

China and the May 1998 riots of Indonesia: exploring the issues

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Abstract This paper explores the causes for China's change of policy from silence to making public demands that Indonesia do more to protect its ethnic Chinese population in the wake of the riots in Jakarta and other parts of Indonesia in May 1998. First, China saw it in its own interest to minimize potential damages to its state-to-state ties with Indonesia, allowing as little room as possible for Taiwan to exploit in the long-lasting China–Taiwan diplomatic rivalry. Second, Indonesia, in spite of its domestic problems, remains a country of significance to China in regional issues like the South China Sea disputes. Third, China needed to retain its reputation as a responsible actor in the process of regional economic crisis. Finally, the loyalty of the Indonesian Chinese to China continues to be a question and China could further weaken that loyalty if it contributed to the worsening of their predicament. In short, China may have wished to maximize its possible gains and minimize the potential risks through its action over the May riots.

Keywords China; Indonesia; May riots; Taiwan; Sino-ASEAN relations; regional financial crisis.

Introduction

In the history of post-Second World War Sino-Indonesian relations, the ethnic Chinese in Indonesia¹ have been a constant source of strain. Differences between the two governments over the nationality and political–economic loyalty of the ethnic Chinese in Indonesia became a major reason for the freeze in Sino-Indonesian diplomatic relationships between

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1967 and 1990 (Suryadinata 1985, 1990). After 1990, China gave a far lower priority to the issue of the ethnic Chinese and instead concentrated on improving state-to-state relations with the Indonesian government.

However, in May 1998, as a result of the May riots in Indonesia (to be described later) and the international publicity those riots attracted, China was faced with a foreign policy challenge. On the one hand, China has for decades claimed that '[Chinese] blood is thicker than water' in its cultural/political identification with ethnic Chinese groups residing overseas, including Southeast Asia (Dittmer and Kim 1993: 271–90). On the other hand, China has also been an ardent defender of its own national sovereignty and promoting the principle of non-interference in another state's domestic affairs world-wide. How, then, should China act towards Indonesia when overseas Chinese groups were calling on it to exert pressure on the Indonesian government to more forcefully punish those Indonesian citizens who had caused so much misery to the ethnic Chinese during the May riots? China first refrained from commenting on the loss of lives and properties as well as abuses the Indonesian Chinese suffered. Then, in August, China applied public pressure on Indonesia but, unlike Taiwan, did not apply any economic sanctions. What explains this change of policy? Given the fact that China made a concerted effort to cultivate a better relationship with the members of the Association for Southeast Asian Nations (ASEAN) in the 1990s, why did China choose to interfere in Indonesia's domestic politics after all? What do China's foreign policy actions towards Indonesia over the ethnic Chinese say about the future of Sino-Indonesian relations in particular and China's relations with other ASEAN member states in general?

This paper explores the dynamics shaping Chinese policy towards Indonesia in 1998 by using its handling of the May riots as a case study. It finds that Chinese pursuit of its Indonesia policy over the issue of ethnic Chinese was constrained by several factors. First, China did not wish to force Jakarta to move diplomatically closer to Taiwan. Second, in spite of its domestic problems, Indonesia remained significant in the evolution of China–ASEAN relations. Third, China wanted to retain its own reputation as a responsible government in the Asian financial crisis. Finally, China on the one hand no longer holds the same appeal to the Indonesian Chinese in the 1990s as it did in the 1950s and 1960s; on the other hand, it did not want to cause unwarranted pressure on ethnic Chinese living in Indonesia whose loyalty was questioned. In short, China's change of policy in August was carefully managed to keep China's own interest in preserving state-to-state relations with Indonesia intact.

The first section of the paper reviews China's Indonesia policy options in the summer of 1998. The second section examines China's policy change in detail. The third section explores possible causes of the change. The fourth and final section looks into the issues that may condition future Chinese foreign policy decisions towards Indonesia over the ethnic

Chinese issue. Regional implications of China's pursuit of its relations with Indonesia in 1998 will also be briefly discussed.

China's policy options

In 1998, social unrest in Indonesia, aggravated by the Asian financial crisis, escalated and peaked 15–18 May in Jakarta and other parts of the country (hereafter 'May riots'; Tripathi and Dolven 1998). As has been true in the past, Indonesia's ethnic Chinese communities were first among the victims of random violence (Lander 1998; Vatikiotis 1998: 219–27). The intensity of the violence, coupled with the apparent incapacity of the Indonesian government to restore social order, drew condemnation by ethnic Chinese groups world-wide, which called on the Chinese government to exert pressure on the Indonesian government to seek redress. China, then, faced at least three policy choices: to return to its policy practice of the 1950s and 1960s; to pressure Indonesia on the basis of human rights principles rather than purported ethnic affinity; to continue ignoring the suffering of the Indonesian Chinese as it had been doing until August 1998. None of these three options was adopted, for reasons explained below.

