

HOW EFFECTIVE IS INDONESIA'S STRATEGIC HEDGING APPROACH?

SEBERAPA EFEKTIF PENDEKATAN HEDGING STRATEGIS INDONESIA?

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Abstract— The intensifying strategic rivalry between the United States and China has significant implications for regional stability, compelling Indonesia to navigate increasingly complex geopolitical dynamics. Maintaining balanced relations with both major powers while safeguarding national sovereignty is central to Indonesia's foreign policy, which is anchored in the principle of being "free and active." Within this framework, strategic hedging has emerged as a key approach. This study critically examines the effectiveness of Indonesia's hedging strategy and explores potential adaptations to address future challenges. Using a qualitative methodology, the research evaluates Indonesia's strategic posture through two case studies: (1) its position on Indo-Pacific order-building initiatives, and (2) its response to territorial disputes in the South China Sea. These cases offer empirical insights into the strengths and limitations of Indonesia's strategic hedging approach. The findings indicate that Indonesia has primarily implemented hedging effectively, balancing the risks of entrapment, polarization, and security threats while maintaining strategic autonomy. Nonetheless, persistent external pressures, particularly China's assertiveness, highlight the need for Indonesia to strengthen its policy framework. To ensure long-term strategic resilience, the study recommends enhancing defense capabilities by developing a more self-reliant domestic defense industry and pursuing a more integrated security strategy that reduces dependence on foreign powers. This research acknowledges certain limitations, particularly the subjectivity inherent in qualitative analysis when assessing complex strategic behaviors. Additionally, the conceptual framework may not fully account for the non-linear nature of hedging or the influence of domestic political, economic, and institutional factors. In conclusion, while Indonesia's current hedging strategy remains relevant, reinforcing self-reliance and advancing a more cohesive national security approach will be essential for navigating the evolving geopolitical landscape.

Keywords: Effective, great power competition, Indonesia, strategic hedging

Abstrak— Persaingan strategis yang semakin intensif antara Amerika Serikat dan Tiongkok memiliki dampak signifikan terhadap stabilitas kawasan, mendorong Indonesia untuk menghadapi dinamika geopolitik yang semakin kompleks. Menjaga hubungan seimbang dengan kedua kekuatan besar sambil mempertahankan kedaulatan nasional menjadi inti dari kebijakan luar negeri Indonesia, yang berlandaskan prinsip "bebas dan aktif." Dalam kerangka ini, strategi hedging telah muncul sebagai pendekatan utama. Studi ini secara kritis menilai efektivitas strategi hedging Indonesia serta mengeksplorasi kemungkinan adaptasi guna menghadapi tantangan di masa depan. Dengan menggunakan metode kualitatif, penelitian ini mengevaluasi posisi strategis Indonesia melalui dua studi kasus: (1) sikap Indonesia terhadap upaya pembentukan tatanan Indo-Pasifik, dan (2) respons Indonesia terhadap sengketa wilayah di Laut Tiongkok Selatan. Kedua kasus ini memberikan wawasan empiris mengenai kekuatan dan keterbatasan pendekatan hedging yang diterapkan Indonesia. Temuan menunjukkan bahwa Indonesia secara umum telah menerapkan strategi hedging secara efektif, menyeimbangkan risiko keterjeratan, polarisasi, dan ancaman keamanan sambil mempertahankan otonomi strategis. Namun demikian, tekanan eksternal yang terus berlanjut, khususnya sikap asertif Tiongkok, menggarisbawahi perlunya penguatan kerangka kebijakan Indonesia. Untuk menjamin ketahanan strategis jangka panjang, studi ini merekomendasikan peningkatan kemampuan pertahanan melalui pengembangan industri pertahanan dalam negeri yang

lebih mandiri serta penerapan strategi keamanan yang lebih terintegrasi guna mengurangi ketergantungan terhadap kekuatan asing. Penelitian ini menyadari adanya keterbatasan, terutama subjektivitas dalam analisis kualitatif saat menilai perilaku strategis yang kompleks. Selain itu, kerangka konseptual yang digunakan mungkin belum sepenuhnya menangkap dinamika non-linier dalam strategi hedging maupun pengaruh faktor domestik politik, ekonomi, dan kelembagaan. Sebagai kesimpulan, meskipun strategi hedging Indonesia saat ini masih relevan, penguatan kemandirian dan pengembangan pendekatan keamanan nasional yang lebih kohesif akan menjadi kunci untuk menghadapi lanskap geopolitik yang terus berkembang.

