INDONESIA’S SOUTH CHINA SEA POLICY: THE LIMITS OF HEDGING

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ABSTRACT
This paper discusses Indonesia’s hedging policies towards China, especially in the South China Sea issue. In line with a free and active foreign policy principle, Indonesia seeks a middle way by establishing cooperation with the United States and China, two major powers with different interests in the South China Sea issue. This research is qualitative research using a case study approach. In this study, I carried out two data collection techniques, namely interviews and literature studies. The political elite decides to hedge within a government, so it is motivated more internally than externally. Hedging is a tactic that demands a low commitment to a country that does not represent friend or foe. However, in line with the increasing competition between the two, Indonesia’s hedging strategy may fail due to external pressure to join one side. Therefore, in maximizing the hedging strategy, Indonesia seems to need to increase its defense capabilities to increase its bargaining position and deter threats from external parties.

Keywords: China, Foreign Policy; Hedging; Indonesia; Security; South China Sea

Introduction
On July 12th, 2016, the Permanent Court of Arbitration (PCA) ruled out the Chinese rights and its so-called ‘nine-dashes line’ claim in the South China Sea (SCS). The decision came about after the arbitral proceedings by the Philippines regarding the maritime disputes between China and the Philippines in the Spratly Islands in the SCS in 2013. The tribunal concluded that Beijing’s claims were incompatible with the United Nations Convention on the Law of the Sea (UNCLOS), as there was no legal basis for its historic claims (Phillips, Holmes, & Bowcott, 2016).

In terms of international law, it could be an important achievement for the Philippines and a loss for China (Chan and Liow, 2016). In the military sense, however, Beijing still maintains its military presence in the Mischief Reef, Fiery Cross Reef, Subi Reef as well as in Woody Islands. Regarding the PCA ruling, the Chinese officials hinted that his country will not accept the court decision in the SCS. One might argue that China won the battle over the SCS since the PCA does not have enough power to enforce the ruling, while the international community lacked the will to comply (Zhao, 2018).

Located at the heart of Southeast Asia, SCS holds strategic importance to many states across the globe (2023). Indonesia, for example, considers SCS for its geostrategic value,
since it contains important Sea-Lanes of Communications (SLOC) areas, such as the Malacca Strait and the Philippines Sea, that is crucial for economic and military activities. However, one of Jakarta’s main concerns is around the Natuna waters, which located at the edge of the sea. In 2016 alone, there have been three incidents involving Chinese coast guards and the Indonesian Navy in the area (Team, 2018).

In the meantime, the Natuna area contains a substantial amount of proven gas reserves, in around 46 trillion cubic feet. The Natuna D-Alpha block is also estimated to be able to supply the needs of gas in Indonesia for about 70 more years (Offshore Technology Focus, 2019). The overlapping area of the East Natuna gas field, for instance, is one of the world’s largest gas fields (2007). According to the Indonesian Ministry of Energy and Mineral Resources, oil reserves in Natuna accounts for about 308.3 million barrels. As far as Jakarta is concerned, Natuna’s strategic value extends to the political as well as economic values.

This article aims to discuss the Indonesian perception of the conflict, as well as the hedging strategy towards rising China. Though trying to get economic benefits, at the same time (Word Blan Grup, 2019), Indonesia is also maintaining security relations with China’s global competitor, the United States (Anthony, 2019). In accord with its free and active principle, Indonesia also aims to maintain the status quo in international order among great power rivalries. However, hedging strategy also has its limitations in international politics. To hedge successfully, Jakarta also needs to be aware of its downsides.

**Analytical Framework**

Theoretically, weaker states can match great powers by forming an alliance to counter the threat to protect their security (Walt, 1990). To balance an external threat, a group of states may combine their efforts to level the playing field with a powerful state. Therefore, they can avoid being dominated by a potential hegemon in the international system. Bandwagoning efforts, on the other hand, is aimed to get a benefit from a rising power (2020). In theory, when there is a promise of rewards in an alliance, a state tends to join the side that seems more likely to win (Schweller, 1994).