First, for China to heed the calls of ethnic Chinese communities would in effect mean a return to its Indonesia policy of the 1950s and 1960s. When the two countries established a full diplomatic relationship in April 1950, the issue of dual nationality concurrently held by most ethnic Chinese residing in Indonesia was not treated as a major obstacle. Both China and Indonesia needed each other's support to avoid being too closely tied to either of the two superpowers that were competing for influence in East and Southeast Asia (Mozingo 1976). In 1954, China changed its nationality law from bloodline to birthplace and gave the Chinese residing in Indonesia a choice between Chinese and Indonesian nationalities. But competition between the Chinese and Indonesian governments for the loyalty of the ethnic Chinese living in Indonesia continued. China accused Indonesia of systematic discrimination of its ethnic compatriots and Indonesia accused China of using the ethnic Chinese to incite domestic unrest and subvert the Indonesian government. When Indonesia's Chinese came under attack in 1965, China encouraged and arranged for the evacuation of thousands of them to move to China. In 1967, Indonesia broke off its diplomatic relations with China (Mozingo 1976; Ramanathan 1994; Suryadinata 1985).

Since the early 1980s China has worked hard to gain an external environment conducive to its domestic modernization programs. To this end, it gave a higher priority to securing the trust of the governments of Southeast Asian nations including Indonesia and repeatedly declared its policy of not using Southeast Asia's ethnic Chinese populations for China's own gains. In Indonesia, however, 'the perception of "unchanged Chinese," their links with China and their economic dominance [in the Indonesian

economy]’ continued and was one of the key factors that prevented Jakarta from positively responding to Beijing’s initiatives to restore diplomatic relations (Suryadinata 1987: 137). Indeed, China and Indonesia were not able to re-establish a full diplomatic relationship until August 1990. According to one analysis, China’s diplomatic success owed more to Indonesia’s domestic politics than Jakarta’s trust of China over the ethnic Chinese issue (Suryadinata 1990).

Indeed, China never completely dropped the issue of ethnic Chinese from its overall foreign policy towards Indonesia. It routinely expressed concern when incidents of social unrest resulted in damages to lives and properties of the Indonesian Chinese. For example, in April 1994, the Chinese Foreign Ministry issued a statement of concern about ‘a labor unrest that flared into an anti-Chinese riot in North Sumatra’ and called on Jakarta to defuse the situation. But the Indonesian government flatly rejected the basis for such Chinese pronouncements. Using terminology China customarily adopts to discard foreign concerns over the treatment of ethnic minorities within China, Jakarta called the unrest an internal affair (Sukma 1994: 36).

On the other hand, China in the 1990s no longer holds the same appeal to Indonesia’s ethnic Chinese population as it did in the 1950s and 1960s. Like other ‘Returned Overseas Chinese,’ the ethnic Chinese who did heed China’s call to return to China from Indonesia were subjugated by the brutalities of class struggles during the Cultural Revolution, which began almost immediately upon their relocation to China. Their loyalty to China was questioned, properties confiscated, and families were separated by the Chinese government throughout China. When the Cultural Revolution ended, many had to struggle with the Chinese bureaucracy to emigrate from China (Godley 1989). Indeed, prior to the May riots, many Indonesian Chinese chose Australia as their sanctuary (Gilley *et al.* 1998). In the wake of the riots fewer than 200 Indonesians applied for Hong Kong passports, which are different from passports issued to Chinese nationals domiciled in mainland China and offer a far greater degree of convenience in international travel (*South China Morning Post*, 31 August 1998).

There is a more profound reason for China not to return to its Indonesia policy of the 1950s and 1960s over the issue of ethnic Chinese. Since the early 1980s, partly because China has been successful in attracting overseas Chinese capital, the rise of China was interpreted by many in Southeast Asia as a threat. Part of the ‘China threat’ thesis postulates that growing economic and cultural ties between China and the overseas Chinese communities in Southeast Asia can be used by China as a political/strategic leverage against Southeast Asian states (Goodman 1997/98; Roy 1996). The Chinese government has spared no effort in its attempt to disprove such worries. For China to return to a policy of major confrontation with Indonesia over the issue of ethnic Chinese would only serve to prove the ‘China threat’ concerns to be true.

Second, the May riots presented China with an opportunity in its human rights diplomacy. China could potentially enhance its international standing by defining the violence in Indonesia as an issue of human rights rather than one of diplomacy based on ethnic affinity alone. Such a change of definition would signal the beginning of change in China's attitudes towards human rights. Since the early 1980s, in particular the Tiananmen Square Incident of June 1989, China has been reactive to international criticism of human rights violations. For China to pressure Indonesia on human rights grounds would signal China's willingness to integrate itself into the world community in the protection of human rights, regardless of where such violations take place. As a matter of fact, prior to being the target of international pressures on its own human rights practices, China acted as a champion for human rights in the Third World. It also used human rights arguments to protest against the oppression of overseas Chinese in Thailand, Vietnam, and other Southeast Asian countries (Nathan 1994: 626).

