

Indonesia's Hedging Strategy Amid US–China Rivalry in the Indo-Pacific

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ABSTRACT

The strategic rivalry between the United States and China in the Indo-Pacific creates significant structural pressure for Indonesia as a key middle power and ASEAN leader. However, Indonesia remains underexplored in hedging strategy studies compared to other Southeast Asian countries. Moreover, the 2019–2024 period—marked by AUKUS, IPEF, Indonesia's G20 presidency and ASEAN chairmanship, and rising tensions in the *Natuna* waters—has not been systematically analyzed. An additional gap lies in internal institutional incoherence, whereby key state actors do not consistently present aligned strategic signals. This article examines how Indonesia operationalizes its hedging strategy in response to the US–China rivalry during 2019–2024 across three interrelated dimensions: diplomatic-institutional, economic, and security. Data were collected through document analysis, qualitative content analysis, and process tracing. The findings show that Indonesia consistently pursued soft hedging that preserved its foreign policy autonomy. The article advances three theoretical contributions: identifying institutional incoherence as a new variable that erodes hedging credibility; demonstrating that Wilkins's security–economic disconnect more accurately captures Indonesia's structural dilemma than conventional small-state hedging frameworks; and arguing that, for middle powers such as Indonesia, hedging functions not merely as a survival strategy but as a self-reinforcing leadership strategy.

Keywords:

hedging strategy; Indonesia; US-China rivalry; Indo-Pacific; middle power diplomacy; institutional incoherence

INTRODUCTION

If there is a region that feels the effects of U.S.–China competition most directly, the answer is almost certainly the Indo-Pacific. The shift in the center of gravity of global power from the Atlantic to the Pacific over the past two decades has not been linear or peaceful; it has been accelerated by China's infrastructure ambitions through the Belt and Road Initiative, sharpened by the escalation of disputes in the South China Sea, and is now increasingly difficult to contain due to Beijing's expanding leadership in international institutions that were once the exclusive domain of the West. On the other hand, the United States has not remained passive. Washington continues to strengthen its presence in the region through a variety of bilateral and multilateral mechanisms, from basing agreements with its allies to normative initiatives that frame the competition as a contest between democracy and authoritarianism. The result of this dynamic is a rivalry that can no longer be understood through a single lens: it permeates the realms of security, technology, normative narratives, and now even extends deeply into global supply chains that affect the daily lives of millions of people in the region (Liff & Ikenberry 2014, p. 52).

Behind this competition are two competing visions of world order that are not easily reconciled. The United States upholds the principles of a rules-based international order, including freedom of navigation, respect for sovereignty, and mechanisms for peaceful dispute

resolution through institutions established since the end of World War II. China offers a fundamentally different vision: a “community of common destiny” constructed through the Belt and Road Initiative and an alternative institutional framework that positions Beijing not merely as an economic power, but as an actor actively redefining regional norms (Shambaugh 2013, p. 6). These two visions clash most visibly in the South China Sea—and are most concretely felt by Indonesia, whose North Natuna waters fall within China’s unilateral nine-dash line claim, which is not recognized by international law. For Jakarta, this is not merely a maritime dispute; it is a test of which principles will ultimately be upheld in the evolving regional order (Pratomo et al. 2020).

No ASEAN country feels the pressure from these two directions more than Indonesia. As Southeast Asia’s largest economy, as well as a significant trading partner of China and a longstanding security partner of the United States, Indonesia stands at a difficult crossroads. China has been Indonesia’s largest trading partner since 2015 and its largest infrastructure investor through the BRI, from nickel industrial estates in Sulawesi to various connectivity projects. The United States, meanwhile, remains a key defense partner, providing military technology, joint exercises such as the Garuda Shield program, and implicit support for maintaining the regional balance of power. This dual dependence is what Lim & Cooper (2015, p. 703) describe as the fundamental trade-off between autonomy and alignment, and Indonesia, despite its *bebas aktif* (free and active) foreign policy rhetoric, has never been entirely free from this tension. What is noteworthy is not Indonesia’s inability to escape this dilemma, but rather its ability to manage it over decades without being drawn fully toward either pole.

What distinguishes Indonesia from other ASEAN countries is not only its size, but also a combination of two characteristics that rarely coexist. First, Indonesia faces the region’s most pronounced security–economic disconnect—a condition in which its security and economic interests are oriented toward different major powers (Wilkins 2021, p. 4). Second, Indonesia bears the responsibility of ASEAN leadership, which makes explicit alignment with one side not only bilaterally costly but also a threat to the organization’s cohesion, its primary source of regional influence. The emergence of AUKUS in September 2021, the development of the Quad, and the launch of the Indo-Pacific Economic Framework (IPEF) in 2022 have further intensified these pressures. Indonesia, which held the G20 Chairmanship in 2022 and the ASEAN Chairmanship in 2023, has faced these challenges not as a bystander, but as both host and mediator.

