries immediately welcomed the initiative by signing a Memorandum of Understanding (MOU) on 24 October 2014 as Prospective Founding Members (PFM). The original group of founding members included all ASEAN members except Indonesia and twelve non-ASEAN members. According to the MOU, the bank’s authorized capital is $100 billion, and it is expected that the bank will raise $50 billion in initial capital.\(^6\) The bank will be formally set up by the end of 2015. Indonesia eventually signed the MOU on 25 November 2014, a few weeks after President Joko Widodo met President Xi during his first official state visit to Beijing. Since then, several more countries both in and outside of Asia have joined as prospective founding members. The members are currently negotiating the draft of the AIIB’s Article of Agreement, with July 2015 as the expected completion date.

The economic relationship between China and ASEAN is clearly growing. However, the political relationship is not as progressive as economic cooperation. Political tensions have visibly increased, particularly because China has repeatedly used provocative measures in securing its interests in the disputed waters in the South China Sea. Efforts made to find a beneficial and long lasting peaceful resolution of the dispute show very little progress.\(^7\) China agreed with ASEAN members to adopt the 2002 Declaration of Conduct (DOC) of Parties in the South China Sea, which became the main guide and foundation for all conflicting parties to seek a resolution. However, negotiations on the formulation of workable instruments to implement the DOC have produced very little progress as of yet.

ASEAN’s credibility is undeniably at stake. China is very reluctant to fully respect the DOC and does not demonstrate an interest in accelerating its implementation. China has, for example, continued its military-backed oil exploration and land reclamation in the disputed waters.\(^8\) China conspicuously ignored ASEAN’s formal joint communiqués against China’s oil exploration and has made deliberate efforts to hamper any strides towards a collective resolution. In February 2015, China began major land

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\(^6\) Yang Yi, “21 Asian Countries Sign MOU on Establishing Asian Infrastructure Investment Bank,” *Xin-


reclamation and construction at Fiery Cross Reef, Gaven Reefs, and Johnson South Reefs. These actions seem to prove that China does not entirely respect the joint statement declared by ASEAN at the ASEAN Summit in Myanmar. Another example of China’s aggressive behavior towards ASEAN states is the deployment of its largest and most advanced patrol vessel, Yuzheng 310, to the disputed Scarborough Shoal in June 2012. China’s actions undermine ASEAN’s political credibility, and eliminate confidence that ASEAN would take any collective action against China’s proactive and deliberative advances other than issuing rhetorical statements.

**Challenges for ASEAN Centrality**

To what extent does a closer relationship between China and individual ASEAN countries impact ASEAN’s effectiveness as a whole? Does it affect ASEAN centrality? The notion of “ASEAN centrality” is used by ASEAN leaders to suggest that ASEAN and its relationship with the wider world should be determined by the interests of the ASEAN Community. ASEAN centrality can also be seen as an ASEAN approach to navigate competitive relationships between major powers in the region, particularly to ensure that such rivalries do not endanger regional stability. ASEAN is not only a home for its ten member states, but it also has the central responsibility of “being in the ‘driver’s seat’ of larger regional bodies.”

To carry out this central role, ASEAN leaders set up forums of dialogue such as ASEAN+1, ASEAN+3, the ASEAN Regional Forum (ARF), the East Asian Summit (EAS), and the ASEAN Defense Ministers Meeting Plus (ADMM Plus). These forums allow ASEAN and its dialogue partners to exchange ideas and share various concerns regarding the development of regional security as well all other related issues.

ASEAN-initiated mechanisms have proven to be effective in maintaining regional stability. ASEAN centrality is thus positive for both ASEAN and its dialogue partners. ASEAN nations can determine regional architecture according to their views, while ASEAN dialogue partners can provide contributions to the building of this regional architecture. From the vantage point of the major powers, ASEAN-initiated forums provide opportunities for them to get engaged in shaping the rule-based order in Southeast Asia and the wider Asia-Pacific region.

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10 Both China and the Philippines lay claim to the Scarborough Shoal, which is part of the disputed territory in the South China Sea. See Renato Cruz De Castro. “China’s Realpolitik Approach in the South China Sea Dispute: The Case of the 2012 Scarborough Shoal Standoff” (paper submitted for the Managing Tensions in the South China Sea conference, CSIS, Washington DC, June 5-6, 2013): 2-14.