However, in the case of the May riots, China stayed clear from making any reference to the violation of the riot victims' human rights. This reflected the structural weakness of Chinese foreign policy in the 1990s. Namely, as a matter of principle, China would have difficulty justifying a departure from its own position that a state's sovereign rights take precedence over individual rights. Since China argues that state sovereignty ought to be strengthened by international human rights activities, how can it justify acting to weaken Indonesia's state sovereignty? Throughout the May riots, the Chinese Foreign Ministry's repeated categorization of the Indonesian Chinese as 'members of the Indonesian family' serves as a case in point.

Furthermore, as news about the May riots began to break through the Chinese government's sanctions and reached Chinese society, nationalistic sentiments started to emerge within China. In Beijing, university students began to hold rallies against the Indonesia government and were calling for a strong response by the Chinese government (Vatikiotis *et al.* 1998). In the history of Communist rule in China, student nationalism has always been a double-edged sword for the Chinese government, which often ended in violent repression by the government and therefore violation of the demonstrators' human rights. The last thing the Chinese government wanted was the possibility of having to deal with another round of intensive international human rights pressure by allowing the emerging student nationalism to get out of control. China's inability to take the human rights initiative and its fear of having another human rights problem of its own to deal with were conceivably one of the causes for its initial silence about the plight of the Indonesian Chinese during the May riots.

Third, prior to the outbreak of the May riots, Beijing's policy reportedly 'was simply to hope the riots wouldn't happen' (Vatikiotis *et al.* 1998: 21).² Indeed, during his visit to Jakarta in April, China's Foreign Minister

Tang Jiaxuan categorized incidents of anti-Chinese riots throughout Indonesia as Jakarta's 'internal affair.' Tang also pledged a \$3 million loan to the Suharto government, which was facing increasing societal pressure as a result of the worsening financial crisis.

In the days leading up to the May riots, Chinese state-controlled media focused on the Suharto government's efforts to regain control of the society in its final days and made no reference to the burning, looting, torture, and rapes that were affecting many ethnic Chinese in Jakarta. A report in the *People's Daily* about the Indonesian situation on 18 May (the peak of the riots) described Suharto's order to send Indonesia's armed forces to patrol the streets of Jakarta a 'security measure.' It commended Suharto for trying to 'relieve the economic burden on the people brought about by the worsening economic situation' through an order to reduce gasoline and electricity prices (*Renmin Ribao*, 18 May 1998).

China did take measures to evacuate its citizens (including Hong Kong passport holders) working and travelling in Indonesia and offered consular protection to Taiwan and Macao travel document holders who would seek assistance from its diplomatic missions in Indonesia (*Renmin Ribao*, 17 and 22 May 1998). The obvious distinction here is that China did not appear willing to get involved with the fate of the Indonesian Chinese.

In short, when the May riots did happen, China was not in a position to pursue either of the two extreme policy options: to act strongly on behalf of the Indonesian Chinese victims or to take the leap by applying pressure on Indonesia on human rights grounds. Instead, for nearly three months China ignored the May riots as an incident of diplomatic concern.

China changes policy over the May riots

When China changed its policy towards Indonesia over the May riots, it pursued a two-pronged policy: making public demands on Indonesia to redress the plight of the Indonesian Chinese who suffered during the riots and keeping its bilateral economic interactions intact. It also went ahead with high-level meetings between the two governments. This section of the paper recounts China's policy change in some detail.

Beginning in August through November, China made a series of public pronouncements to express its displeasure with the Indonesian government over the latter's handling of the May riots. Also in August, China agreed to sell 50,000 tons of rice to Indonesia (*Antara*, 6 August 1998) and provided Indonesia with a \$3 million grant of medicines and pharmaceuticals. It also went ahead to execute a \$200 million economic loan package – agreed in April 1998 – to Indonesia (*Antara*, 15 August 1998). In November, a Chinese trade delegation visited Jakarta, on schedule, to discuss Chinese investment projects in Indonesia (*The Jakarta Post*, 26 November 1998). Apparently economic ties between the two

countries were not affected by China's expressed dissatisfaction with the Indonesian government's slow progress in punishing those responsible for violence to the Indonesian Chinese caught in the May riots.

China began to apply diplomatic pressure on Indonesia on 28 July, when Chinese Foreign Minister Tang Jiaxuan raised China's concern about the plight of Indonesia's ethnic Chinese minority in the May riots with Indonesian Foreign Minister Ali Atalas, on the fringes of an ASEAN meeting in Manila. A day later the Chinese Foreign Ministry began to make similar demands, which was going to be a regular feature in its weekly news briefings until November. Within a week, the All-China Women's Association, a semi-official organization under the Chinese government, issued a statement calling for the Indonesian government to protect ethnic Chinese sisters in Indonesia (*Renmin Ribao*, 7 August 1998). In late September China's vice-premier for foreign affairs Qian Qichen spoke about the May riots, which can be understood as a signal of Beijing's impatience with the lack of progress Jakarta had made in redressing the suffering of Chinese-Indonesians (*South China Morning Post*, 30 September 1998).