Still, there is also a middle ground for a smaller power when facing a potential hegemon. The strategy is known as hedging, a policy that pursues positive relations with several great powers in the system. Indeed, smaller states choose not to upset external great powers unless one of them poses a direct threat (Roy, 2005). According to Evelyn Goh, a hedging policy is chosen when countries could not choose a firmer option such as balancing or bandwagoning. In Southeast Asia, for example, hedging consists of a combined policy of indirect balancing, complex engagement and enmeshment policy of major powers (Goh, 2005).

In other words, hedging is aimed to establish a middle position that avoids having to choose one side over the expense of the other. It allows smaller countries to maximize their gains without the burden of overcommitment to major powers. It is also meant to get the greatest benefit from a rising state while simultaneously maintaining security ties.
with another superpower. Theoretically, governments execute a strategy to hedge against external threats, for example by preserving strategic ambiguity, forming limited security cooperation, and adopting moderate self-protection to anticipate potential threats (Haacke, 2019).

The decision to hedge is taken by political elites in a government, so it is more internally motivated rather than externally driven. Hedging is a tactic that demands a low commitment act towards a country that neither represents a friend nor foe (Tang, 2018). Moreover, hedging is a foreign policy act chosen by political elites; therefore, it is more in line with the unit level approach instead of a systemic level of analysis. Foreign policymakers, especially in small states, tend to avoid risky decisions when they are dealing with great powers. By hedging, political leaders opt to mitigate political, economic and security risks (Kuik, 2008).

However, there are also certain limitations for hedging behavior to small and medium powers. To hedge effectively, a state still needs to increase its self-help capacity or to add an external counterweight to a potential threat (Ciorciari, 2019). Moreover, hedging behavior can only be effective when there is no intense power struggle between major powers. When there is an extreme power competition, however, the opportunity for hedging strategy is shrinking (Korolev, 2019). In other words, the options to hedge are not always available to weaker powers.

**Research Method**

This study is qualitative research using a case study approach. In this research, I conducted two types of data collection techniques, including interviews and literature review. First, I interviewed government officials, namely from the Indonesian Coordinating Ministry of Political, Security and Legal Affairs and a representative from the Ministry of Defense of the Republic of Indonesia in July and August (2021).

I also conducted a literature study, mainly from academic journals, news, and official government documents relevant to the research. In this research, data analysis is based on concepts and theories (Patton, 2014). Data analysis is consistent with inductive reasoning, which starts with observations to search for common patterns. Additionally, the descriptive qualitative data in this research is meant to enrich the original theory used in the analysis.

**Results and Discussion**

**Indonesia-China Relations: Strategic Ambiguity**

Historically, the dynamics of relations between Jakarta and Beijing has not always been easy (2018). The relationship between the two was established in August 1950 but then suspended in 1967 because of the September 30th incident in 1965. Back then, hostility towards China was mainly related to ideological reasons, particularly when the Indonesian army blamed the Chinese government of arms smuggling to the Indonesian Communist Party (Partai Komunis Indonesia/ PKI) for the rebellion in 1965. Also, the
army accused Beijing of its involvement in the movement as part of its goal of the world communist revolution (Zhou, 2014).

For this reason, from 1967 to 1990, Indonesia-China diplomatic relations had been frozen. However, on August 8th, 1990, after long-held discussions and meetings between government representatives, Jakarta’s diplomatic relations with Beijing was re-established, after 23 years of hostility. Both governments agreed to enhance cooperation on the foundation of the Five Principle of Peaceful Coexistence and Ten Principles of Bandung Conference (Sinaga, Sinaga, & Krishnan, 2018). Furthermore, while China had no longer supporting revolutionary policy to the communist movement worldwide, Indonesia’s concern over the threat of communism is also faded away (Sukma, 2009). Additionally, Beijing would prefer a more friendly approach to maintain cooperation with Southeast Asian countries.