Kata kunci: Efektif, kompetisi kekuatan besar, Indonesia, strategi hedging

Introduction

The intensification of great power competition between the United States and China has reshaped global and regional dynamics in recent years. Both nations strive to expand their spheres of influence, economic power, and military presence (Khoo, 2022). A shift in U.S. leadership has further heightened tensions with China and contributed to broader geopolitical uncertainty (Tsang, 2025). This rivalry holds significant implications for Southeast Asia's stability, where countries such as Indonesia must navigate increasingly complex diplomatic and strategic landscapes.

Indonesia must balance its national interests and regional responsibilities while maintaining sovereignty and promoting stability (Abbondanza, 2022). A central challenge lies in maintaining constructive relations with both major powers (Laksmana, 2021). For instance, while Indonesia has benefited from

substantial Chinese economic engagement, it remains cautious of over-dependence. Simultaneously, Indonesia seeks to counterbalance China's assertiveness in the South China Sea by strengthening its defense posture and enhancing military cooperation with the United States and its allies (Mursitama & Ying, 2021). This approach exemplifies what is broadly referred to as a "hedging strategy."

As a consistent element of Indonesia's foreign policy, hedging is underpinned by the long-standing principle of 'bebas aktif' (free and active) (Rosyidin, 2017). Adopting a hedging strategy raises important questions about its effectiveness in the current geopolitical climate. Specifically, is Indonesia successfully maintaining its sovereignty and strategic autonomy, managing regional power balances, and avoiding entanglement in significant power conflicts? Moreover, does this strategy enable Indonesia to adapt to shifting global dynamics and safeguard its

national interests amid intensifying competition?

Existing scholarship has explored various dimensions of Indonesia's hedging approach, such as the "double hedging" (Mubah, 2019), "hedging policy plus" (Anwar, 2023), and "collective hedging" (Kuik, 2022). Despite the significant amount of literature on hedging strategies, there remains a notable gap in the academic discourse regarding Indonesia's strategic hedging effectiveness in achieving Indonesia's national objectives. Assessing the efficacy of Indonesian strategic hedging is important for two reasons. First, it enriches the academic literature, allowing scholars to test or update existing theories. Secondly, it provides policymakers with practical insights to optimize more effective approaches. This study is also highly relevant for policymakers in other small or middle powers, of which Indonesia's hedging is a great example.

To address the research problem noted above, this paper addresses two principal questions: first, 'How effective is the Indonesian strategic hedging approach?', and second, 'How might the approach be adapted to meet future challenges?'

This paper argues that while Indonesia has effectively implemented strategic hedging in managing great power competition, there are opportunities for adaptation by enhancing its self-reliance capabilities and developing a more integrated strategy. This paper will consider and examine the conceptual framework of strategic hedging, the measurement approach to hedging effectiveness, supported by case studies on Indonesia's responses in Indo-Pacific order-building efforts and the South China Sea disputes, and potential areas for future enhancements.

Research Methods

This study employs a qualitative approach through an extensive academic literature review and document analysis. Data collection involves the examination of books, journal articles, official statements, policy documents, and media reports. This study uses case studies of the Indo-Pacific region and the South China Sea (SCS) dispute to provide factual evidence and context-specific insights into Indonesia's hedging behavior.

It is essential for evaluating the effectiveness of its hedging strategy for three key reasons. First, these regions are characterized by rapidly evolving

geopolitical dynamics. Second, both regions serve as geopolitical hubs marked by intense great power rivalry. Third, the case studies provide tangible indicators of Indonesia's hedging strategy's successes and limitations, particularly in achieving optimal security, economic benefits, and diplomatic flexibility. The case studies will help identify areas of success and those requiring further adjustment or improvement.