In November China's diplomatic action culminated when President Jiang Zemin raised the suffering of the Indonesian Chinese in the May riots with Indonesian President B. J. Habibie at the China-ASEAN dialogue meeting in Kuala Lumpur (*Renmin Ribao*, 18 November 1998). Jiang further made a point by speaking to a group of Indonesian business leaders and repeated the pledge that China would 'never try to use people of Chinese origin living in Indonesia to seek political or economic gain there' (*Xinhua English Newswire*, 18 November 1998). Thereafter, the issue of the May riots disappeared from China's news media.

On the surface, China's diplomatic pressure marked 'the first time since the 1960s that Beijing had criticized a friendly country for its treatment of ethnic Chinese' (Vatikiotis *et al.* 1998: 20). By studying the nuances of Chinese pronouncements, we can see that China in 1998 carried out its Indonesia policy over the issue of ethnic Chinese with care to minimize its actual impact on the Indonesian government. Of the intensive reporting in China's government-controlled media of the May riots since early August, whose focus was exclusively on the plight of the Indonesian Chinese, the centerpiece of those reports is a 3 August article written by a 'People's Daily Commentator'.³ As is customary in China's media practices, that pseudonym implies that its author is actually a decision-maker high in the Chinese power apparatus. That article set the tone for all other reports and comments. It categorizes the ethnic Chinese in Indonesia as 'law-abiding members of the Indonesian society,' who were 'making unremitting efforts to help lift that country out of the economic predicament and maintain its social stability.' It avoided using such nationalistic terms as *Huaqiao* (overseas Chinese) or *Tongbao* (compatriots). Implicit in such choice of vocabulary is the idea that China decided to speak on

behalf of the Indonesian Chinese not solely because they were Chinese by origin but because they were valuable members of Indonesian society. A second key point the said article makes is that China was already assisting Indonesia in the latter's efforts to recover from its economic crisis. China participated in the International Monetary Fund's rescue plans for Indonesia, granted import credits, and donated free medical supplies to Indonesia. Here the message is that China had no desire to apply sanctions on the Indonesian government. Finally, the article points out that an 'appropriate and just' treatment of Chinese-Indonesians is in Indonesia's own interest. It 'will help Indonesia restore its credibility in the international community so that it can attract investment, stabilize the society and secure an early economic recovery and development' (*Renmin Ribao*, 3 August 1998). Taken together, the article seems to be aimed at justifying the Chinese government's apparent departure from the principle of non-interference in another state's internal affairs by minimizing ethnic/racial implications in its diplomatic pressure on Indonesia over the Indonesian Chinese.

The Chinese foreign policy bureaucracy was likewise careful with its pronouncements. A spokesman for the Chinese Foreign Ministry used the phrase *Yinni Huaren*, which is translated in the English-language *China Daily* to mean 'Indonesians of Chinese descent,' in referring to the Indonesian Chinese. Furthermore, the losses and damages Indonesia's ethnic Chinese suffered were categorized as a 'misfortune' and an incident to be prevented in the future (*China Daily*, 29 July 1998). China's ambassador to Indonesia pointedly explained that because the majority of Chinese-Indonesians have acquired Indonesian citizenship, the predicament of Chinese-Indonesians, 'fundamentally speaking, is a part of Indonesia's domestic politics. Its resolution must come from the Indonesian government itself. The Chinese government must not act as if it could be the chef in somebody else's kitchen' (*Lianhe Zaobao*, 10 September 1998).

Indonesian Foreign Minister Ali Atalas replied to China's diplomatic pressure by stating that Jakarta would 'not specifically reply' to concerns expressed by Beijing and Taipei over the violence directed against Indonesian Chinese during the May riots (AFP, 25 August 1998). As the recounting above shows, China's change of policy was perhaps designed not to force Indonesia into having to reply either.

Understanding China's policy change

It is not immediately clear why China first refrained from applying public diplomatic pressure on Indonesia over the May riots but then changed course to put Indonesia on notice. An obvious cause could be that allegations of rape and torture of ethnic Chinese women by elements associated with the Indonesian security establishment were not publicized internationally until mid-July (Vatikiotis *et al.* 1998). However, China could

have responded to such allegations by continuing to call it a part of Indonesia's internal affairs if it wanted to.

The Chinese government did allow the staging of small but brief demonstrations by university students in Beijing on Indonesian Independence Day (17 August) in front of the Indonesian diplomatic mission (*China Daily*, 18 August 1998; *South China Morning Post*, 16 August 1998). But that demonstration was not reported in the Chinese-language media, signaling that the government did not wish to see a widespread public outcry faulting either the Indonesian or Chinese government, or both, for lack of adequate protection of ethnic Chinese in Indonesia.