It is in this context that the ASEAN Outlook on the Indo-Pacific (AOIP), adopted at the 2019 ASEAN Summit and strongly promoted by Indonesia, carries significance beyond that of a typical regional document. The AOIP emphasizes ASEAN centrality, inclusiveness, and the rejection of regional fragmentation into rival blocs (ASEAN 2019). For Jakarta, the AOIP serves both as a position statement and a diplomatic instrument to affirm that Indonesia’s foreign policy autonomy cannot be sacrificed for the benefit of any single power. It is also a collective affirmation that ASEAN refuses to become a venue for proxy competition—a stance that positions Indonesia not merely as a neutral actor, but as an architect of regional norms actively shaping the framework of great-power interaction in the Indo-Pacific. However, the resilience of this strategy is increasingly tested as global bipolarization intensifies—accelerated by the Russia–Ukraine war and technological competition, particularly in semiconductors, which increasingly blur the line between economic cooperation and security rivalry.

It should also be understood that Indonesia's hedging strategy during the 2019–2024 period did not emerge in a historical vacuum. It is rooted in a longstanding ideological foundation: the principle of *bebas aktif* (free and active) foreign policy, which has guided Indonesia since independence. Formulated by Mohammad Hatta in 1948 in the context of the early Cold War, this principle affirms that Indonesia will not align itself with any competing bloc—not out of indifference, but because its national interests require flexibility and autonomy in navigating great-power relations. In the context of the 21st-century U.S.–China rivalry, this principle has gained renewed and more complex relevance. The international system is no longer divided into two clearly defined blocs, but instead resembles a multidimensional arena where the boundaries between cooperation and competition, and between economic partners and strategic rivals, are increasingly fluid. Hedging, in this sense, represents the contemporary operationalization of *bebas aktif*—not merely a rhetorical legacy, but an adaptive strategy continuously recalibrated in response to shifting pressures.

One dimension often overlooked in the analysis is the role of domestic pressures in shaping Indonesia's hedging choices. The Indonesian public, largely removed from direct engagement in foreign policy debates, holds mixed views toward the two major powers. Surveys indicate widespread suspicion toward Chinese investment—particularly concerning labor practices and environmental impacts in BRI projects—while there is also unease in some segments of society regarding perceived excessive military engagement with the United States. Indonesian policymakers must therefore balance external geopolitical considerations with domestic sensitivities that cannot be ignored. This adds a layer of complexity not always visible externally: Indonesia's hedging is not solely a response to pressure from Washington and Beijing, but also a strategic adjustment within a diverse and sometimes inconsistent domestic opinion landscape.

Studies on hedging strategies in Southeast Asia have produced a substantial body of literature, though attention remains unevenly distributed. Goh (2005, p. 3) was among the first to systematically distinguish between enmeshment, balancing, and hedging as distinct responses to China's rise. Kuik (2008, p. 159) later developed a more structured and widely cited taxonomy, differentiating hedging from bandwagoning and balancing with greater analytical precision, and subsequently introducing the concept of hedging credibility (Kuik 2016, p. 500). Lim & Cooper (2015, p. 697) offer a key conceptual refinement, arguing that hedging requires costly signaling—actions that entail real costs and deliberate ambiguity toward major powers. Wilkins (2021, p. 4) contributes further by introducing the concept of a security–economic disconnect as a structural explanation for the prevalence of mixed hedging strategies among secondary Indo-Pacific states. In Indonesian studies specifically, Ciorciari (2010, p. 12) highlights the structural limitations of non-alignment, Laksmana (2011, p. 158) analyzes Indonesia's regional strategic profile, and Weatherbee (2019, p. 132) traces the evolution of Jokowi's foreign policy during his second term. Together, this literature provides the analytical foundation for this study while also revealing important gaps.

However, significant gaps remain in the existing literature. Most empirical studies on hedging focus on Malaysia, Singapore, or Vietnam, while Indonesia—arguably the most significant actor in Southeast Asia both materially and symbolically—has received comparatively limited attention. Existing studies on Indonesia also tend to be fragmented, often examining either the security or economic dimension in isolation, rather than analyzing their

interaction as an integrated system. There is also a temporal gap: few studies treat the 2019–2024 period as a coherent unit, despite it representing an unprecedented convergence of pressures, including the COVID-19 pandemic, the emergence of AUKUS and the Quad, and Indonesia’s leadership roles in the G20 and ASEAN. A third, more original gap is the absence of institutional incoherence as an analytical variable—a condition in which hedging signals from different Indonesian government agencies are not always consistent, thereby undermining the credibility of the strategy. These gaps are interconnected: the lack of comprehensive, period-specific, and multidimensional analysis has obscured the role of institutional incoherence in Indonesia’s hedging behavior.

This research aims to address these gaps by positioning Indonesia as the primary case study, treating the 2019–2024 period as a coherent analytical timeframe, and incorporating institutional incoherence into the framework. In doing so, it offers a more comprehensive understanding of how a middle power practices hedging amid intensifying great-power rivalry. Furthermore, the study argues that the predominantly small-state-focused hedging framework in existing literature must be adapted for middle powers. The cost–benefit calculations of hedging for middle powers include an additional dimension—regional leadership—which is largely absent in small-state analyses. Ignoring this dimension leads to an incomplete understanding of Indonesia’s distinct hedging behavior within ASEAN.