This research focuses on Indonesia's hedging strategy over the past decade, following the Reformasi era. The study selects this specific timeframe to provide a targeted and relevant examination of the contemporary factors influencing Indonesia's strategic posture in the Indo-Pacific and SCS regions.

Defining Strategic Hedging

The literature identifies at least three core conceptualizations of strategic hedging: risk management, alliance choices, and mixed policy approaches.

The first concept frames strategic hedging to manage the risks associated with alignment decisions. Ciorciari (2008) defines hedging as an alliance strategy that seeks to optimize security cooperation with major powers while minimising the risk of entrapment in

conflict or dependence on unreliable partners. Similarly, Koga (2017) describes hedging as a strategy in which states maintain ambiguity in their foreign policy to avoid the risks associated with exclusively adopting either a bandwagoning or balancing approach. These perspectives collectively emphasize that hedging provides a mechanism for states to manage alignment risks.

The second concept offers a perspective focusing on alliance choices for security challenges. Evelyn Goh defines hedging as an alliance choice adopted by small and medium-sized states to proactively address security challenges posed by great powers (Goh, 2005). Roy Denny also sees hedging as a distinctive alliance strategy, different from engagement, balancing, and bandwagoning (Denny, 2005). Both perspectives, albeit with different nuances, focus on hedging as a proactive alliance choice used to manage security challenges from great powers.

Strategic hedging, the third concept, is presented as a mixed policy approach. Medeiros (2005) defines hedging as a strategy that blends engagement policies, external security cooperation, and national military modernisation in response to geopolitical

uncertainty. Kuik (2015) offers a slightly different interpretation, describing hedging as an ambiguous mixed strategy that encompasses both acceptance of power through selective cooperation and economic partnerships and rejection of power through military reinforcement. Both Medeiros and Kuik stress the centrality of combining economic engagement and military preparedness in strategic hedging.

The analysis adopts the mixed policy approach as its foundation to operationalize the concept of strategic hedging in this study while incorporating the balanced relationship perspective from the second conceptual framework. Bridging these two concepts, this study defines strategic hedging as a mixed strategy aimed at achieving two key forms of balance:

- a. balancing engagement and cooperation with major powers while preserving strategic flexibility and national autonomy; and
- b. managing risks while simultaneously capitalising on opportunities in a dynamic and uncertain geopolitical environment.

Results and Discussion

Assessing Effectiveness

This study's assessment of hedging effectiveness is based on three leading indicators: state security, economic advantage, and diplomatic flexibility. First, state security refers to a nation's capacity to safeguard its territorial integrity, sovereignty, and national interests from external threats without becoming overly reliant on any one major power. This balance helps avoid entanglements that might compromise national autonomy or expose the state to undue risks. Second, economic advantage encompasses maximizing gains through diversified trade and investment partnerships, allowing the state to benefit from strong economic ties with multiple powers while avoiding excessive dependence on a single actor. Such diversification is significant in trade tensions or global economic instability. Third, diplomatic flexibility denotes adapting foreign policy in response to shifting geopolitical dynamics, maintaining constructive relations with multiple powers while supporting regional stability. This adaptability is vital for managing external pressures, avoiding overcommitment, and seizing

strategic opportunities in a fluid global environment.

A hedging approach is partially practical when it successfully mitigates losses in the face of emerging threats, enabling the state to achieve specific objectives while facing constraints in others. Conversely, the strategy is ineffective when it fails to prevent or limit harms that outweigh the benefits,

resulting in the state’s inability to meet most of its key goals, failures that could have been avoided through alternative strategies.

Table 1 below categorizes hedging effectiveness, accompanied by specific indicators. It offers a simplified framework for clearly and systematically visualizing the varying levels of effectiveness.