Tang Jiaxuan's overnight stop in Hong Kong on 29 July can be viewed as a reply to demands aired in Hong Kong for China to apply sanctions on Indonesia to punish the latter for its poor handling of the May riots, particularly alleged rapes of ethnic Chinese women. While in Hong Kong, Tang took time to reply to Hong Kong reporters by saying that 'the Chinese government has consistently expressed strong concern and distress at the rapes of Chinese women and attacks on Chinese during the Indonesian turmoil' (Reuters, 29 July 1998). Before and after its transfer to Chinese sovereignty, Hong Kong was important in the Chinese mainland's pursuit of overseas Chinese investment (Hayter and Han 1998; Sung 1991). The factors that have made Hong Kong the single most important conduit for economic interactions between the China market and the overseas Chinese business communities (i.e., Hong Kong's economic, financial, legal, and socio-linguistic endowments) remain. On the other hand, given China's sensitivity about keeping the initiatives about foreign policy-making – a matter of sovereignty – firmly in the hands of the central government, Tang's Hong Kong stopover was perhaps meant to be nothing more than a symbolic gesture.

The *People's Daily* did carry reports of demonstrations by overseas Chinese community groups in Asia and the rest of the world demanding that both Indonesia and China address the plight of the ethnic Chinese in Indonesia, only *after* the Chinese government had begun making the May riots a diplomatic issue.⁴ In the context of a revival of ties between such groups and China in recent years (Liu 1998), a point can be made that China at least endorsed those overseas rallies. In other words, China clearly wanted its policy towards Indonesia over the May riots to be noticed by the overseas Chinese communities, whose political loyalty was a necessary component of China's overall foreign policy.

Nonetheless, explanations about China's change of policy towards the May riots have to take account of other foreign policy considerations. A review of events in Sino-Indonesian relations in the second half of 1998 tells us that Chinese diplomacy over the May riots was related to factors that are of greater concern to China's self-interest. These factors include Taiwan, China-ASEAN relations, and the loyalty of the ethnic Chinese living in Indonesia.

Indonesia in China–Taiwan diplomatic rivalry in Southeast Asia

China and Taiwan have been locked in a competition for diplomatic favor in the Southeast Asian region for decades. Being the largest country with an ambition to play a leadership role in the evolution of ASEAN politics (Smith 1999), Indonesia is naturally important in the China–Taiwan diplomatic rivalry. Along with its establishment of a full diplomatic relationship with Indonesia (August 1990), Singapore (October 1990), and Brunei (in 1991), China completed its drive to win the pledge from all Southeast Asian countries that they recognize China as the sole representative government of the whole of China (Taiwan included). Whereas Indonesia had never departed from pursuing a ‘one-China’ policy in the eyes of China prior to August 1990 (Suryadinata 1990: 685), Taiwan succeeded in increasing its quasi-diplomatic profile in Jakarta and other Southeast Asian capitals after it lost the race for diplomatic recognition to China. In the case of Indonesia the most significant gain Taiwan made was the February 1994 visit to Jakarta by Taiwan’s President Lee Teng-hui to ‘play golf’ with Suharto and his cabinet ministers (Sukma 1994: 38–40). In January 1998, Taiwan’s Premier Vincent Siew visited Jakarta and reportedly received an audience with then President Suharto (*The Jakarta Post*, 22 January 1998).

Since 1990, Taiwan also increased its economic presence in Indonesia and other Southeast Asian nations as part of a deliberate policy of nurturing a favorable destination for its offshore investments to offset the growing economic interdependence across the Taiwan Straits (Chan 1996; Chen 1996). The Asian economic crisis forced Indonesia (and, likewise, other Southeast Asian governments) to risk China’s diplomatic ire and turn to Taiwan for the much-needed capital and investment projects. As expected, Taiwan happily obliged to provide assistance (*The Economist*, 1998). Writing in the London-based *Economist* magazine, Taiwan’s Premier Vincent Siew argues that were it not for China’s objection to Taiwan making monetary contributions to international and regional financial institutions, Southeast Asian countries would have benefited a lot more from Taiwan (Siew 1998). The political–diplomatic implications of Taiwan’s economic resilience during the Asian financial crisis holds (Baum and Sherry 1999) and Taiwan’s political will to exploit them in Southeast Asia could not have escaped notice by China.