There are reasons to be concerned about the possible decline of ASEAN centrality. ASEAN could maintain its centrality if its leaders were able to build unity and consensus. This challenge is closely related to China’s bid to break up ASEAN cohesion. As a partner in economic development, China seems to have more opportunities to influence ASEAN’s affairs. This was evident during the ASEAN Summit in Cambodia in 2012. China used Cambodia, one of its close partners within ASEAN, to block a joint statement protesting China’s violation of the 2002 DOC. China is Cambodia’s largest aid donor, as well as an increasingly important partner in trade and investment. Cambodia had few options, so it bowed to China’s pressure and refrained from joining an ASEAN consensus on the South China Sea. This action threatens the unity of ASEAN, and the ASEAN countries nearly failed to build consensus. Following the incident, other possible divisions haunted ASEAN Summits whenever the summit was held in those countries with strong economic ties with China. In addition to Cambodia, Laos and Myanmar greatly benefit from their economic relationships with China. Thus, although China has declared its full commitment to respect ASEAN centrality, such as during the ASEAN-China Summit in Myanmar in 2014, there is no guarantee that China will fully comply with its own commitments. China’s erratic position towards the South China Sea dispute has taught us all a practical lesson, namely that ASEAN cannot truly rely on China’s formal statements.

As China’s involvement in the region increases, the commitment of ASEAN’s traditional partners to the region has become questionable. Indonesia and other ASEAN countries have developed relationships with the established powers since 1967 in order to promote a so-called dynamic equilibrium. ASEAN enthusiastically welcomed Japan, the United States and the European Union, as well as other middle powers, to establish partnerships with ASEAN countries. Besides bilateral trade and investment, security issues have been an important part of cooperation. These relationships have helped ASEAN to secure support from the major powers in maintaining regional stability and to generate a regional balance of influence. However, since the financial crisis hit the United States, Japan, and several European countries, ASEAN leaders cannot rely on the economic and political support of the global major powers. This shift in the power constellation provides room for China to increase its economic and political influence in the region. The visible absence of U.S. involvement in resolving the South China Sea dispute is one piece of evidence to suggest the United States finds it difficult to deal with these regional challenges. China is very confident that the United States’s relationship with its partners in East Asia is declining, and seeks to ensure that this situation helps China to attain dominance in the region.

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Other challenges to ASEAN centrality are internal. The primary internal issues are that ASEAN lacks both meaningful institutional integration and the bold, visionary leadership necessary to deepen ASEAN cooperation.\textsuperscript{17} The Jakarta-based ASEAN secretariat remains a bare-bones institution, which functions merely to deal with very technical administrative affairs without any supranational competence.\textsuperscript{18} Many regional leaders exhibit a parochial foreign policy vision, interested in promoting economic cooperation for their own national interests rather than the formation of a genuine and more consolidated ASEAN economic community. Without strong leaders who are highly committed to regional integration, the ASEAN Community will not enjoy well-consolidated institutions in the future. ASEAN leaders see ASEAN as the premiere forum for regional cooperation, therefore recognizing its potential as a foreign policy tool. However, because they have different views on the importance of ASEAN, ASEAN leaders seem to be unwilling to trade a high degree of autonomy for greater integration within the institution.

Furthermore, ASEAN’s political competence and ability to solve regional disputes is at a standstill. For example, ASEAN member states prefer to appeal for support from the United Nations or other international organizations to resolve their border disputes. Some ASEAN countries individually build their strategic political cooperation with the United States in order to counter China’s moves in disputed South China Sea territories. This shows that ASEAN’s internal dispute mechanism does not work. Despite progress in economic collaboration, political trust among ASEAN leaders is very low. As a result of these external and internal challenges, ASEAN may face the risk of losing its central role as a driver of the changing regional dynamic.

**Indonesia’s Regional Role under New Leadership**

Indonesia has traditionally been regarded as the leading proponent of ASEAN integration since ASEAN was formed in 1967. Indonesia played a central role in this process. Every Indonesian leader has been very active in shaping the direction of ASEAN and has aimed for ASEAN to become a leading regional organization. In 1976, Indonesia put forward the Treaty of Amity and Cooperation (TAC), which institutionalized norms of conduct between ASEAN member states as well as with their dialogue partners. Indonesia also initiated and formalized ASEAN’s three community pillars in 2003. Under its chairmanship in 2011, Indonesia set the new direction for ASEAN to become an active member of the global community. Indonesia has also played a pivotal role in maintaining ASEAN’s unity and centrality.\textsuperscript{19} Every Indonesian president has held ASEAN to be *primus inter pares* in their foreign policies. For all these reasons,

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  \item Joshua Kurlantzick, “ASEAN’s Future and Asian Integration,” Council on Foreign Relations.
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it can be argued that Indonesia was a true navigator behind forging a direction for ASEAN.