Table 1. Key Indicators of Strategic Hedging’s Effectiveness

Effectiveness Category	Indicators		
	State Security	Economic Advantages	Diplomatic Flexibility
Effective	Maintains sovereignty without over-relying on one great power	Maximises economic benefits through diversified trade and investments	Adapts foreign policy and maintains regional stability
Partially Effective	Secures against some threats but remains vulnerable to others	Gains some economic benefits, but remains too dependent on one power or is affected by trade conflicts	Some flexibility, but constrained by commitments or pressures from major powers
Ineffective	Fails to protect security and faces serious threats or tensions with major powers	Minimal economic gains from great power relationships	Loses diplomatic flexibility and is tied to unfavourable agreements

Source: Processed by author, 2025

Indonesia’s Response to Order Building in the Indo-Pacific

Indonesia's engagement with order-building in the Indo-Pacific began to take shape in 2011, articulating the concept of dynamic equilibrium. In 2013, Indonesia introduced the idea of the Indo-Pacific Treaty of Friendship and Cooperation (IPTFC), positioning it as a key diplomatic

initiative. Despite the limited traction of the IPTFC, Indonesia has remained committed to pursuing an 'equilibrium point' in its foreign policy. This commitment was further embodied in the launch of the Global Maritime Fulcrum (GMF), or Poros Maritim Dunia 2014.

Leveraging Economic Benefits

China's launch of the Belt and Road Initiative (BRI) offered a strategic opportunity to secure much-needed funding for large-scale and capital-intensive infrastructure projects (Damuri et al., 2019). A prominent example is the Jakarta-Bandung High-Speed Railway (JBHSR), a flagship BRI initiative that commenced operations in 2023. This project illustrates China's capacity to provide levels of investment and technological cooperation that are not readily available from other partners, while also enhancing connectivity between urban centers and across islands.

Managing the Risk of Entrapment

Indonesia's hedging strategy is reflected in its deliberate effort to balance engagement with China and other major powers, particularly the United States and its allies. Indonesia secured investment from the U.S. International Development Finance Corporation, including a USD 126 million investment in a low-carbon geothermal power plant to enhance national energy security (Pratiwi et al., 2021). Indonesia's engagement with Japan is also notable through the Japan International Cooperation Agency (JICA), which funds

the USD 3 billion Patimban Port project. Simultaneously, Indonesia has deepened its ties with Australia through the Indonesia–Australia Comprehensive Economic Partnership Agreement (IA-CEPA) (Pratiwi et al., 2021).

Within the framework of strategic hedging, it exemplifies an effective mechanism for managing the risk of entrapment. By maintaining balanced engagement with China and the United States, Indonesia secures access to key initiatives and agreements while preserving its strategic autonomy.

Managing the Risk of Polarisation

In addition to its economic approach, Indonesia employs diplomatic strategies to manage the risk of polarization. The term Indo-Pacific, introduced by the United States in 2017 through the Free and Open Indo-Pacific (FOIP) vision, marks a strategic shift from the traditional Asia-Pacific framework (Tan, 2020). China, however, perceives this concept as a containment effort aimed at curbing its growing influence, interpreting it as an extension of the U.S. “Pivot to Asia” strategy and a reflection of increased U.S. alliance activity in the Pacific (Ploberger, 2017). Indonesia has responded cautiously, refraining from

uncritically adopting the FOIP narrative. Instead, Indonesia has chosen a balanced stance, neither fully endorsing the FOIP nor rejecting it, thereby safeguarding national and ASEAN interests (Mubah, 2019).

A key aspect of this balancing act is the ASEAN Outlook on the Indo-Pacific (AOIP), which Indonesia helped shape to foster a shared regional understanding. ASEAN's adoption of the AOIP in June 2019 reaffirms Indonesia's influential role in regional diplomacy and its commitment to ASEAN centrality (Agastia, 2020). This approach maintains unity within ASEAN while allowing constructive engagement with both great powers. Indonesia's leadership in promoting the AOIP has earned recognition from the U.S. and China, reinforcing its standing as a pivotal actor in shaping the Indo-Pacific regional order.

While the AOIP has been lauded for promoting inclusivity and cooperation, critics point to its shortcomings. The document's broad, non-binding nature is often cited as a limitation, reducing its capacity to deliver concrete outcomes. Furthermore, its emphasis on consensus-building may hinder swift responses to pressing security challenges, potentially weakening ASEAN's strategic role in the

region (Yoshimatsu, 2023). These limitations raise concerns about ASEAN's ability to exercise effective leadership in the Indo-Pacific.