In contrast to China’s handling of the crisis, Taiwan from the outset stayed away from rhetoric that carries ethnic undertones. Instead, it pointedly emphasized the necessity for Indonesia to restore social order so as to create an environment for Taiwanese investments to stay. The tone of Taiwanese expressions of concern over the May riots was set on 14 May. Taiwan’s foreign minister asked a visiting Indonesian cabinet official to help ensure the safety of the Taiwanese businessmen, their families, and

investments, as well as the safety of Taiwanese citizens on tour in Indonesia. No mention was made of the damage to the lives and properties of Indonesia's ethnic Chinese caused by the escalating riots (ROC Foreign Ministry 1998). Like China, the Taiwanese government did not use human rights arguments in justifying its expressions of concern. The Taiwan media, on the other hand, was free to express outrage at the losses suffered by the ethnic Chinese in Indonesia and challenge both Taiwan and China to do more to help Indonesia's ethnic Chinese. One prominent Taiwanese newspaper pointedly challenged Beijing to live up to its old propaganda that by helping to build a more prosperous *Zuguo* (ancestral land or motherland) the overseas Chinese would enjoy better protection in their adopted countries from Beijing (*Zhongguo Shibao*, 29 July 1998).

As allegations of atrocities against ethnic Chinese women in Jakarta started to gain more and more media publicity, Taiwanese leaders expressed outrage, but emphasized that adequate protection of Taiwanese investors by Indonesia was conducive to retaining their investments in Indonesia. Prominent Taiwanese business leaders also warned that Indonesia would have to choose between paying a price for tolerating ethnic violence or risking the weakening of their desire to stay when the Indonesian economy needed foreign investment most (Reuters, 29 July 1998). This Taiwanese strategy seemed to have paid off. The Habibie government reportedly proposed that officials from Taiwan, China, Hong Kong, and the United States would be welcome to participate in investigating the rapes that had allegedly taken place in May (*Zhongguo Shibao*, 1 August 1998).

It was perhaps not mere coincidence that the foreign ministers of both China and Taiwan issued their respective governments' statements of condemnation of the May riots and their impact on Indonesian Chinese on the same day (29 July). However, Taiwan, unlike China, had not started out by making treatment of Indonesia's ethnic Chinese an issue of concern. Instead, Taiwan continued to emphasize its interest in protecting Taiwanese citizens caught in the middle of the social unrest in Indonesia. In addition, Taiwan reportedly suspended plans to aid Indonesia with 20,000 tons of rice to back up its displeasure with the Habibie government's seeming indifference to the allegations of violence against ethnic Chinese women in Jakarta (Reuters, 20 August 1998). The message is clear: the political voice of Taiwan needs to be taken seriously as well.

Against this background, it is not difficult to understand why China chose to pursue a policy of rebuke rather than sanctions when it did respond to the May riots as an issue of diplomatic concern. Apparently it did not want to force Indonesia to move politically closer to Taiwan.

China–ASEAN relations and the Asian financial crisis

China–ASEAN relations are multifaceted (Cheng 1999; Grant 1993). It is not the intention here to be comprehensive. The purpose of this section is to help make clear the meaning of Chinese foreign policy towards Indonesia over the May riots by putting it in the context of the Indonesian factor in China's pursuit of a stronger relationship with ASEAN in 1998.

Post-Mao China has made improvement of relations with its Southeast Asian neighbors one of its top foreign policy priorities (Zhao 1996; Song 1998). Jiang Zemin's report to the 15th National Congress of the Chinese Communist Party held in September 1997 referred to China–Asia relations before it talked about relations with the world's major powers (Jiang 1997). Indeed, the ASEAN–China relationship has evolved from Cold War-era animosity to the formation of a web of channels for dialogues. Venues for dialogue include elevation of China to a full dialogue partner of ASEAN in 1995, the formation of joint China–ASEAN committees at ministerial level since 1996, and the initiation of an annual China–ASEAN informal summit meeting in 1997. However, viewed from ASEAN, China has yet to convince its Southeast Asian neighbors that its growth in economic and military strength will not translate into a return to aggressive Chinese hegemonism (Whiting 1997; Foot 1998). In 1998, among the areas for such worries are the ongoing sovereignty disputes in the South China Sea and China's handling of the Asian financial crisis, in addition to how China relates to the ethnic Chinese in Southeast Asia.

Over the issue of sovereignty dispute between China and other claimants over the South China Sea, China's assertiveness towards the Philippines over the Mischief Reef in the Spratly Islands group offers little comfort to other ASEAN member states. Although Indonesia does not claim any of the islets in the Sino-Philippine dispute, it does claim sea and seabed that overlaps claims to sea and seabed by Vietnam, Malaysia, and probably China and Taiwan (Storey 1999). Furthermore, Indonesia has yet to be convinced that China has completely given up its claim to the Indonesian-held Natuna Islands (Johnson 1997). Indonesia has attempted to broker a peaceful settlement to the entire South China Sea dispute by hosting a series of informal workshops designed to explore confidence-building measures. In spite of its domestic difficulties, Indonesia went ahead with holding the 9th annual South China Sea workshop in West Java in December 1998 (*Antara*, 1 December 1998). The Indonesian-sponsored workshops provide a useful venue for China. They allow China to use it to continue tabling its proposition of shelving the sovereignty dispute and conducting joint development of the South China Sea resources as the means towards an eventual resolution. Furthermore, the Indonesian-sponsored workshops provide China with a useful excuse to argue against formation of a formal venue that could involve Taiwan's participation as a separate political entity. Currently Taiwan is represented in the workshops in a private capacity.