Based on these gaps, this study seeks to examine Indonesia’s hedging strategy amid U.S.–China rivalry in the Indo-Pacific during 2019–2024 by focusing on three interrelated dimensions: diplomatic-institutional, economic, and security. The study aims to analyze how Indonesia operationalizes hedging across these dimensions, assess the extent to which the strategy has been effective in preserving foreign policy autonomy, and identify structural factors that limit its effectiveness, including institutional incoherence. The findings are expected to offer both theoretical and practical contributions. Theoretically, the study refines hedging literature by adapting it to middle-power contexts and introducing institutional incoherence as a key moderating variable. Practically, it may serve as a reference for policymakers in strengthening inter-institutional coordination and formulating a more coherent and sustainable foreign policy strategy amid intensifying great-power competition.

METHOD

This research employed a qualitative approach with a descriptive-analytical design. This choice reflected the nature of the research object—foreign policy strategy—which involves complex interactions among actors, contexts, and institutions that cannot be adequately captured through quantitative measurement without losing critical nuance. A qualitative approach enabled the researcher to trace patterns, follow policy logic, and interpret consistency across documents while maintaining analytical depth (Creswell & Poth 2018, p. 46).

The descriptive-analytical design served two complementary functions. Descriptively, the study mapped the manifestations of Indonesia’s hedging strategy across diplomatic-institutional, economic, and security dimensions during 2019–2024, addressing what was done. Analytically, it evaluated these patterns using Kuik’s (2008, 2016) framework to assess the coherence and effectiveness of the strategy, addressing how and why it operated. This combination produced a theoretically informed interpretation that moved beyond empirical description toward conceptually grounded analysis (Creswell & Poth 2018).

The unit of analysis was Indonesia's foreign policy under President Joko Widodo from 2019 to 2024, focusing on the three specified dimensions. The scope was limited to observable outputs—policies, official statements, and formal actions derived from primary sources—rather than internal decision-making processes.

The 2019–2024 timeframe was selected for analytical coherence. The year 2019 marked both the adoption of the ASEAN Outlook on the Indo-Pacific and the beginning of Joko Widodo's second presidential term, a period during which Indonesia's foreign policy approach became more consolidated. The endpoint of 2024 corresponded with the transition to a new administration, providing a natural boundary for examining a single leadership phase.

This study used three main techniques: document analysis, qualitative content analysis, and process tracing. Document analysis was applied to official materials such as speeches, joint statements, summit declarations, and policy documents. Qualitative content analysis was used to identify patterns and consistency in Indonesia's hedging behavior across the three dimensions through systematic coding. Process tracing was employed to link external geopolitical developments with Indonesia's policy responses, allowing for the identification of causal mechanisms. To enhance validity, the study applied source triangulation and consistency checks, drawing on both Indonesian- and English-language documents to compare policy signals across audiences.

As with most document-based qualitative studies, several limitations applied. The analysis relied exclusively on publicly available sources, which limited access to internal policy deliberations. As a result, conclusions regarding institutional incoherence were inferred from observable inconsistencies in official outputs rather than direct evidence of internal processes.

The focus on three analytical dimensions also meant that other potentially relevant factors—such as non-state actors, media influence, and domestic political dynamics—were not examined in depth. Furthermore, as a single case study, the findings were not intended for statistical generalization. Instead, the study aimed for analytical generalization (Yin 2018, p. 21) by refining existing theoretical propositions. To address the inherent limitations of single-case designs, the analysis emphasized the identification of causal mechanisms rather than relying solely on temporal associations.

Data sources were divided into primary and secondary materials. Primary data consisted of official documents produced by key policy actors, including speeches and statements by Foreign Minister Retno Marsudi and other government representatives, as well as ASEAN declarations, bilateral statements, and national policy documents. Secondary data included academic literature and policy analyses that provided contextual support and interpretation.

Table 1. Classification of Research Data Sources

Category Data	Source Type	Sample Document
Data Primer	Official government documents	Speech by Foreign Minister Retno Marsudi & Sugiono (2019–2024); Statement of the Ministry of Foreign Affairs of the Republic of Indonesia; AOIP (2019)
Data Primer	International declarations and treaties	Joint statements KTT ASEAN; G20 Leaders' Declaration Bali (2022); ASEAN Summit Declarations

Category Data	Source Type	Sample Document
Data Seconds	Research institute report	ISEAS Perspective; CSIS Reports; IISS Strategic Survey; Lowy Institute Analysis
Data Seconds	Academic journal articles	Contemporary Southeast Asia; Journal of Contemporary China; Asian Security; Pacific Review
Data Seconds	International organization documents	UN General Assembly records; ASEAN documents portal (asean.org)

Source: Compiled by the author based on research data (2025)

Source triangulation was employed to maintain the validity of the interpretation: any claim regarding Indonesia’s policy position was corroborated by at least two independent sources. For supporting quantitative data—such as investment figures and trade values—the study relied on official statistics from BPS (2023) and BKPM (2023), as well as reports from international institutions such as IISS (2023) and the World Bank (2023). In the context of Indonesian foreign policy studies, the gap between official statements and actual actions was treated as an analytical indicator of institutional incoherence.

