

# Understanding the Domestic Determinants of Indonesia’s Hedging Policy towards the United States and China

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*Using Indonesia as a case study, this article aims to contribute to the existing literature on why weaker states engage in hedging by examining how Indonesia’s domestic factors influence its foreign policy decisions regarding the United States and China. The article argues that domestic and foreign policies are interconnected as domestic agendas, including the interests and aspirations of Indonesian politicians as well as public opinion, have led to variations in the country’s hedging behaviours towards the two great powers. On one hand, domestic political and economic considerations drive Indonesia to engage with the United States and China. On the other hand, the same factors can also act as hindrances that limit Indonesia’s engagement with these powers. Consequently, despite having strong defence ties with the United States, Indonesia now sees China as a major and essential economic partner that helps the country and its leaders achieve their development goals.*

**Keywords:** Indonesia foreign policy, hedging, domestic determinants, US-China competition, Indonesia.

In the mid-2000s, Dewi Fortuna Anwar, a prominent Indonesian foreign policy scholar, asked: “Is Indonesia’s foreign policy shifting towards the East or the West?”<sup>1</sup> This question has resurfaced with

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renewed urgency due to the increasing tensions between the United States and China in the Indo-Pacific. The conventional answer is that Indonesia's foreign policy does not lean towards either the West or the East, but rather, Jakarta strives for close cooperation with both Beijing and Washington. In order to maintain regional security and stability and uphold its strategic autonomy, Jakarta employs a strategy of "hedging" between the great powers.<sup>2</sup> This approach is not new, as Indonesia has always aimed to avoid external interference while seeking external support since gaining independence.<sup>3</sup> As pointed out by Darren J. Lim and Zack Cooper, Jakarta has always had to make trade-offs over "the fundamental (but conflicting) interests of autonomy and alignment".<sup>4</sup>

Nevertheless, it is important to note that hedging strategies are not solely a result of geopolitical pressure. They also emerge from "contingent adjustments to events as well as responses to particular and changing domestic and international agendas".<sup>5</sup> In other words, foreign policy cannot be isolated from domestic politics. A variety of actors, including governmental and non-governmental entities, opposition parties, and internal government dynamics, all play a role in shaping Indonesia's foreign policy.<sup>6</sup> In fact, in 2022, former foreign minister Hassan Wirajuda coined the term "intermestic"—a combination of "international" and "domestic"—to describe how both factors intertwine to shape Indonesia's foreign policy.<sup>7</sup>

Against the backdrop of escalating US-China strategic rivalry, how have domestic factors shaped Indonesia's hedging policy towards the two great powers? This article contends that domestic and external policies are closely intertwined, as the nation's domestic priorities—such as the agendas of its politicians and public opinion—have influenced its approach towards these two superpowers. As a result, despite maintaining robust defence relations with the United States, Indonesia has increasingly viewed China as a crucial economic ally that supports its leaders in achieving their development goals.

This article proceeds as follows. The first section reviews the existing literature on domestic determinants and hedging and then discusses the role of domestic determinants in Indonesia's foreign policy. The second and third sections elaborate on Indonesia-US and Indonesia-China relations, respectively. The article concludes by summarizing the key findings and offering some preliminary assessments of the role of domestic factors in Indonesia's foreign policymaking under the presidency of Prabowo Subianto.

### **Domestic Determinants, Hedging Strategy and Indonesia's Foreign Policy**

According to Evelyn Goh, hedging “cultivate[s] a middle position that forestalls or avoids choosing one side at the obvious expense of another”.<sup>8</sup> Goh also noted that fear of uncertainty amid great power competition makes hedging a rational response for weaker states.<sup>9</sup> According to Cheng-Chwee Kuik, this uncertainty, notably when the power dynamics of international politics are unclear, allows weaker states to balance “returns-maximizing”—the maximizing of economic gains and diplomatic and political benefits by forging a partnership with a stronger power through selective collaboration but without accepting a subordinate position—and “risk-contingency”—the avoidance of dependency through diversified economic cooperation, the utilization of non-military means to cultivate a balance of influence amongst the great powers and the minimization of security risks through defence partnerships and upgrading military power.<sup>10</sup> Because of this, hedging means that small states send ambiguous signals about their future alignment.<sup>11</sup>

However, the idea of sacrificing partial or complete autonomy in security relations is not uncommon; throughout history, larger powers have often provided security protection for smaller states, as seen during the Cold War.<sup>12</sup> In addition, a small state's autonomy can also be compromised through what scholars Robert Keohane and Joseph Nye refer to as “asymmetrical interdependence”, in which smaller states may put themselves at risk in pursuit of economic gains from their relationships with larger powers.<sup>13</sup> However, while external systemic pressures may push smaller states to hedge, domestic factors also play a significant role.