Nevertheless, Indonesia's strategic diplomacy has proven effective in managing polarization risks. By adapting its foreign policy to evolving geopolitical dynamics, Indonesia has maintained stable relations with the U.S. and China while contributing to regional stability. In navigating the competing initiatives of the BRI and FOIP, Indonesia seeks to align national interests with its values and capabilities. Rather than positioning the Global Maritime Fulcrum (GMF) as a rival to either initiative, Indonesia leverages it as a platform for constructive engagement with both. This pragmatic approach enables Indonesia to maximize its benefits while avoiding entanglement. By pursuing balanced alignment across multiple fronts, Indonesia sustains its credibility as a natural regional leader amid intensifying power rivalries in the Indo-Pacific.

Indonesia's Response to South China Sea Disputes

Firm Stance on Managing Security Risk

In July 2017, the Indonesian government officially designated the

disputed waters as the "North Natuna Sea" and released a revised national map to reflect this change (Aulawi et al., 2022). Additionally, the expansion of military bases in the Natuna region since 2019 has served as a deterrent (Ambarsari et al., 2021). These initiatives signal Indonesia's commitment to upholding state sovereignty and reinforcing its claim to the North Natuna Sea, reducing the risk of military confrontation.

Sink the Ships

Indonesia's resolve to safeguard its maritime integrity was further demonstrated through its assertive "sink the ships" policy (Cheney-Peters, 2014). According to government reports, this policy dissuaded approximately 10,000 vessels from encroaching into Indonesia's EEZ (Bevint, 2018).

While this data suggests the policy's deterrent effect, its overall impact warrants further scrutiny. Many apprehended or destroyed vessels originated not from China but from neighboring countries such as Malaysia, Vietnam, and Thailand. Moreover, although the reduction in incursions appears noteworthy, it is plausible that many vessels merely adapted their tactics to evade detection. Therefore, despite its

short-term success, the policy may not have addressed the underlying issues without long-term investments in maritime surveillance and stronger law enforcement capabilities.

Securing the Natural Resources

In late December 2019, Chinese coast guard vessels, escorting fishing boats, repeatedly entered Indonesia's Exclusive Economic Zone (EEZ) near the Natuna waters. In response, the Indonesian military deployed seven naval ships, successfully expelling the Chinese vessels after their presence was confirmed through aerial reconnaissance (Hidayat, 2020). A similar incident occurred in September 2020, when Indonesian patrol ships intercepted and expelled the Chinese Coast Guard vessel CCG 5204 from the same waters, echoing earlier confrontations (Tarigan, 2020).

In late August 2021, the Chinese geological survey ship Haiyang Dizhi 10, accompanied by coast guard vessels, maintained a prolonged presence in the North Natuna Sea in an apparent attempt to disrupt Indonesian exploration activities (Allard et al., 2021). Despite this, Indonesia remained resolute and continued its exploration efforts,

disregarding China's diplomatic notes and demarches.

In line with the conceptual framework, Indonesia's actions demonstrate the effectiveness of its security risk management approach. The ability to defend its sovereignty and natural resources without heavy reliance on major powers reflects the strength of Indonesia's autonomous strategic posture. Unlike in the Spratly and Paracel Islands, where China has established military outposts, Indonesia has effectively prevented any similar encroachments in the North Natuna Sea (McRae, 2019). Moreover, Indonesia has succeeded in continuing its resource exploration activities in the region, with plans to commence full-scale operations in the coming years (Pertamina Hulu Energi, 2023). This success highlights the efficacy of assertive maritime policies as a component of Indonesia's broader hedging strategy.

However, it is important to acknowledge that the effectiveness of this strategy may not stem solely from policy choices. Indonesia's extensive maritime geography and the relative distance from the Chinese mainland may reduce direct pressure, thereby enhancing the viability of its hedging

approach. Thus, while hedging has played a critical role, its observed effectiveness may also be shaped by these geographic and strategic advantages.