Since the initiations of economic reform and free-market policies in 1979, China has been one of the fastest-growing economies in the world’s history, with a Gross Domestic Product (GDP) growth for about 6.8% in 2018 (World Bank, 2018). It has been one of the leading economic powerhouses, as the largest exporter of the world’s manufacturer and merchandise trader. For the past twenty years, Beijing’s growing global influence is one of the most widely debated issues in international affairs. Therefore, the ongoing dispute in the South China Sea and Beijing’s aggressive policies in the area could indicate what kind of power China is (Ismail, 2017).

Indonesia, in the meantime, reaps benefits from economic relations from the rise of China. In the economy and investment sectors, for example, China stands as one of Indonesia’s biggest partners. According to the Indonesian Bureau of Statistics (BPS), the total amount of trade between the two in 2018 sums up for US$72.6 Billion (Kemendag, 2019). In the meantime, the total amount of Chinese investments in Indonesia is around US$ 2.3 Billion or 16.2% of the total Foreign Investment in the country. Accordingly, Joko Widodo’s administration considers China as a strategic partner, particularly in terms of economy, trade, and investments (Xinhua, 2018).

Furthermore, through the Belt and Road Initiative (BRI) agenda, China’s economic assistance program given to Indonesia in several forms, such as infrastructure projects and loans. In April 2019, Indonesia had signed 23 agreements for infrastructure development projects in North Kalimantan, North Sulawesi, North Sumatera, Maluku, and Bali (Rakhmat, 2019). Both countries have agreed on a special funding scheme to support numerous projects worth US$91 Billion (Silaen, 2019). Besides, these agreements also extend to the development of rapid train research, education, and technology cooperation.

Moreover, Indonesia is highly indebted to China. Based on the statistics from Bank Indonesia (BI), China is the third-largest donor of foreign aid to Indonesia in 2018, totaling US$ 17,702 Billion (Kusumasari, 2020). The figures increased from 2017 and 2016, which was recorded at US$ 15,491 billion and US$ 14,857 billion respectively.
Additionally, Chinese aid has helped to fund bridges, roads, and power plants in Indonesia. During Joko Widodo’s administration, China’s development projects and financial support to Indonesia have increased significantly.

In political terms, however, the relations between the two have not been so smooth over the past few years. In March (2016), for example, the Indonesian Navy and the Chinese vessels involved in a military clash in Natuna, after the Indonesian intercepted a Chinese fishing boat. Just after the Chinese trawler arrested by the officials, a few armed Chinese Coast Guard intervened and demanded a release for the arrested fishermen. To the Chinese, the fishing boat was doing normal activities in China’s traditional fishing grounds and did nothing wrong. A couple of similar incidents happened again in May and June in the same year.

These events cause several political decisions from Indonesia. In July 2017, Indonesian officials renamed its northern part of Natuna in the South China Sea as the “North Natuna Sea”. The Indonesian Minister of Maritime Affairs and Fishery Susi Pudjiastuti claimed that Indonesia has every right to rename its territory (2017). As the Coordinating Minister for Political, Legal and Security Affairs Luhut Binsar Panjaitan also said that Beijing should not claim it as their traditional fishing ground (Bloomberg, 2019).

In the meantime, China has sent an official protest to Indonesia regarding the move. Chinese foreign ministry sent a formal note to the Indonesian embassy in Beijing on August 25th, expressing its concern (Channel News Asia, 2017). In the letter, Beijing stated that the renaming move will results in the complication of the issue, and endangering peace and stability in the region. The note also said that the name change is against the favorable condition in the South China Sea. Therefore, Beijing also asked Indonesia to drop the new name of Natuna waters (Liow & Chan, 2016).

Additionally, in the military aspect, Jakarta is also wary of the possibility of open conflict in the SCS. Following the 2016 clashes around the Natuna area, Indonesia established a new military base in Natuna Besar in December 2018. Stocked with compound battalions from the Army and Marines, it is also equipped with plenty of supporting infrastructures and facilities, such as military hangar, submarines, Unmanned Aerial Vehicles (UAVs) and missile systems (Eurasia Review, 2019). According to the military general Hadi Tjahjanto, the instructions came directly from the president himself (Antaranews, 2016).