David Martin Jones and Nicole Jenne argue that the lack of a grand strategy is a principal reason in how domestic politics can influence a small state's hedging policy. They point out that the ruling party's domestic considerations or the personal preferences of the current head of state often hold more sway in decision-making than a strategic assessment of security risks.<sup>14</sup> As a result, the formulation of a hedging strategy may not always be based on rational calculations. Instead, the leader's discretion can play a significant role in shaping the policy, as has been the case in Indonesia since independence.

In September 1948, Prime Minister Mohammad Hatta delivered a famous speech titled *Mendayung di Antara Dua Karang* (“Rowing between Two Reefs”). It became the basis of Indonesia's sacrosanct

“independent and active” foreign policy ever since. According to Ahmad Rizky M. Umar, Hatta’s concept was a response to both internal and external dynamics.<sup>15</sup> Primarily, his speech was a response to critics of the Renville Agreement. Ratified in January 1948 during the Indonesian War of Independence (1945–49), this agreement led to Indonesia losing a significant portion of its territory to the Netherlands, which was attempting to reassert its colonial authority over the country after the end of the Second World War. In his defence of the agreement, Hatta argued that it would resolve the conflict with the Netherlands via democratic means and provide a pathway for greater international recognition of Indonesian sovereignty, particularly his idea of a “United States of Indonesia”. Hatta emphasized the necessity of internal stability—which he thought the Renville Agreement would bring—in order to achieve international recognition. He also believed that Indonesia’s weak position in global politics undermined its internal development.<sup>16</sup> As a result, his 1948 speech outlined three key elements of an “independent and active” foreign policy: a strong link between foreign and domestic policies; a rational and realistic diplomatic approach amid great power competition; and national interests as the ultimate objective of foreign policy.<sup>17</sup>

As a result, Indonesia’s foreign policy has frequently shifted as it responds to the changing domestic priorities. Interactions between government and non-government entities, such as domestic opposition and civil society groups, act as catalysts or hurdles for foreign policymaking. The alignment or incompatibility of political interests and aspirations among them plays a significant role in shaping foreign policy decisions. For instance, between 2007 and 2008, the Indonesian parliament lambasted the government’s stance on the Iranian nuclear crisis. Iran’s pursuit of a nuclear programme and allegations that it could potentially be used for military purposes resulted in the five permanent members of the UN Security Council (UNSC)—the United States, Russia, China, the United Kingdom and France—drafting UN Resolution 1747, which imposed sanctions on Tehran. As a non-permanent member of the UNSC at the time, Indonesia voted in favour of the resolution, a move that met with strong criticism from opposition parties within the parliament because they felt they had not been adequately consulted over the issue. In the aftermath, the Indonesian government agreed to increase dialogue with the parliament before making any foreign policy decisions on sensitive or crucial issues. This example highlights how domestic

politics can significantly influence and shape Indonesia's foreign policy.<sup>18</sup>

The values and characteristics of Indonesia's governmental bodies and bureaucratic competition can also influence foreign policy decisions. This is evident in Indonesia's response to tensions in the South China Sea, where multiple agencies such as the Ministry of Foreign Affairs, Ministry of Marine Affairs and Fisheries and the Indonesian military all have a say. This sometimes leads to conflicting viewpoints and disagreements, making it challenging for the government to have a unified stance.<sup>19</sup>

In sum, the involvement of non-government entities and political opposition as well as bureaucratic competition add complexity to the foreign policy-making process. These actors bring their own interests and agendas, creating a mismatch between international pressures and domestic politics. As a result, Indonesia is often forced to reinterpret its non-alignment stance and adapt to changing circumstances, rather than rigidly sticking to it.

