

**CHINA-INDONESIA BILATERAL RELATIONS:  
AN UPDATE**

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## **Executive Summary**

1. With a gross domestic product of US\$1,000 billion in purchasing power parity terms, Indonesia is the largest economy in ASEAN. The recent political reform and economic growth have made Indonesia a reemerging regional power. With its growing weight in the region, it is actively seeking a bigger presence on the world stage.
2. Indonesia increasingly sees the importance of China's support in facilitating its rising position in regional and international affairs, and this has greatly helped Indonesia change its perceptions of China's rise.
3. Now most Indonesians no longer see China as an ideologically threatening state, but as an economic opportunity. China's perceptions of Indonesia have also changed significantly. China sees Indonesia as a critical player in Southeast Asia.
4. The mutually positive perceptions have laid a good foundation for economic cooperation between the two countries, a manifestation of which is evident in the expansion of economic cooperation between the two countries especially since 2004.
5. The fast growing China-Indonesia economic relations also reflect two trends – China's growing demand for energy (primary coal and liquefied natural gas) and raw materials leading to China's increasing investment in Indonesia.
6. Despite recent improvements, Indonesia-China relations are not without problems and challenges. Within the East Asian context, uncertainty regarding the long-term implications of the rise of China for the regional order still prevails. These concerns have stalled decisions on the part of the Indonesian government to relax restrictions on Chinese capital inflow.

7. As two large emerging economies in Asia, China and Indonesia share many common interests and stakes in global governance. To strengthen future China-Indonesia strategic partnership, the two sides should further enhance mutual trust and deepen understanding.