RESULTS AND DISCUSSION

Strategic Context: The U.S.-China Rivalry and Its Implications for Indonesia

The 2019–2024 period marks a qualitatively different phase in the U.S.-China rivalry compared to previous decades. If in the 1990s to the early 2000s the relationship between the two countries could still be described as competition managed within the framework of economic engagement — where large bilateral trade was considered to create an incentive for both sides to avoid open confrontation — then in the period under review, that logic no longer applies. The rivalry has shifted into a comprehensive strategic competition: spanning semiconductor technology, digital standards, global narratives, military capabilities in the Pacific, and now even critical minerals supply chains. The trade war that began in the Trump era in 2018, restrictions on semiconductor technology exports to Chinese companies under Biden, the establishment of AUKUS in September 2021, and the launch of the IPEF in May 2022 are a series of developments that collectively narrow the space for countries seeking to maintain balanced relations with the two powers (Brands & Sullivan 2020). This shift is not only material. The U.S. is increasingly framing its competition with China in the framework of democracy versus authoritarianism — a normative framing that indirectly urges its partners to take positions based on value affiliations, rather than mere calculations of interests.

For Indonesia, these pressures are asymmetrical and multidimensional in a way that is not easily managed with a single policy prescription. Economically, China has been Indonesia's largest trading partner since 2015 with a bilateral trade value of 127.8 billion US dollars in 2022, as well as being the second largest source of investment through the BRI scheme which has funded a number of strategic infrastructure projects, including a metal processing industrial estate in Sulawesi (BPS 2023). On the other hand, the United States is Indonesia's historical security partner, the largest military exercise partner through the Garuda Shield program, as well as a major investor in the digital and renewable energy sectors. This dual dependence means that any escalation in the U.S.-China rivalry directly impacts Indonesia's material and

strategic interests—and any policy choices that appear to favor one side risks risking relations with the other.

The COVID-19 pandemic that has hit since the beginning of 2020 has added a significant new dimension in this context. The global reliance on concentrated supply chains — mostly in China — was brutally exposed during the pandemic, prompting countries including the U.S. to prioritize supply chain diversification as an economic security agenda. For Indonesia, the pandemic paradoxically strengthens the argument for hedging: on the one hand, dependence on vaccines and medical supplies from China presents a risk of overreliance; on the other hand, the urgent need for international assistance makes Indonesia unable to sacrifice relations with either party. Indonesia's chairmanship of the G20 in 2022 — which was held in the midst of post-pandemic recovery and the simultaneous escalation of the Russia-Ukraine conflict — puts Indonesia in a position that demands the highest hedging skills in a single forum.

It should also be noted that Indonesia's domestic context in this period provided specific additional pressures. Joko Widodo's administration in his second term chose to prioritize economic development and infrastructure as its main legacy — a choice that structurally makes engagement with China as a source of investment increasingly unavoidable. On the other hand, strong nationalism and sovereignty sentiments at home limit the extent to which the government can be seen to be overly accommodating to Chinese interests, especially on issues that touch on direct sovereignty such as Natuna. It is this combination of investment pressure from above and nationalistic pressure from below that forms the narrow corridor in which Indonesia's hedging policy must operate — not just a bipolar international environment, but a combination of simultaneous domestic and external pressures.

The most concrete implications of the dynamics of rivalry for Indonesia can be seen in two specific issues. First, the North Natuna Sea, where Chinese coast guard vessels and fishermen repeatedly enter Indonesia's exclusive economic zone (EEZ). Indonesia has consistently refused to acknowledge the overlapping claims with China — because under UNCLOS, the nine-dash line has no internationally recognized legal basis — while at the same time avoiding escalations that could damage bilateral diplomatic and economic relations (Laksmiana 2019). Second, the emergence of AUKUS in 2021 triggered an unusual response: together with Malaysia, Indonesia issued a statement of concern regarding the risks of an arms race and nuclear proliferation in the region — a signal aimed at Australia and its partners without explicitly mentioning China as a context of concern (Indonesian Foreign Ministry 2021). These two episodes together reflect how Indonesia must continue to navigate between asserting sovereignty, maintaining economic relations with China, and managing relations with Western security networks simultaneously.

The Diplomatic and Institutional Dimension of Indonesian Hedging

The diplomatic-institutional dimension is the arena in which Indonesian hedging is most explicit, structured, and can be observed through public documents. The main instrument in this dimension is the ASEAN Outlook on the Indo-Pacific (AOIP) agreed at the 34th ASEAN Summit in Bangkok, June 2019. The document, which in its formulation process was strongly encouraged by Indonesia, underlines four key areas of cooperation — maritime, connectivity, SDGs, and economy — with an emphasis on inclusivity and openness to all external partners. The significance of the AOIP lies not in its technical substance alone, but in what it rejects: it explicitly rejects the concept of a region fragmented into rival blocs (ASEAN 2019), and thus

becomes ASEAN's collective counter-narrative to the dichotomy promoted by both the US Indo-Pacific Strategy and by China's Belt and Road Initiative. For Indonesia, pushing the AOIP into an ASEAN consensus position is a diplomatic achievement that externalizes its strategic interests into a collective mandate — a way to protect Indonesia's hedging position behind the shield of multilateral legitimacy.

