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Indonesia's South China Sea Dilemma: Between Neutrality and Self-Interest

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Synopsis

Indonesia perceives itself as a neutral party and potential mediator in the South China Sea disputes. But with self-interests and geopolitical realities that are now unfolding, this perception may soon become untenable.

Commentary

Indonesia is not a claimant state in the South China Sea (SCS) with regard to the disputed ownership of islands located therein. But it has interests at stake, especially considering the overlap between China's "9-dotted-line" claim and Indonesia's exclusive economic zone (EEZ) around the Natuna Islands, located at the southern part of SCS. However, Indonesians do not discuss this publicly lest it tarnish the image of a neutral party in the disputes.

Diplomatic overtures

As a non-claimant state, Indonesia believes it is well-suited to play the role of mediator in the disputes. It began in 1990 when Jakarta initiated a series of informal workshops among interested parties of the SCS to encourage cooperation and enhance mutual confidence and understanding. More than 20 years on, however, this self-perception is increasingly untenable for several reasons.

Firstly, Indonesia views with caution Chinese creeping maritime assertiveness, supported by its modernised and capable navy and marine paramilitary units. Jakarta has already borne the brunt of this aggressive stance when its patrol boat was threatened at gun point by a Chinese marine vessel in June 2010 after the former had arrested Chinese trawlers fishing illegally in Natuna waters.

Secondly, it becomes increasingly difficult for Jakarta to understand, let alone empathize with, Beijing's viewpoint based upon "historical" jurisdiction which is not supported by the United Nations Convention on the Law of the Sea (UNCLOS). This is why in July 2010, one month after the Natuna incident, Indonesia sent a diplomatic note to the UN, decrying the Chinese claim as having "no clear explanation as to the legal basis" and thus, "is tantamount to upset the UNCLOS 1982."

Thirdly, Indonesia differs from China on the process of drafting the Code of Conduct of Parties in the SCS (CoC). While the latter demands to be involved in the process throughout, the former believes ASEAN should

come to a common position first before negotiating with Beijing.

Fourthly, unlike China, Indonesia does not oppose the participation of external powers, such as the United States, to discuss the issue in regional forums. Jakarta views such involvement as necessary to maintain a “dynamic equilibrium,” namely to prevent one power (China) from becoming too domineering.

Last, but not least, while proclaiming itself a non-claimant state, Jakarta tacitly acknowledges its own interests, some of which may run counter to the Chinese wishes.

What is at stake?

Despite the 2005 bilateral Strategic Partnership Agreement between them, Jakarta maintains a closeted yet persistent anxiety toward Beijing’s ambitions. Central to its concerns are Chinese intentions in the Natuna Sea, which has one of the world’s largest gas fields: the East Natuna Block, also known as Block D-Alpha, contains 46 Trillion cubic feet (Tcf) of recoverable natural gas.

Beijing has not formally assured Jakarta regarding its “historic waters” claim overlapping the area. But, Indonesia seems determined to demonstrate its rightful ownership over it. In December 2010, the national oil company, Pertamina, partnered with ExxonMobil, Total, and Malaysia’s Petronas, to explore the East Natuna Block with first production estimated to start by 2021.

Yet with rising domestic demands, Indonesian energy security also hinges on areas beyond its EEZ. For instance, in January 2002, Pertamina agreed with PetroVietnam and Petronas to jointly explore Block 10 and 11.1 in the Nam Con Son basin, parts of which are located within the Chinese claim. In March 2001, it also pledged to explore Block 17 and other offshore blocks near Vietnam. This would not sit well with Beijing whose oil company, CNOOC, recently tendered the area for joint development - based on China’s jurisdictional claim.

Apart from energy, Jakarta also has a stake in the security of sea lines of communication (SLOC), where the bulk of its trade transits the SCS. For example, the four largest Northeast Asian economies (Japan, South Korea, China and Taiwan) collectively account for around 34% and 45% of Indonesia’s non-oil-and-gas exports and imports, respectively. Furthermore, the Natuna Sea is a rich fishing ground which greatly contributes to the local economy.

Strategic independence vs. re-alignment

Notwithstanding the divergent interests, Jakarta is keenly aware that it would have more to lose if relations with Beijing, which have never been better, turn sour. China has pledged US\$ 19 billion of investment credit and US\$ 9 billion loans for infrastructure development in Indonesia. In defence, too, China and Indonesia have established cooperation, among other things, on joint naval missile development and production. Most recently, Beijing offered to build a coastal surveillance system in Indonesia worth US\$ 158 million to supplement the existing systems provided by the U.S, worth only US\$ 57 million. In addition, both countries agreed to establish the Indonesia-China Centre for Ocean and Climate (ICCO) for oceanography and weather research, with the Natuna Islands as one of its locations.

This cooperation, however, is not exclusive. Jakarta reckons its interests would be best served if it maintains a strategic independence by forging partnerships with multiple powers. Nonetheless, geopolitical realities might soon prod Jakarta to re-align itself, especially if the situation in the SCS deteriorates. This could pose tough choices for Jakarta’s elites to either bandwagon with an aggressive China, or balance it with like-minded powers.

The former would see Indonesia more aloof in mediating the disputes, but with a possible trade-off with China renouncing its historic claim over the Natuna waters, aside from receiving further bilateral assistance. The latter would see Indonesia tightening its partnerships with the U.S., Australia, Japan, South Korea, and even welcoming India’s greater regional presence; while at the same time, bracing itself for an antagonised China.

Jakarta could also become bolder to advocate for a more united ASEAN front vis-a-vis Beijing. But whatever choices it makes, Jakarta must also understand that its best defence will in all events rely on self-help, namely through continued modernisation of the navy and air force to bolster its presence in, and enforcement of, the Natunas and its surrounding waters.

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