### **Indonesia-US Relations: Partnership without Devotion**

Following the Madiun Affair in 1948, an attempted military coup by the Indonesian Communist Party and its sympathizers, Indonesia found itself in a tumultuous political climate and started to turn to the United States for political support, notably to end hostilities between the Netherlands and Indonesia during the Indonesian War of Independence (1945–49).<sup>20</sup> However, during the 1950s, Indonesia remained neutral and refused to align with either Cold War bloc, fearing a backlash from its parliament.<sup>21</sup> Prime Minister Mohammad Natsir (1950–51) even cancelled an agreement to purchase arms from the United States over concerns that it would spark a parliamentary revolt.<sup>22</sup> In fact, the government of Natsir's successor, Soekiman Wirjosandjojo (1951–52), collapsed over secret negotiations it had held with the United States regarding aid donations.

Prime Minister Ali Sastroamidjojo (1953–55 and 1956–57) hosted the famous Asia-Africa Conference, also known as the "Bandung Conference", in 1955. The main purpose of this conference was to reaffirm Indonesia's "independent" foreign policy and garner international support for the liberation of West Irian (now known as "West Papua"), which was still under Dutch control. However, the conference also had a domestic angle. Sastroamidjojo was facing widespread opposition at home because of a weak economy, rampant corruption, Islamist "Darul Islam" rebellions across the

country, friction between his cabinet and the Indonesian army, and a debacle involving his ruling party.<sup>23</sup> The prime minister hoped the Bandung Conference would make him more popular within Indonesia and prevent the political opposition from rallying public opinion against his cabinet. It did not work out as he imagined; he failed to tame domestic opposition and was eventually ousted four months after the conference.<sup>24</sup>

Indonesia's experience with colonialism inspired President Sukarno (1945–67) to campaign against imperialism globally. He labelled Western countries *nekolim* ("neo-colonialist") and maintained friendly relations with the Soviet Union, even allowing the Indonesian Communist Party to exist. Indonesia's relations with the United States reached a low point in 1958 when Washington supported a rebellion led by a group of military and civilian representatives in Sumatra and North Sulawesi who were demanding greater economic and regional autonomy.<sup>25</sup> On one hand, the attempted coup further fuelled Sukarno's antagonism against the United States. On the other hand, the Indonesian army, which put down the rebellion, emerged as a powerful player in domestic politics, leading to closer ties between the United States and the Indonesian military in the long run.<sup>26</sup> Sukarno's impatience with political divisions in the late 1950s led him to publish the 1959 Presidential Decree, which dissolved parliament and consolidated power with the president, establishing a system known as "Guided Democracy". This also gave the president greater control over foreign policy.<sup>27</sup>

Cold War geopolitics greatly influenced US engagement with Indonesia during this period, leading the United States to eventually support Jakarta during the West Irian crisis in the late 1950s and early 1960s. Jakarta demanded that the Netherlands hand back this region, which the Dutch had held onto after Indonesia gained independence. Before Washington lent its support, Sukarno had begun forcibly nationalizing Dutch-owned enterprises in the region. At the same time, its procurement of Soviet arms raised alarm in Washington over Jakarta potentially falling into the communist camp. Sukarno exploited the situation by playing the United States and Soviet Union against each other. Ultimately, the United States stopped supporting the Netherlands in the West Irian issue, making it practically impossible for the Dutch to launch military operations to assert its claim.<sup>28</sup>

However, US support for Indonesia over West Irian did not stop Sukarno from accommodating communist groups at home. His principle of *nasakom* (nationalism, religion and communism) meant

he accommodated all political factions, including in the cabinet. Nonetheless, Sukarno was perceived as leaning too closely towards the communist camp. The launch of Confrontation (1963–66)—Sukarno's policy of resisting the formation of the Federation of Malaysia through diplomatic and military means, including guerilla warfare—added to US concerns since the Indonesian Communist Party took part in the military campaign.<sup>29</sup> Sukarno explicitly stated that his country was not dependent on US support. During his Independence Day speech in 1964, he told the United States: "Go to hell with your aid."<sup>30</sup>

The fall of Sukarno and the subsequent rise of Suharto and his New Order regime significantly improved Indonesia-US relations. The September 1965 "failed coup" by Indonesian communists opened the path for Suharto, a military leader, to rise to power. He ousted Sukarno in March 1966 and formally became president of Indonesia in March 1967 after a parliamentary vote. However, he inherited a multitude of economic problems from the previous regime, including rampant poverty with over 60 per cent of Indonesians living under the poverty line and hyperinflation at 650 per cent in 1966.<sup>31</sup> To address these problems, Suharto courted economic investment from Western countries, particularly the United States. Washington became Indonesia's biggest economic partner during the early years of his New Order regime. In 1965, Indonesian exports to the United States, its largest export market, were valued at US\$153 million, while its exports to Japan, its second-largest market, were worth US\$123 million.<sup>32</sup> Additionally, in 1967, six donor countries—the United States, Japan, the United Kingdom, Germany, the Netherlands, and Australia—formed the Inter-Governmental Group on Indonesia to provide financial assistance. The group was only dissolved in 1992 due to Suharto's belief that it was interfering too much in Indonesia's affairs.