The diplomatic bonding strategy that is an important component of return-maximizing behaviour in Kuik's taxonomy is evident in Indonesia's efforts to institutionalize relations with the two great powers through multilateral mechanisms. With China, Indonesia leverages the framework of the ASEAN-China Dialogue Relations and the East Asia Summit (EAS) forum as a platform that allows for substantive engagement without granting exclusive bilateral privileges. With the US, Indonesia leverages the US-ASEAN Summit framework and the IPEF mechanism to build institutionalized economic engagement. This dual institutionalization has a strategic function that is often invisible from the surface: it makes it difficult for either party to urge Indonesia to take an exclusive position, since any such demands must be met through multilateral forums where Indonesia is not the only party that needs to be convinced. In other words, multilateralism is a shield for bilateralism: Indonesia uses ASEAN norms to protect itself from bilateral pressures arising from the US and Chinese competition.

Indonesia's chairmanship of the G20 in 2022 represents one of the toughest tests as well as the most tangible achievement of Indonesia's diplomatic hedging strategy in the period under review. When Russia's invasion of Ukraine exploded in February 2022, the pressure from G7 countries to turn the G20 Bali summit into a forum condemning Russia was immense — and there was a push for Russia to be excluded from the forum altogether. Indonesia rejects the argument that the G20 is an economic forum, not a geopolitical forum, and that isolating Russia would actually undermine the forum's effectiveness in addressing global recovery challenges. As a result, the G20 Leaders' Declaration Bali 2022 recognizes a different view of the war in Ukraine — a formulation that allows all members to sign the declaration without betraying their respective positions. This is a classic example of measured political-diplomatic signaling: Indonesia sends a message that it will not allow the global economic forum to become a geopolitical instrument of any party, without having to explicitly defend or condemn Russia (Indonesian Ministry of Foreign Affairs 2023).

Outside the G20 forum, Indonesia's diplomatic binding strategy also operates intensively through an ASEAN-based multilateral security architecture. The ASEAN Defence Ministers' Meeting Plus (ADMM+), which involves eight dialogue partner countries — including the US, China, Russia, and Japan — is an instrument used by Indonesia to institutionalize security cooperation with various powers simultaneously in one forum. Through ADMM+, Indonesia can deepen military interoperability and build trust with the US without giving the impression of bilateral exclusivity. The EAS forum, which has included the US and Russia since 2011, functions similarly: a diplomatic binding platform where Indonesia pushes for regional inclusivity norms. The strategic advantages of this framework for Indonesian hedging are very real: Indonesia's security involvement is distributed among many actors so that no one can claim exclusive privileged relationships, while strategic communication with all parties is maintained even in times of bilateral tension.

Indonesia's attitude towards the Quad and AUKUS also reflects a calculated and consistent hedging pattern. Indonesia has never officially supported the Quad or AUKUS, and

the Indonesian Foreign Ministry's statements have consistently emphasized the importance of not bringing the dynamics of great power rivalry into the region. But at the same time, Indonesia has never issued a formal opposition that could damage relations with the US and its allies. This tacit-selective pattern is a manifestation of indirect dominance-denial — avoiding endorsement of mechanisms that can consolidate one side's dominance without openly positioning oneself as an opponent. Indonesia's ASEAN Chairmanship in 2023 with the theme 'ASEAN Matters: Epicentrum of Growth' reinforces the narrative of ASEAN's relevance as an autonomous actor — and implicitly, Indonesia's position as a collective leader that cannot be ignored by any power.

Economic Dimension of Hedging Indonesia

The economic dimension of hedging Indonesia reflects one of the most complex aspects of this strategy, as this is where the tug-of-war between short-term gains and long-term dependency risks is most felt. Indonesia has actively participated in China's Belt and Road Initiative (BRI) since the signing of the memorandum of understanding in 2018. BRI's projects operating in Indonesia include the Morowali industrial estate and Weda Bay in Sulawesi — both nickel and stainless steel processing centers with Chinese investment as the backbone — as well as several other connectivity infrastructure projects. At its peak, Chinese investment in Indonesia reached 8.2 billion US dollars in 2022, making it the second largest investor after Singapore (BKPM 2023). These numbers are not just statistics: they reflect how deep the chain of dependency that has built up between two geopolitically polarized economies are on different sides of a great rivalry.

However, Indonesia's involvement with BRI has never been passive or unconditional. This is a point that often escapes analysis that focuses too much on investment figures. Indonesia has consistently selected projects offered within the BRI framework based on calculations of national interest: rejecting financing schemes that risk creating debt traps, emphasizing strict local content clauses in negotiations, and hand-picking priority sectors without leaving the development agenda to China's agenda. This selective approach distinguishes Indonesia from a number of other BRI recipient countries — such as Sri Lanka or Pakistan — that are experiencing serious fiscal pressure due to debt accumulation. That Indonesia is able to maintain this selective position while still receiving large-scale investment flows is concrete evidence of what Kuik (2008, p.163) calls calculated economic-pragmatism, not passive dependence.