As things stand, SCS is included as one of China’s “core” national interests in Beijing’s eyes. Accordingly, it has continued to build military facilities, including runways and harbors, on seven artificial islands in the area. Those military infrastructures will be able to support China’s air force and naval units to operate in the whole SCS region (Balance, 2015). More recently, Pentagon officials even claimed that Beijing conducted a missile test in June 2019, although China’s defense ministry later denied the accusation (Reuters, 2019).
All in all, the SCS dispute is unlikely to jeopardize the bilateral ties shared by Jakarta and Beijing for now. Regardless of the Natuna problem, Indonesia does not face a direct threat from China, including on the South China Sea issue (2019). Moreover, Jakarta tends to prioritize economic gains through investments and foreign aid from Beijing. At the regional level, ASEAN countries have already finished the single draft Code of Conduct (CoC) process in August 2018, in order to practice self-restraint and promotion of confidence through ASEAN.

However, Jakarta also needs to be cautious of the possibility of China’s assertiveness in Natuna waters. In the implementation of its hedging strategy, Jakarta should also be aware of the repercussions. For now, the military gap between the two countries is extremely high (McDevitt, 2020). Indonesia’s naval capabilities are unlikely to be enough to serve as a credible deterrence to China’s highly advanced military. Moreover, Indonesia or other Southeast Asian countries can never be sure of Beijing’s future intentions, particularly in the SCS (Cheng-Chwee, 2008).

Indonesia-United States: Love Hate Relationship

The US views Indonesia as a strategic partner in Southeast Asia. Formally, both countries have the Comprehensive Partnership agreement in 2010 and the US-Indonesia Strategic Partnership in 2015, deepening the joint effort to capture regional and global issues. The deal was formalized during Joko Widodo’s visit to Washington in October 2015, elevating bilateral ties into the strategic partnership. Under the agreement, defense relations between the two were advanced with a joint statement on comprehensive defense cooperation, including the co-development and co-production of defense equipment (Parameswaran, 2015).

The recognition of Indonesia’s importance to the US was also reflected during the then US Secretary of Defense James Mattis’ visit in January 2018, as he underlined many areas for collaboration, including counterterrorism, maritime security, and intelligence sharing. Indonesia’s democratic transition, as well as the implementation of its effective counter-terrorism measures, serve as a basis for cooperation between the two (Murphy, 2010). Meanwhile, in January 2019, an intelligence-sharing initiative called “ASEAN Our Eyes” was agreed between six ASEAN countries, with the assistance of the US. Primarily, the program was formed to combat terrorism, radicalism, and extremism. Additionally, collaboration in the field of defense is manifested through the Cope West 2019 military exercise. On the occasion, Washington mobilized 110 U.S Service members from the 14th Expeditionary Fighter Squadron, Misawa Air Base, while Jakarta assigned 150 service members to participate (Parameswaran, 2019). In the exercise, all participants shared information and tactics in air combat warfare, to bolster close relations and understanding between the US and Indonesian Air Forces. The training itself has been conducted annually since 2009, aiming to improve the interoperability between the two countries.
More recently, the Cooperation Afloat Readiness and Training (CARAT) (2019), an annual military exercise between the two, resumed in Surabaya and feature hundreds of members from the US’ Navy, Marine Corps and Coast Guards, as well as the Indonesian navy and marine corps in August 2019 (Johnson, 2019). Furthermore, the first ASEAN-US Military Exercise (AUMX) was conducted in early September this year, lasting five days amidst political tensions between the US and China over the SCS issue. All members of ASEAN member countries and the US took part in the drill, assigning eight warships, four aircraft and thousands of military personnel (Japantimes, 2019).

Facing Beijing’s quest for hegemony, Southeast Asian states need a strategic counterweight in the region. Military ties with the US may sign a form of indirect balancing, since its presence may prevent China’s further expansion in the SCS. In a strategic sense, the exercises could be aimed directly at China that shows ASEAN’s confidence in the US’ military leadership (Heydarian, 2019). By engaging with the US, Indonesia, along with other ASEAN countries, have more bargaining power while preventing overreliance at the same time. In accord, Indonesia feels “helped” by the US’ military presence in Southeast Asia (Leginosuko, Pedrason, Sumarlan, & Halkis, 2021).