Besides economic cooperation, Suharto's regime also enjoyed close defence relations with the United States. Prior to his coup, Indonesia primarily relied on Soviet arms, which had quickly become obsolescent. Under the New Order regime, the country shifted to purchasing weapons from the United States. At the same time, dialogues between the two countries' military officers and the training of Indonesian military officers in the United States became regularized under the International Military Education and Training (IMET) programme.

However, despite this close relationship, Indonesia and the United States never signed a formal alliance pact. Some prominent



New Order leaders were sceptical of Washington over concerns that Indonesia was being entirely dominated and politically annexed by Washington.<sup>33</sup> Foreign Affairs Minister Adam Malik took a nationalistic stance, claiming that if the United States were to withdraw from the region, it would not create a power vacuum since the Southeast Asian states could take over the United States' security role.<sup>34</sup>

The end of the Cold War opened a new chapter in Indonesia-US relations. Anti-communist authoritarian leaders, such as Suharto, could no longer depend on support from Washington. Instead, human rights protection and democratization became more important in Washington's foreign agenda in the post-Cold War era. The United States had been a major defence partner of Indonesia, but the Santa Cruz Massacre in 1991—when Indonesian soldiers opened fire on a crowd of protesters in a cemetery in East Timor, which Indonesia had invaded and occupied in 1975 with the United States' blessing—put an end to this. The use of US-made weapons during the massacre led the US Congress to condemn Washington's previous military assistance and arms sales to Indonesia.<sup>35</sup>

After Suharto's New Order regime collapsed in 1998, Indonesia's relations with the United States deteriorated due to the anti-Western sentiments held by the Indonesian public. This was further intensified by Washington's support for East Timor's independence. After 24 years of Indonesian occupation, the East Timorese voted overwhelmingly for independence in a referendum in 1999, which was supported by Western states. Although Washington also assisted Indonesia in conducting its 1999 general elections, the first since the fall of the New Order regime, Washington was perceived as trying to use its influence to impose liberal reforms on the country. Abdurrahman Wahid, the winner of the 1999 presidential elections, realigned Indonesian foreign policy towards its Asian neighbours.

The "War on Terror" following the 9/11 terrorist attacks allowed for a reset since Washington needed an ally in Southeast Asia to support its global anti-terrorism campaign. The United States even treated the region as a "second front" in its War on Terror.<sup>36</sup> This juncture marked a period of US rapprochement with Indonesia.<sup>37</sup> However, a military embargo imposed after the Santa Cruz Massacre meant that bilateral defence cooperation remained limited. Furthermore, Indonesia only cautiously embraced counterterrorism cooperation with the United States due to negative public perception stemming from the American invasions of Afghanistan and Iraq. According to a 2002 survey by the Pew Research Centre, 61 per cent of Indonesians held favourable views of the United States.



However, this number drastically dropped to only 15 per cent in 2003, following the US invasion of Iraq.<sup>38</sup> Despite this, the United States played an important role in the establishment of Indonesia's elite counterterrorism unit, Special Detachment 88, in 2003.<sup>39</sup>

The presidency of Susilo Bambang Yudhoyono (2004–14) marked a significant turning point in Indonesia-US relations. Yudhoyono's commitment to counterterrorism and democracy brought the two countries closer together, for the first time since the Cold War.<sup>40</sup> Yudhoyono launched the Bali Democracy Forum in 2008 to project Indonesia as an Asian democratic powerhouse and to demonstrate Indonesia's return to the international stage following a decade of low-profile diplomacy. With Indonesia's democracy becoming more stable, it provided Jakarta and Washington with a set of shared values again after anti-communism faded with the collapse of the Soviet Union.<sup>41</sup> The United States gradually lifted the military embargo and resumed the IMET programme in 2005.