The question today is whether new Indonesian leader President Joko Widodo will adopt a similarly traditional approach towards ASEAN as the cornerstone of Indonesian foreign policy. President Widodo’s position towards ASEAN has been a subject of speculation for some international affairs analysts. One analyst observes that under the new administration, Indonesia will turn away from ASEAN and focus more on bilateral ties that benefit its domestic-oriented policies. The government has a very strong interest in gaining concrete and tangible benefits from Indonesia’s international diplomacy in a short amount of time (a so-called quick harvest diplomacy). Additionally, having no strong experience in international affairs, President Widodo has to rely on his personal aides and allow the Ministry of Foreign Affairs and its diplomats to play a greater role in the conduct of Indonesian foreign policy. All Indonesian diplomats should be able to promote the main priorities of the government, including the protection of Indonesian citizens and legal firms abroad, the protection of Indonesia’s sovereignty, and the enhancement of economic and maritime diplomacy.

But perhaps the most salient point is that under President Widodo’s leadership, Indonesian foreign policy tends to be more pragmatic than ideal-normative. From his perspective, the success of Indonesian diplomacy should be measured in concrete terms, such as the amount of foreign investment, the number of the international business agreements, and the numbers of Indonesian citizens with adequate protection while abroad.

President Widodo holds a similar view towards ASEAN. In his speech at the ASEAN Summit in Na Pyi Taw, Myanmar, he showed his strong confidence and commitment to contribute to the ASEAN integration:

In this 25th ASEAN Summit, which is my first Summit to attend, I want to re-emphasize our government’s commitment to promote ASEAN cooperation. For Indonesia, ASEAN is a forum for building cooperation which brings benefit for our people, for development in our countries, and for peace and stability in our region.

President Widodo proposed that ASEAN should adopt three effective ways to deliver more concrete and tangible benefits, namely: the acceleration of infrastructure and connectivity development through the accelerated implementation of the Master Plan

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22 President Joko Widodo, Speech, 25th ASEAN Summit, Na Pyi Taw, Myanmar, November 12, 2014.
on ASEAN Connectivity; the increase of cooperation in investment, industry, and manufacture among ASEAN countries; and the increase of intra-ASEAN trade. He is confident that if ASEAN follows these steps, the economy of ASEAN countries will grow by 7 percent in the following years.

President Widodo also has serious concerns over the importance of the ASEAN centrality. In his view, ASEAN should enhance its capacity, build credibility, and strengthen unity if it wants to maintain its centrality in the region and play the role of, in the words of one scholar, “a node in a cluster of networks.” Centrality should be the main character of the post-2015 ASEAN posture. In response to the South China Sea dispute, President Widodo reminded all conflicting parties to avoid using any military means, to respect the DOC, and to agree to accelerate the implementation of an ASEAN Code of Conduct to manage conflict.

The speculation over President Widodo’s lack of interest in ASEAN is thus unfounded. Under his leadership, ASEAN may have a greater chance to transform from a talk-shop, as many critiques frequently claim, and to become an organization with real deliverables. Specifically, President Widodo aims for the post-2015 ASEAN to have the necessary attributes to serve its functions: credibility in the eyes of ASEAN members and the wider world community, unity among the leaders and the people, and the institutional capacity to respond to new regional dynamics effectively.

Through pragmatic leadership, such as that demonstrated by President Widodo, the post-2015 ASEAN Community could become a results-oriented organization. One aspect of this pragmatism may involve ASEAN countries building closer relationships with China as a shortcut to achieving robust economic growth. President Widodo himself has visited China twice since his inauguration in October 2014. These visits indicate that President Widodo sees China as a strategic partner for achieving Indonesia’s vital interests, such as increasing foreign investment. As this paper has already suggested, such an approach may lead ASEAN into a difficult dilemma: greater economic dependence means wider room for Chinese interference. But it may also create a breakthrough if Indonesia can use its relationship with China as leverage to win a better position for ASEAN.

In the short term, a pragmatic ASEAN may be necessary to assure all regional leaders that the institution delivers concrete economic benefits for its community. But ASEAN should not lose its long-term vision beyond 2015. ASEAN should be able to determine its own destiny and generate regional peace and prosperity without external interference. It is important to remind Indonesia and other countries that ASEAN,

23 For information on the first priority in this list, see ASEAN Secretariat, Master Plan on ASEAN Connectivity (Jakarta, 2013).
under Indonesia's chairmanship in 2011, had defined a new visionary role as an active member of global community. ASEAN thus should not only carry out its regional responsibilities, but also a wider global mission. It is also important for ASEAN to formulate a roadmap beyond 2015 in order to contribute to the future global architecture.