In 1998 long-standing issues in China–ASEAN relations like the sovereign status of Taiwan and the South China Sea disputes were further complicated by the need to overcome the regional financial crisis (Lim 1998). The crisis presented China with an opportunity to demonstrate its responsibility as an actor in an increasingly interdependent regional economy. After the economic crisis broke out in the summer of 1997, China contributed to international rescue packages organized by the International Monetary Fund to Thailand and Indonesia. This was the first time for China since it became a member of the Fund in 1980. Furthermore, China pledged not to devalue the exchange rate of its currency, the yuan, and kept its pledge. Because devaluation of the yuan would have made Chinese exports more competitive on the world market, it might increase the price competitiveness of Chinese products against similar ones made in Indonesia and other Southeast Asian countries. Since a drop in exports will certainly increase Indonesia's difficulty in coping with its economic crisis, in April 1998 then-President Suharto praised China's currency decision by saying that it would not disrupt exports from Indonesia and other Southeast Asian countries affected by the crisis (*The Jakarta Post*, 23 April 1998).

Indeed, it has become customary for ASEAN to note China's contribution (in particular, maintaining the exchange value of the yuan) in containing the Asian economic crisis with appreciation. Internationally, China's handling of the Asian financial crisis won praise as an 'island of stability' in Asia (Passell 1998). Against this background, China could not have applied economic sanctions on Indonesia because of its displeasure of Indonesia's handling of the May riots. Since the Indonesian economy in 1998 needed all the assistance it could obtain from the outside world (Sadli 1998), for China not to apply economic sanctions was not only in Indonesia's interests but perhaps more importantly also conducive to maintaining the good reputation China had already gained.

Indonesian Chinese in China's Indonesia foreign policy

As mentioned earlier in this paper, China in the 1990s no longer holds the same appeal to the Indonesian Chinese as it did in the 1950s and 1960s. Why, then, did China choose to pursue a policy towards Indonesia based on its propagated ethnic affinity with the Indonesian Chinese? Why, indeed, was it unable to live up to its promise of bringing benefits to the overseas Chinese when its power has increased, as it was challenged to do?

When China was diplomatically isolated by the West during the Cold War, it cultivated relations with the overseas Chinese communities for both political loyalty (to China and against Taiwan) and financial contributions to the Chinese economy (Wang 1991). Since its open-door policy began in the early 1980s, China's focused interest in the overseas Chinese

communities changed from making monetary remittances to China to bringing investment in China. An overseas Chinese investment in China usually does not carry political/diplomatic connotations as is sometimes the case with foreign direct investment from Western countries. However, Indonesian Chinese invest in China 'primarily for profit; secondarily to satisfy sentimental [i.e., national and familiar] attachments; and peripherally, to hedge against political risks in Indonesia' (Waldron 1995: 39). In other words, in the 1990s, seen from China's viewpoint, Indonesian Chinese's political loyalty is in question, making a diplomatic risk less worthy to take.

Meanwhile, Beijing can inadvertently contribute to the worsening of Indonesia's ethnic Chinese's predicament through measures like economic sanctions on the Indonesian government, as opposed to merely expressing verbal concerns. This is because diplomatic pressures from China may work to rekindle the debate of political-economic loyalty to which Indonesia's ethnic Chinese have to choose: China or Indonesia. This perhaps explains the Chinese Foreign Ministry's refusal to comment on the credibility of the final report on investigations into allegations of rapes of ethnic Chinese women in May and the Indonesian government's response to the report. In contrast, the same report drew continuing criticism in overseas Chinese communities as inadequate. In other words, even after its change of policy in August, China was unwilling to be seriously involved with the plight of those Indonesian Chinese victims in the May riots.

In hindsight, China acted towards the May riots the way it did in its own self-interest. For, it were the lesser-off ethnic Chinese, the ones who have less economic value to China's drive to attract overseas Chinese investment, who had to suffer the most in the May riots. The better-off ethnic Chinese, the ones with a greater potential to invest in China, were able to escape the violence before it started (Gilley *et al.* 1998; Tripathi and Dolven 1998). It would certainly not be in China's interest to see a worsening of the Indonesian Chinese's predicament, which would in return further weaken their political loyalty, however little there is left of it, to China.