At the same time, Indonesia is simultaneously involved in the Indo-Pacific Economic Framework (IPEF) launched by the US in May 2022. Engagement in the IPEF — which includes four pillars: trade, supply chain resilience, clean economy, and tax governance and anti-corruption — demonstrates Indonesia's willingness to enter into the Washington-led economic framework without having to sign a more legally binding full free trade agreement. This option is not without calculations. The IPEF does not require the same reciprocal market access as conventional FTAs, allowing Indonesia to benefit from institutionalizing supply chains with U.S. allies while protecting politically sensitive sectors at home. The simultaneous involvement of the BRI and IPEF in these close spans of time—two geopolitically competing frameworks—is the clearest empirical of Indonesia's economic hedging logic.

The hedging economic dimension is increasingly layered with the presence of the Just Energy Transition Partnership (JETP) which was launched at the 2022 Bali G20 Summit.

Through the JETP, Indonesia has received a commitment to support the energy transition worth 20 billion US dollars from a consortium led by the United States and the European Union, with the target of accelerating the early retirement of coal-fired power plants. But what is interesting is that at the same time, Indonesia also continues to deepen nickel investment from China through BRI — nickel which is the raw material for electric vehicle batteries that is needed by JETP countries to carry out their energy transition. Indonesia, in other words, is in a position to supply the West's energy transformation needs while remaining in close partnership with China in its upstream industries. Pangestu (2023) notes that Indonesia's nickel downstream policy — which requires domestic processing before export — is actually an instrument of economic hedging: maintaining leverage against both parties simultaneously. China needs Indonesian nickel for its industry; The U.S. and its allies need a reliable nickel supply chain for the energy transition. Jakarta, carefully or not, is in the position that both sides need — and that's the geopolitical loophole being exploited.

The Security Dimension of Hedging Indonesia

Security cooperation is the dimension in which Indonesia's hedging signals are easiest to read from the outside — and at the same time most at risk of being misinterpreted if read partially. The Garuda Shield military exercise program with the United States has experienced quite a marked expansion in the period studied: from a bilateral exercise involving around 5,000 personnel in 2021, it has evolved into a multinational exercise involving 14 countries and more than 14,000 personnel in 2022 (IISS 2023). This expansion reflects a real deepening of Indonesia-US military interoperability, not just ceremonial. But it needs to be put in the right context: Indonesia has never allowed the construction of foreign military bases to remain on its territory, has not joined the Quad, and has never signed formal alliance agreements with anyone. The boundaries are no coincidence — they are red lines that are consistently maintained as a manifestation of the principle of free activity as well as a signal to China that deepening Indonesia-US military cooperation does not mean bandwagoning.

Indonesia's defense relationship with China has a fundamentally different character. The joint military exercises conducted since 2011 have been limited — both in scale and substance — and sometimes more resemble diplomatic gestures than actual operational cooperation. Indonesia's defense procurement reflects the same diversified philosophy: F-16 and F-15 fighter jets from the US, frigates from the Netherlands and Italy, submarines from South Korea, missile systems from various European suppliers. This diversification has a double logic — technical as well as strategic. From a technical point of view, relying on one supplier creates a dangerous parts supply chain vulnerability. From the strategic side, diversification makes it difficult for any party to claim that Indonesia's defense orientation is leaning towards one of the poles. The result is a defense profile that, when viewed from Washington, cannot be read as a commitment to the allies; and if observed from Beijing, it cannot be read as a direct threat.

The issue of North Natuna is the best illustration of how all three layers of security hedging — assertiveness in sovereignty, restraint in escalation, and the use of multilateral forums as a buffer — work simultaneously. Throughout 2019–2020, Chinese coast guard vessels repeatedly entered Indonesia's EEZ in Natuna, claiming their existence based on 'traditional fishing rights' that are not recognized by UNCLOS. Indonesia's response was layered and calculated: bilaterally, Jakarta submitted a diplomatic note and summoned the Chinese ambassador — an action that contained real diplomatic costs, meeting the costly

signaling criteria of Lim & Cooper (2015); domestically, President Jokowi visited Natuna symbolically and held a cabinet meeting aboard a warship, sending a message of seriousness without inviting third-party mediation; regionally, Indonesia encourages the acceleration of the completion of the South China Sea Code of Conduct under the ASEAN umbrella. What Jakarta did not do was equally important: Indonesia did not internationalize this incident as a call for U.S. intervention, did not frame it as a conflict that required a formal security coalition, and did not allow this incident to escalate into a bilateral crisis that damaged entire economic relations. This pattern is not weak caution — but rather the strategic discipline that is at the heart of soft hedging.

What is also noteworthy in the security dimension is Indonesia's position on the Quad and AUKUS which is more nuanced than just rejection or support. Jakarta never joined the Quad — which was actually considered unofficially — because joining would mean accepting the explicit framing that China is a threat that needs to be balanced, a position that would undermine Indonesia's entire economic-pragmatism architecture with Beijing. On AUKUS, the Indonesia-Malaysia joint statement of concern in 2021 is not without cost: it carries the risk of tensions with Australia, an important trade and security partner. But that's exactly what costly signaling is all about — an act that takes real risks in order to maintain a calculated position. The use of the term 'nuclear proliferation' in the statement is also meticulous: it touches on universally recognized normative principles without having to cite China as an excuse, so that the message can be conveyed to different audiences with different interpretations but not mutually destructive.