Based on its “free and active” foreign policy principle, though, it seems unlikely that Jakarta would engage in a full-fledged military alliance with Washington, as the doctrine prevents the country from having a defense pact with world’s dominant powers. Besides, the two countries have always been involved in a love-hate relationship, partly caused by Jakarta’s mixed perceptions towards the superpower. On the one hand, Indonesia’s elites respect US democracy, innovation, and technological achievements. But on the other hand, some leaders are uneasy about “Americanism” or the spread of US ideas and culture in the country (Novotny, 2010). US’ commitment could be crucial to Indonesia’s approach in the SCS issue, as its maritime supremacy may deem credible to provide stability and reassurance. Previously, Washington backed Jakarta’s decision to rename the ‘North Natuna Sea’ waters (South China Morning Post, 2018). While the move might fill Beijing with dismay, it indicates the US’ willingness to support Jakarta’s political maneuver. In addition, Washington even encouraged Indonesia and other Southeast Asian states to bolster their naval capability and use it as deterrence in disputed waters (Council of Foreign Relations, 2018). However, it is still unclear how far the US will go to defend Indonesia’s security interest.

For this reason, Indonesia’s hedging strategy could be at risk. US naval presence might be the only credible deterrence for China’s expansion in the region. In this case, the Indonesians also share this pessimistic view about the US’ commitment to the Southeast Asia. Based on the latest survey by the ISEAS-Yusof Ishak Institute in February 2019, around 73,9 percent of Indonesian respondents said that the US engagement in Southeast Asia has decreased (Iseas, 2019). According to the same survey, as much as 42,6 percent of Indonesians are unsure about the US reliability in the Southeast Asian
security today. The result of the survey could give an alarming sign regarding Indonesia’s perception of US presence in the region.

Caught Between Us-China Rivalry
Jakarta, amid global rivalry, seems to adopt a hedging strategy. As a weaker power in the region, it aims to create regional stability by spreading the risk posed by the US and China, namely by maintaining military cooperation over the former and building trade networks with the latter. In its South China Sea policy, for example, Jakarta is committed to taking a neutral position, while also playing a role as an honest broker for all the parties involved (Said & Sutiono, 2021). However, the hedging strategy also has its drawbacks when it faces the intense competition of great power (Bican, 2023).

Indonesia would want to avoid direct confrontation with either China or the United States. Jakarta also uses regional institutions -such as the ASEAN Regional Forum or the East Asia Summit- as a policy platform to engage major powers into contributing to regional security. Whichever country in the institutions – China and the United States included – must sign the Treaty of Amity and Cooperation (TAC) to be included. It also specifies certain mechanisms for tackling and resolving issues among members. Indeed, ASEAN has been crucial for norm-setting agendas and regional cooperation.

However, Indonesia and ASEAN could not just rely on its diplomatic means alone to reduce political tensions in the Asia Pacific. Moreover, if there are competing interests among great powers, or the competition becomes too much to bear, it would be difficult for ASEAN to intervene or mediate since Southeast Asian states do not have enough material and hard power capabilities compared to any of the major powers (Zhu, 2019). In this case, a hedging strategy alone would not likely be enough to provide security. Therefore, Jakarta should consider more options to anticipate great power rivalries in the region.

First, Indonesia’s hedging strategy should rely on the capacity to present a sound deterrence. Currently, Jakarta’s military capability is much weaker than Beijing’s, and it might be unlikely to establish a deterrence effect towards the rising power, particularly in Natuna. In terms of military spending in the region, for example, Indonesia’s military budget is below average (Morris & Paoli, 2018), allocating for just around 1% of its Gross Domestic Products (Nota Keuangan, 2019). Accordingly, the country’s naval equipment is largely insufficient compared with the country’s geographical size (See table 1). Furthermore, many of the navy ships are obsolete, since most of them are more than 50 years old (Morris & Paoli, 2018).