Balancing through Confidence-Building Measures (CBM)

While Indonesia's firm stance reinforces its strategic autonomy, its hedging strategy also involves defense cooperation, particularly through joint military exercises, which balance its strategic relationships (Nugraha, 2017). This strategic approach enables Indonesia to mitigate potential conflicts, enhance its defense preparedness, and foster a stable security environment. Exercises such as the Garuda Shield and the Multilateral Naval Exercise Komodo (MNEK) illustrate how Indonesia engages with major powers by acknowledging the interests and concerns of the United States, China, and other regional actors through inclusive military cooperation.

From Indonesia's perspective, the Garuda Shield exercise provides a critical platform to demonstrate its military capabilities and assert its strategic relevance in the South China Sea dispute (U.S. Dept. of Defense, 2017). The latest MNEK 2023, which hosted warships from 20 countries, including China and Russia,

highlighted Indonesia's credibility as a respected non-aligned regional actor. The ability to bring together both the United States and China in a single joint exercise underscores the success of Indonesia's hedging strategy in diffusing tensions between these two rival powers. It also enhances Indonesia's strategic value by facilitating simultaneous engagements to foster CBMs.

These joint exercises are tangible outcomes of Indonesia's strategic hedging and active defense diplomacy. At the tactical level, they align with the national objective of enhancing military capability and operational readiness. At the strategic level, they have elevated Indonesia's international standing, deepened strategic engagement, strengthened regional cooperation, and reinforced the broader national interest.

Strengthening Defense Capabilities

While defense cooperation has proven effective, enhancing domestic capabilities to support Indonesia's assertive maritime policy and confidence-building measures (CBMs) remains essential. As part of its effective hedging strategy, Indonesia seeks to strengthen its defense capacity by acquiring advanced military technology while

preserving its strategic autonomy and avoiding over-reliance on any single great power. This approach is evident in efforts to develop maritime platforms and modernize air power assets.

Under the Minimum Essential Forces (MEF) roadmap, Indonesia has prioritized the development of its domestic defense industry, focusing on the production of warships over commercial vessels. Indonesian shipyards have successfully constructed various naval platforms, including corvettes, offshore patrol vessels (OPVs), light frigates, fast attack missile boats, and auxiliary ships. Notably, the domestically produced Landing Platform Dock (LPD) class vessels have become export commodities to neighboring countries (Naval News, 2024). While sophisticated platforms such as the Scorpene submarines, Arrowhead, and Fincantieri frigates are sourced from Western countries, they are planned to be produced locally under offset and transfer of technology (ToT) arrangements (Dwiwicaksoputro et al., 2023). These developments highlight Indonesia's growing technological capacity to produce defense equipment independently and sustainably. Strengthening domestic capabilities also

supports strategic autonomy, allowing Indonesia to reduce dependency and mitigate the risks of potential embargoes on military equipment.

Despite these advances, specific high-end systems, particularly air combat platforms, remain beyond the current reach of domestic manufacturing due to their technical complexity and production demands. In such cases, Indonesia cooperates with original equipment manufacturers from the United States to access cutting-edge technologies. In early 2023, Lockheed Martin completed the delivery of five C-130J-30 Super Hercules aircraft to the Indonesian Air Force (McNeil, 2024), making Indonesia one of the first countries to operate this advanced military transport aircraft. This acquisition complements earlier purchases, including 30 F-16 fighters in 2018 (Galeon, 2022), and the AH-64E Apache Guardian attack helicopters acquired in 2017 to enhance ground force capabilities (Yeo, 2017). Indonesia became the first Southeast Asian country to operate the Apache Guardian, often referred to as a “flying tank” for its durability, firepower, and battlefield survivability. The most recent procurement, formalized through an MoU in August 2023, involves 24 new F-

15EX fighter jets, a 4.5-generation multirole combat aircraft. This agreement not only enhances Indonesia’s air superiority but also deepens its strategic partnership with the U.S.

However, such partnerships are not without risks. U.S. defense cooperation is susceptible to shifts in global dynamics and domestic politics. Should Indonesia’s policies conflict with U.S. strategic interests, Washington may impose arms embargoes or restrict access to essential spare parts, technologies, and maintenance services, jeopardizing operational readiness.