It is interesting to note that in all three dimensions analyzed — diplomatic-institutional, economic, and security — Indonesia consistently uses the same strategy: active engagement with both sides through different frameworks, accompanied by signals that affirm autonomy without closing doors. In the diplomatic dimension, the AOIP and the G20 Bali are the framework. In the economic dimension, BRI plus IPEF plus an independent nickel downstream policy is that framework. In the security dimension, Garuda Shield without a formal alliance became that framework. The consistency of this cross-three-dimensional pattern is no coincidence — it reflects that Indonesia's soft hedging operates as a strategy that is fairly internalized in Indonesia's foreign policy culture, rather than as a series of ad hoc responses to disparate pressures. This is the strongest evidence of the existence of a coherent hedging strategy, as referred to by Kuik (2016, p.503) with the term cross-dimensional behavioral consistency as an indicator of effectiveness.

The Effectiveness of Hedging and Its Limitations

Assessing the effectiveness of Indonesia's hedging during 2019–2024 requires conceptual prudence. Based on the two indicators established — consistency of cross-dimensional behavior and preservation of policy autonomy — it can be argued that Indonesia's hedging has been relatively successful in this period. In the diplomatic-institutional dimension, Indonesia has managed to maintain an impartial ASEAN-centric position while playing a substantive leadership role in the G20 and ASEAN. In the economic dimension, the simultaneous involvement in BRI and IPEF shows that Indonesia is able to take advantage of the competition between the two powers for its own economic advantage. In the security dimension, Indonesia deepens interoperability with the US without entering into formal alliances, while maintaining limited defensive relations with China. Overall, Indonesia's

foreign policy autonomy is maintained: no major policy decision can be easily attributed to direct pressure from any of the powers.

But this success needs to be read realistically. The effectiveness of hedging is both relative and contextual—it doesn't mean Indonesia is completely free from pressure or consequences. What has been successfully defended is freedom of choice, not freedom from the consequences of choice. When Indonesia chose not to join the Quad, it bore the brunt of limited access to intelligence information and security coordination that was the prerogative of members. When he chose to be involved in BRI, he was under pressure over the issues of local content and sovereignty that came with large investment flows. When he issued a statement of concern over AUKUS, he bore the temporary tensions with Australia that must be managed. These are trade-offs that are realized and accepted—and in the logic of Lim & Cooper (2015), it is awareness and acceptance of these trade-offs that distinguish meaningful hedging from mere unplanned policy ambiguity.

One effectiveness metric that is often overlooked is Indonesia's ability to maintain itself as an interlocutor that is valued by both sides simultaneously. Throughout 2019–2024, Indonesia managed to maintain diplomatic access to Washington and Beijing without ever being publicly 'excluded' from the orbit of one of them. President Jokowi is visiting China in 2023 while maintaining a defense cooperation program with the US. Foreign Minister Retno Marsudi was able to speak at an ASEAN forum involving US officials as well as receive visits from Chinese officials in close periods of time without sacrificing her fundamental position. The ability to maintain this simultaneous bilateral access is a mirror of hedging success — because one sign of hedging failure is when one side begins to treat the hedger state as an enemy or dismiss it as an irrelevant actor. That Indonesia until the end of Jokowi's term will continue to be treated as a partner worthy of being defended by both powers simultaneously is a no small achievement, given the growing pressure to vote in many international policy arenas. In a geopolitical landscape where more and more small countries are forced to clarify their positions more explicitly, Indonesia's ability to remain calculatedly ambiguous is a strategic value that is difficult to measure but has very real consequences.

Comparisons with Vietnam and Malaysia show important nuances. Vietnam is pursuing a pattern closer to hard hedging — more aggressive military modernization and more diversified defense cooperation with the U.S., Japan and India — in response to a South China Sea dispute that more directly threatens its territorial integrity. Malaysia is undergoing a more economic-centric hedging, with historically deeper BRI involvement although it later reversed course under Mahathir and underwent a recalibration under Anwar Ibrahim. Indonesia, as a middle power with ASEAN leadership responsibilities, cannot adopt the Vietnamese or Malaysian pattern directly: it must maintain a reputation as an inclusive and impartial leader, because that is the main source of its normative influence. The cost of that leadership position is a higher standard of credibility — when Indonesia looks inconsistent, it impacts not only on its bilateral relations, but on the entire image of ASEAN as a cohesive and autonomous bloc. This is what distinguishes hedging as a leadership strategy from hedging as a survival strategy: the former bears much greater expectations from the surrounding environment.

Institutional Incohesion as a Moderating Variable

One of the most original findings of this study is the identification of internal institutional incohesion as a variable that consistently moderates the effectiveness of Indonesian hedging.

The use of the word 'moderation' here is deliberate: incohesion does not destroy the strategy, but erodes its effectiveness gradually and sometimes imperceptibly. Institutional incohesion is a condition in which the various government agencies involved in Indonesia's foreign policy — especially the Ministry of Foreign Affairs (Kemlu RI), the Investment Coordinating Board (BKPM), and the Indonesian National Army (TNI) — do not always send uniform and consistent signals to outsiders, thus creating ambiguity that is not always calculated.