![Table 1. Indonesia’s Naval Assets](image)

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesian Water Police (POLAIR)</td>
<td>200 vessels</td>
</tr>
<tr>
<td>Maritime Security Agency (BAKAMLA)</td>
<td>Less than 300 vessels: 2 ground stations, 14 marine security, and safety</td>
</tr>
</tbody>
</table>
monitoring situations, 3 regional zone radar headquarters

<table>
<thead>
<tr>
<th>Directorate of Customs and Excise (Bea dan Cukai)</th>
<th>189 vessels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia’s Presidential Task Force to Combat Illegal Fishing (SATGAS 115)</td>
<td>50 vessels and a few fixed-wing aircraft</td>
</tr>
<tr>
<td>Indonesian Navy (TNI-AL)</td>
<td>236 active vessels and 75,000 active personnel</td>
</tr>
</tbody>
</table>


Second, Indonesia also needs to be aware that a hedging strategy could fail should the competition between Beijing and Washington intensifies. According to the 2017 US National Security Strategy, Washington sees Beijing as a revisionist power seeking to alter the existing international order. China, as the document implies, challenges US security and prosperity by expanding its military and international influence (US National Security Strategy, 2017). Furthermore, US President Donald Trump even portrayed Beijing as “the most efficient assassin” in the world today, as the tensions between the two are almost inevitable.

Besides, according to the White House, Beijing also intends to weaken US national security and international standings (Ettinger, 2017). Washington, in mid-2019, proposed the “Indo-Pacific Strategy” report, which declares China as a “revisionist power”. Beijing, as the document suggests, is willing to endure hostility with other countries, to meet their broad political, economy and security interests. Moreover, it further undermines the existing international system as well as eroding the values and principles of rule-based order (Atanassova, Cornelis, Sato, & Sauer, 2023).

As a response, in July 2019, Beijing released “China’s National Defense in the New Era”. The document reaffirms the fact that Washington and Beijing are competing superpowers. It stated that the US provoked the competition of global powers, increasing its defense expenditure and disrupted international stability. In the course of the Asia Pacific, the document also said that the US is strengthening its alliance and military presence, reinforcing military deployment, and therefore adding more complexity to the regional security (Lendon, 2019).

All in all, intense competition between the two might cause them to fall into the “Thucydides Trap” (MacDougall, 2017). In theory, the deep rivalry between an established and rising power may result in open conflict. Washington seems to pursue the international freedom of navigation, while Beijing insists on its sovereignty rights on the SCS. The political tensions could also be heightened, as China continues the land reclamation activities and militarization, namely in Spratly and Paracel. Should the
conditions evolve, any of the weaker states in the region - Indonesia included- may need to pick sides between the two competing powers, either by balancing or bandwagoning.

**Conclusion**

This article discusses Indonesia’s tendency to hedge against rising China. According to the theory, hedging is primarily motivated by decision-makers, in order to spread the risk posed by external influence. It is an alternative policy for smaller powers in dealing with uncertainty in international relations. As the research has shown, Jakarta displayed ambivalent foreign policy by maintaining economic and political engagement between the US and China. It is an attempt to mitigate the risk of global competition between great powers. Unfortunately, as the US-China rivalry grows, the alignment options to weaker power might be reduced. Indonesia’s hedging strategy towards great power tends to be weakened due to external pressures. Moreover, the territorial dispute in the South China Sea could be causing a divide among Southeast Asian countries, which is also influenced by Beijing’s relations with the individual state in the region. For this reason, Indonesia needs to increase its self-help capability to improve its bargaining position, while also deterring external threats at the same time.

For Jakarta, it seems logical to stand in the sidelines as the global competition between the US and China escalates. At the moment, it could not afford to side with any of the competing superpowers and risk losing a powerful ally. Moreover, the approach is more in line with its “bebas aktif” foreign policy principle. However, as this paper suggests, a hedging strategy may be ineffective when the hegemonic rivalry intensifies. Shortly, Jakarta could be faced with an option to side with any of the power blocs.

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