Indonesia has also pursued defense cooperation with China to diversify its procurement sources and balance US influence. This includes joint development of C-802 and C-705 anti-ship missiles for the Indonesian Navy and procuring SS-2 automatic rifles (Wicaksono, 2022). Ironically, some of these acquisitions are intended to counter potential threats posed by China itself, the very source of the equipment. This paradox underscores the complexity of Indonesia’s hedging strategy, which aims to maintain strategic autonomy amid shifting geopolitical dynamics.

By engaging the US and China in defense procurement, Indonesia

effectively utilizes strategic hedging to access advanced military technology while safeguarding its autonomy. This balanced approach and developing indigenous defense capabilities position Indonesia to manage security risks and uphold strategic independence in an increasingly complex global environment.

The Ongoing Intrusions

Despite Indonesia's firm stance and balanced strategic partnerships, these measures have not been effective, as reports of Chinese vessels conducting intrusive operations to assert territorial claims continue. In September 2021, the Chinese warship Kunming 172 obstructed an Indonesian patrol vessel attempting to apprehend a Chinese fishing boat operating illegally in Natuna waters (Sukadis, 2021). Additionally, in early January 2023, China's largest Coast Guard vessel, the CCG 5901, was reported operating near the Natuna Block gas field (Siow & Yuniar, 2023). The most recent incident occurred on May 2, 2023, when the Nan Feng, a Chinese marine research vessel, allegedly conducted an unauthorized survey in the area without the required permits.

Since the 2020 incidents, China's tactics have shifted from overt physical

confrontations to covert actions, such as surveillance and maritime surveys. These activities appear to be deliberate efforts to probe Indonesia's responses, reflecting a strategic shift from confrontation to indirect pressure through persistent shadowing. While these actions continue to challenge Indonesia's sovereignty, they often stop short of provoking open conflict. From a sovereignty perspective, Indonesia's hedging strategy can be considered relatively adequate, as it has preserved territorial integrity and avoided direct military engagements.

China's transition from aggressive incursions to more nuanced and indirect tactics suggests that Indonesia's strategic posture has, to some degree, deterred overt hostilities. However, the continued attempts by China to assert its presence in the Natuna region underscore the inherent limitations of hedging. The strategy has not completely neutralized the underlying threat. Although it contributes to managing immediate risks and maintaining regional stability, it does not eliminate long-term strategic challenges. Consequently, while Indonesia's hedging approach has proven effective in the short term, it necessitates

ongoing adaptation and reinforcement to address evolving geopolitical dynamics.

Adapting for Future Challenges: Continuation or Change of Strategy?

As regional tensions continue to rise, particularly with the escalating conflict in the Taiwan Strait, Indonesia's strategic hedging approach may face substantial challenges. Should China succeed in occupying Taiwan, it would not only intensify efforts to dominate and control the South China Sea (SCS) but could also threaten navigation through the Malacca Strait.

In response, the United States and its allies would likely implement sea denial strategies to secure critical maritime routes. Additionally, Indonesia's strategic waterways, such as the Sunda and Lombok Straits, could be indirectly affected by their function as alternative shipping lanes. The planned relocation of the capital to Nusantara, positioned near the Makassar Strait, would also be exposed to heightened security risks given its strategic location. Such a scenario could increase military activity in Indonesia's maritime zones, posing serious threats to its sovereignty. In moments of heightened tension and imminent military confrontation, the

limitations and risks of abandoning the current hedging strategy become increasingly evident. These dynamics may escalate external pressure and place Indonesia in a precarious position, potentially forcing it to align more closely or even side with one of the major powers.

However, a complete departure from the hedging strategy is unlikely. First, Indonesia continues to benefit from its relationship with China, particularly in ways not yet replicated by partnerships with other countries. Second, Indonesia still faces challenges in ensuring ASEAN remains unified amid intensifying strategic competition. As the *primus inter pares* and *de facto* leader of ASEAN, Indonesia must pursue a measured and diplomatic course (Karim, 2018). Moreover, Indonesia must avoid becoming a proxy, preventing Southeast Asia from becoming a theater of conflict between the United States and China. Finally, Indonesia is still strengthening its defense capabilities, enhancing its equipment, weapons systems, and personnel competencies, necessitating maintaining balanced relations with both great powers. Given these considerations, Indonesia is likely to remain reluctant to take sides.