In short, China's change of policy towards Indonesia over the May riots demonstrates that Beijing was perhaps attempting to strike a balance out of a number of foreign policy objectives, on top of acting to offset stronger domestic pressures. First, China saw it in its own interest to minimize potential damages to its state-to-state ties with Indonesia, allowing as little room as possible for Taiwan to exploit in the long-lasting China-Taiwan diplomatic rivalry. Second, Indonesia, in spite of its domestic problems, remains a country of significance to China in regional issues like the South China Sea disputes. Third, China needed to retain its reputation as a responsible actor in the process of regional economic crisis. Finally, the loyalty of the Indonesian Chinese to China continues to be a question

and China could further weaken that loyalty if it contributed to the worsening of their predicament. In short, China may have wished to maximize its possible gains and minimize the potential risks through its action over the May riots.

Looking into the future

How well the Chinese foreign policy tactic over the May riots will work is going to take time to manifest and cannot be easily measured. Should there be an outbreak of social disturbance in Indonesia that results in violence to the ethnic Chinese on a scale similar to or larger than that of the May riots, what will China's response be? Will it take stronger measures (i.e., not just diplomatic but also economic ones) against Indonesia? While it is difficult to predict the future course of Chinese foreign policy towards Indonesia, a few issues are relatively clear.

The political dimension of China-Indonesia relations remains fragile. Competition for the Indonesian Chinese's loyalty between China and Indonesia is one of the issues that will continue to affect the evolution of bilateral relations between the two countries. A case in point is Indonesian President Habibie's use of the old Indonesian word *Tionghoa* for ethnic Chinese instead of the derogatory *Cina*. Even such a change in vocabulary rather than socio-economic policy was regarded as an 'olive branch' that might pave the way for improved political relations between the two governments (*South China Morning Post*, 17 August 1998). However, overseas Chinese capital made up the single largest amount of offshore investment capital into the China market in the past two decades (Goodman 1997/98). The Chinese Communist Party depends on its ability to maintain high economic growth rates for regime survival. These facts mean that China will continue to offer both economic and cultural incentives to the overseas Chinese populations around the world, including those in Indonesia, for China's own economic interests and perhaps political loyalty in the China-Taiwan diplomatic rivalry as well. Therefore, China has a vested interest in continuing to pursue a foreign policy that includes a heavy component of cultural/political identity with the overseas Chinese communities world-wide.

In its handling of the May riots and the regional economic crisis, Taiwan has demonstrated itself to be a factor for both Indonesia and China to take seriously. The continuing political stalemate between Beijing and Taipei means that Taiwan will continue to pursue its own strategic agenda that emerged in the mid-1990s. Namely, Taiwan shall continue to resist China's unification formula ('One Country, Two Systems') for as long as possible and in the meantime strive to expand its own space for maneuver in global politics (Hu 1995). The July 1999 definition by Taiwanese President Lee Teng-hui's of the Taiwan-China relationship as a 'special state-to-state' one is a powerful case in point. Because unification with

Taiwan remains high on China's foreign policy agenda, China is very likely to work hard to protect its diplomatic gains in Jakarta and other Southeast Asian capitals. This in turn provides perhaps the strongest incentive for China not to make the predicament of ethnic Chinese in Indonesia a major diplomatic problem in the future.

The regional financial crisis weakened Indonesia's influence in regional affairs for the time being. However, as mentioned above, on sensitive issues like the sovereignty disputes in the South China Sea, Indonesia has also shown that it does have a role to play in China's pursuit of better relations with ASEAN in the security area. In an ironic way, China's practice of a 'divide and rule' strategy in the South China Sea sovereignty disputes may mean that it will work to secure Indonesia's official neutrality while it concentrates on other claimants. This again can mean that Beijing will likely treat its state-to-state relations with Jakarta with care.

In conclusion, China's foreign policy towards Indonesia's ethnic Chinese, as its handling of the May riots shows, is conditioned by issues that China cannot afford to overlook. In particular, Taiwan's pursuit of relations with Southeast Asian countries and Indonesia's role in the evolution of ASEAN as a regional power block to counter China's growing influence are external constraints over which China has no serious control. China's overall national agenda in pursuing modernization and its external constraints do provide some assurance that China is not very likely to pursue a foreign policy towards Indonesia over the issue of ethnic Chinese more aggressively than it did in 1998.

Notes

- 1 In this paper, the terms 'ethnic Chinese in Indonesia' and 'Indonesian Chinese' are used interchangeably and without prejudice in such matters as nationality and political/cultural identification. The term 'overseas Chinese' is used to refer to ethnic Chinese who live outside China proper.
- 2 The quotation is attributed to Zhang Yunling, Director of the Institute of Southeast Asian Studies, the Chinese Academy of Social Sciences.
- 3 The *Renmin Ribao* (*People's Daily*) went as far as organizing its reports on the May riots into one of its few hyperlinks, which can be read at <http://www.peopledaily.com.cn/ynph/hyn.html>
- 4 The *Renmin Ribao* reported such rallies in the United States (7 and 10 August), Britain (11 August), Australia and the Philippines (19 August), South Africa (20 August), and Thailand (22 August).

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