The most striking difference can be seen between the rhetoric of the Indonesian Ministry of Foreign Affairs and BKPM communication. The Indonesian Ministry of Foreign Affairs has consistently emphasized the principles of free and active, non-partisanship, and ASEAN centrality in every public statement related to the US-China rivalry. BKPM, on the other hand, which is more pragmatic and results-oriented, sometimes puts the interests of investment flows above the consideration of geopolitical signals — especially in the issue of Chinese foreign workers in the Sulawesi industrial area, which had caused domestic polemics. The polemic itself — although it has a domestic dimension — sends an exit signal that is inconsistent with the hedging narrative that the Indonesian Ministry of Foreign Affairs wants to build: that Indonesia accepts BRI investment with clear conditions and boundaries.

Between the Indonesian Ministry of Foreign Affairs and the TNI, the difference is more subtle but no less meaningful. When the Indonesian Ministry of Foreign Affairs issued a statement of concern over AUKUS in 2021, the response from the military tended to be more pragmatic: the Garuda Shield program and military cooperation with the US are capability interests that are seen as separate from geopolitical considerations managed by the Ministry of Foreign Affairs. The implication is that the message Washington received from Jakarta was not entirely cohesive: there was concern over AUKUS from one institution, there was a deepening of military cooperation from another institution, in the same time. For policy analysts in Washington or Beijing, this kind of inconsistency could be read as an opportunity to encourage more receptive institutions — and that's the strategic risk of institutional incohesion.

It is important to underline that this incohesion is not the result of a complete absence of coordination — Indonesia has a fairly structured foreign policy coordination mechanism. Incohesion is more a product of differences in mandates, orientations, and constituents of each institution. The Ministry of Foreign Affairs of the Republic of Indonesia serves normative and diplomatic agendas; BKPM serves the investment growth agenda; The TNI serves the agenda of capability and sovereignty. When these three mandates meet on a single complex issue such as relations with China or the response to AUKUS, no single institution can claim it as an exclusive territory — and in the absence of strong enough coordination, the signal that comes out is not always one voice. This variable needs to be a serious concern in future research and policy agendas, because in a geopolitical environment that is increasingly intolerant of ambiguity, involuntary incohesion can cost more than calculated ambiguity.

There are also inter-generational dynamics in institutional incohesion that deserve attention. The generation of diplomats of the Indonesian Ministry of Foreign Affairs who are trained in the tradition of ASEAN multilateralism tend to have a reflex to always put problems within a collective framework and avoid overly firm bilateral signals. On the other hand, BKPM officials who are directly faced with the pressure to achieve investment targets tend to think in a more pragmatic short-term horizon. The TNI, which has its own organizational culture and intelligence information channels that are not always integrated with the Ministry

of Foreign Affairs, has a calculation of threats that may differ from the Ministry's diplomatic perception. These differences in organizational culture and sectoral perspectives will not disappear on their own through coordination instructions from above — they require a more systemic change in the way Indonesia integrates security, economic, and diplomatic considerations into a cohesive strategic position. Without these changes, institutional incohesion will continue to be the structural limit of Indonesia's hedging effectiveness, regardless of the macro strategy set at the presidential level.

One question hanging at the end of this period of analysis is: what happens when leadership changes? The transition from the Jokowi administration to Prabowo Subianto in October 2024 is the first empirical test of the institutional resilience of Indonesia's hedging strategy. In the initial rhetoric of the Prabowo administration, there were signals indicating continuity in key principles — active freedom, ASEAN centrality, rejection of formal alliances. But at the same time, Prabowo's more assertive leadership style, with a different military background than Jokowi's, has the potential to shift the emphasis from the diplomatic dimension to the security dimension in Indonesia's hedging portfolio. Whether this shift will strengthen or weaken hedging credibility — especially in Beijing's eyes — is a question that requires further research with more up-to-date data. What can be noted from the 2019–2024 period is that Indonesia's soft hedging pattern proved institutionally strong enough to survive the transition from one president to another in late 2014 and 2019, which provides moderate reason for optimism about its sustainability, although it does not guarantee that it will continue to run in an increasingly heated geopolitical environment.

CONCLUSION

This study examined Indonesia's hedging strategy in response to U.S.–China rivalry in the Indo-Pacific (2019–2024) and found that Indonesia consistently pursued a soft-hedging approach across diplomatic-institutional, economic, and security dimensions. Through multilateral frameworks, Indonesia maintained engagement with both powers without overt alignment, as reflected in its simultaneous participation in the BRI and IPEF, alongside expanded security cooperation with the United States through exercises such as Garuda Shield. This approach enabled Indonesia to remain flexible—deepening security ties with the United States while sustaining economic engagement with China. However, increasing global bipolarization has narrowed the strategic space for hedging, while internal institutional incoherence has weakened the credibility of Indonesia's approach. The study contributes theoretically by highlighting the need to adapt small-state hedging frameworks for middle powers and by introducing institutional incoherence as a key moderating variable. From a policy perspective, it underscores the importance of stronger inter-institutional coordination and the development of alternative capacities in critical supply chains, particularly nickel, to reduce vulnerability to external pressures. Future research should explore comparative middle-power hedging strategies and further investigate the role of domestic institutional dynamics in shaping foreign policy consistency.

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