The assessment in the preceding section indicates that while the current strategy has mainly proven effective, it requires continuous evaluation to ensure sustainability and adaptability in the face of evolving geopolitical dynamics. Rather than radically shifting its foreign policy orientation, a prudent course would involve adapting the existing hedging strategy. This would enable Indonesia to uphold its independent and active foreign policy stance while steering clear of entanglement in conflicts that could compromise national interests and regional stability.

Enhancing Self-Reliance Capability

Strengthening maritime defense capabilities and advancing domestic defense industries is critical in bolstering Indonesia's hedging strategy. Why focus on maritime defense? Because threats arising from a potential Taiwan conflict and a South China Sea (SCS) crisis would primarily unfold in the maritime domain. Indonesia's strategy, therefore, centers on deterrence by denial, commonly referred to as Anti-Access/Area Denial (A2/AD), to prevent foreign forces from entering its territorial waters or transiting through them toward the Indonesian mainland. The primary objective is to

increase the costs of infringing on Indonesian sovereignty to a level that outweighs any perceived strategic benefits, thereby dissuading adversaries from projecting sea power into Indonesian territory.

To ensure the effectiveness of an A2/AD strategy, Indonesia must build robust domestic production capacity. The national defense industry has already shown the capability to construct large-scale naval vessels. However, the future success of this strategy will increasingly depend on the deployment of smaller, autonomous, and numerous platforms such as drones and uncrewed aerial vehicles (UAVs). In this regard, the domestic defense sector is pivotal in producing combat systems that enable sustained operations and meet three strategic needs: continuous production, rapid maintenance, and iterative development of new models. Consistent and large-scale production often offers a more decisive strategic advantage than limited quantities of high-end systems. For example, during World War II, the U.S. mass-produced Sherman tanks, which proved more effective than the technologically superior but numerically limited German Tiger tanks (Exner, 2023).

Similarly, in the Falklands War, slower but more numerous British Harrier jets successfully engaged and downed the more advanced Argentine Mirage fighters. Strengthening Indonesia's domestic defense industry would reduce reliance on major powers and significantly enhance its strategic posture in addressing potential threats.

A more self-reliant Indonesia does not imply adopting an entirely neutral foreign policy that avoids engagement with significant powers. On the contrary, self-reliance is a critical enabler of more effective strategic hedging. In this context, hedging refers to maintaining a stance of "active neutrality" (Kuik, 2022). Enhancing self-reliance in defense and economic sectors is essential for building national resilience, ensuring Indonesia is not excessively dependent on any external actor.

Conclusion, Limitation, and Recommendation

This study has argued that Indonesia has effectively employed strategic hedging to navigate great power competition; however, adaptation remains needed by enhancing self-reliance capabilities and developing a more integrated security strategy.

The first case study illustrated that Indonesia has successfully applied strategic hedging in response to order-building efforts in the Indo-Pacific, effectively managing the risks of entrapment and polarization. In the second case study, Indonesia demonstrated the effective use of hedging in addressing territorial disputes in the South China Sea (SCS) by managing security-related risks. Nonetheless, China's persistent assertiveness substantially challenges Indonesia's strategic posture.

Key areas for improvement include enhancing defense capabilities, particularly the capacity to deny adversaries access to strategic areas. Strengthening the domestic defense industry to improve self-reliance is also essential for ensuring Indonesia's preparedness in the face of external threats.

This analysis acknowledges several limitations in its approach. Most notably, using qualitative methods may introduce subjectivity in evaluating effectiveness, especially when interpreting complex concepts such as risk mitigation and strategic autonomy. Additionally, while the conceptual framework integrates existing theories, it may not fully capture

the hedging behavior's non-linear and dynamic nature. Furthermore, the focus on state-level interactions may underrepresent the influence of domestic economic, political, or institutional factors on a nation's strategic decisions.

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