Priorities for ASEAN’s Post-2015 Agenda

The previous sections highlight China’s attempts to test ASEAN’s credibility and centrality by using a variety of diplomatic, economic, and military means. China’s intention has been to increase its influence in the regional economic and political architecture in order to help Beijing pursue its interests in Southeast Asia and the greater region. Chinese interference divided ASEAN leaders during the 2012 ASEAN summit in Cambodia and seriously obstructed ASEAN’s preferred method of consensus making. The possible disunity of ASEAN leaders continues to haunt ASEAN summits, as China uses proxies to defend its viewpoints. ASEAN has tried to respond collectively to China’s interference by issuing joint statements that call for the use of peaceful means (as opposed to military intervention) to resolve all disputes. Yet, these joint statements do not satisfy all ASEAN member states, particularly those who are challenging China’s South China Sea claims. Furthermore, China has repeatedly ignored ASEAN’s joint communiqués that protest Chinese actions. ASEAN’s competence as a reliable institution with the ability to manage or mediate regional disputes is uncertain. The Philippines and Vietnam seem to be choosing stronger partnerships with the United States to protect their interests, as they feel they cannot rely on ASEAN. This trend could lead to a crisis of credibility for ASEAN.

In light of this dilemma, we must answer several important questions. How can ASEAN balance economic and political interests in its relationship with China? How can the ACFTA deliver as many benefits as possible to ASEAN member states? How can ASEAN states participate in ACFTA and the AIIB but not allow China to drive the future direction of ASEAN? How can major powers help ASEAN in securing their political interests vis-à-vis China’s increasing political influence in the region?

Several recommendations are proposed here. First, the consolidation of ASEAN

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26 ASEAN issued joint communiqués with language addressing tensions in the South China Sea in 2012 (Cambodia), 2013 (Brunei) and 2014 (Myanmar). For example, the 2013 communiqué stated, “We further reaffirmed the importance of peace, stability, and maritime security in the region. We underscored the importance of the Declaration on the Conduct of Parties in the South China Sea (DOC), ASEAN’s Six-Point Principles on the South China Sea, and the ASEAN-China Joint Statement on the 10th Anniversary of the DOC. In this regard, we reaffirmed the collective commitments under the DOC to ensuring the resolution of disputes by peaceful means in accordance with universally recognized principles of international law, including the 1982 United Nations Convention on the Law of the Sea, without resorting to the threat or use of force, while exercising self-restraint in the conduct of activities.” See Association of Southeast Asian Nations, Chairman’s Statement of The 22nd ASEAN Summit, “Our People, Our Future Together,” April 25, 2013, available at http://www.asean.org/news/asean-statement-communiques/item/chairmans-statement-of-the-22nd-asean-summit-our-people-our-future-together.
remains critical and urgent. It is very important to unite ASEAN’s position towards China and other major powers. ASEAN will not be able to steer the direction of emerging dynamics unless it has consolidated its stance. All member states have to value ASEAN as an organization and seek to make it a premier forum for political and economic cooperation in the region.

Second, a more closely-knit ASEAN Community definitely needs a stronger institutional framework. The strengthening of ASEAN’s institutions is thus a must. A commitment to strengthening the ASEAN secretariat was made at the ASEAN Summit in Myanmar.\textsuperscript{27} The next item on the agenda should be the implementation of this commitment. All ASEAN leaders should gradually give the ASEAN secretariat a measured degree of authority in certain sectors of cooperation.

Third, ASEAN member states should strengthen the concept of dynamic equilibrium. This model is crucial to maintaining ASEAN centrality and to guaranteeing that the new form of rivalries between global powers and a rising China will not endanger the security or development of the region. ASEAN should continue its various dialogue forums to ensure the United States, China, and other major powers maintain their commitment to keep stability in Southeast Asia. The ARF and the EAS should be designated as forums where global and regional major powers share the responsibility of securing peace and stability in the region. ASEAN leadership should develop a clear-cut collective interest and speak with the same voice within these forums.

Fourth, the middle powers must prove that their economic cooperation with ASEAN brings maximum benefit to the ASEAN countries. ASEAN’s dialogue partners should also enhance the effectiveness of cooperation frameworks, which they have already agreed upon with ASEAN leaders. The ASEAN-Australia-New Zealand FTA, the ASEAN-Japan FTA, and the ASEAN-United States FTA deliver as many benefits as the ACFTA. If middle powers want to navigate within new regional dynamics, they need to support ASEAN’s centrality. In addition, the formation of the AIIB should be seen as a new complementary approach used by ASEAN countries to promote the development of infrastructure in the region. The best choice for the established major powers is to find room to make a positive contribution to the effective functioning of this new institution. This involvement will help ASEAN countries to alleviate their concerns about the possible dominance of China within the institutions it has sponsored. These steps, if taken, would be the beginning of a post-2015 ASEAN capable of addressing its future challenges.

\textsuperscript{27} Burmese Ministry of Foreign Affairs, “The Declaration on Strengthening the ASEAN Secretariat and Reviewing the ASEAN Organs, Nay Pyi Taw,” November 12, 2014.
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