The victory of Barrack Obama in the 2008 US presidential elections significantly improved the United States' image in Indonesia. His predecessor, George W. Bush, was often perceived as anti-Islam by many Indonesians. Obama's personal connection to Indonesia through his childhood also added a personal touch to the relationship between the two countries. During the Obama administration, a ban on the Indonesian Army Special Forces (Kopassus) was lifted.<sup>42</sup> The United States also supported the development of Indonesia's peacekeeping centre. However, bilateral relations did not improve as much in the economic realm. US investment in Indonesia was mainly concentrated in the mining sector. Indonesia's poor economic governance—notably economic nationalism—significantly obstructed cooperation.<sup>43</sup> However, in 2010, Indonesia and the United States launched a comprehensive partnership, a framework for closer security and economic links. This evolved into a strategic partnership in 2015, which some thought would lead to Indonesia playing a more prominent role in regional affairs.<sup>44</sup>

President Joko Widodo (2014–24) had a strong domestic focus on infrastructure and economic development during his administration. However, relations between Indonesia and the United States stalled somewhat when Donald Trump became US president in 2017. His aggressive foreign policy towards China and emphasis on regional security cooperation made Indonesia uneasy. That said, Widodo's interactions with the Obama, Trump and Biden administrations were limited. Between 2014 and 2023, he had at least six one-on-one

interactions with US presidents. Moreover, his domestic economic agenda, such as securing economic investments and increasing palm oil exports and nickel production, dominated these meetings. This demonstrated Widodo's attempt to make domestic concerns, notably Indonesia's economic ambitions, more prominent in US-Indonesia relations. However, during these talks, Washington still emphasized its regional security agenda and security stability in the Indo-Pacific (see Table 1).

Table 1  
**Widodo's One-on-One Interactions with US Presidents, 2014–23**

Year	Figures	Topics
November 2014	Widodo-Obama	<ul style="list-style-type: none"> <li>• Bilateral relations, notably the continuation of US-Indonesia Comprehensive Partnership</li> </ul>
October 2015	Widodo-Obama	<ul style="list-style-type: none"> <li>• Maritime security and defence cooperation</li> <li>• Counterterrorism</li> <li>• Global health and climate change</li> <li>• Economic cooperation, notably digital economy investment</li> <li>• Indonesia's intention to join Trans-Pacific Partnership (TPP)</li> </ul>
July 2017	Widodo-Trump	<ul style="list-style-type: none"> <li>• Regional security</li> <li>• Economic cooperation, notably Indonesia's crude palm oil export</li> <li>• Counterterrorism</li> </ul>
April 2020	Widodo-Trump	<ul style="list-style-type: none"> <li>• COVID-19 management</li> <li>• Post-COVID-19 economic cooperation commitment</li> </ul>
November 2022	Widodo-Biden	<ul style="list-style-type: none"> <li>• Indo-Pacific security stability, including ASEAN centrality and maritime security</li> <li>• Economic cooperation, notably a sustainable economy</li> <li>• People-to-people ties</li> </ul>
November 2023	Widodo-Biden	<ul style="list-style-type: none"> <li>• Indo-Pacific security stability</li> <li>• Climate crisis</li> <li>• Economic cooperation, including Indonesia's nickel industry</li> <li>• People-to-people ties</li> </ul>

Source: Author's own compilation based on various media sources.

In recent years, Indonesia has shown a growing interest in joining US-led economic initiatives, such as the Indo-Pacific Economic Framework for Prosperity (IPEF) and the Just Energy Transition Partnership (JETP), which aims to support Jakarta's own economic agenda. In May 2022, President Biden launched the IPEF with 13 regional partners with the aim of deepening economic cooperation and boosting the region's economic resilience.<sup>45</sup> The expectation of gaining greater access to the US market, which would increase trade and investment opportunities, especially for Indonesia's raw materials industries, was as a major factor behind Indonesia's embrace of the idea. Indonesia's Coordinating Minister for Economy, Airlangga Hartarto, stated in March 2023: "We also focus to get the real benefits of IPEF in the form of trade and investment improvements."<sup>46</sup> However, the 14 IPEF leaders failed to conclude negotiations on the framework's trade pillar during a sideline meeting at the November 2023 Asia-Pacific Economic Cooperation (APEC) Summit.<sup>47</sup> Despite this setback, Indonesia's participation in the initiative still offers a platform for economic diplomacy that Jakarta can use to gain greater US support in economic matters.<sup>48</sup>

During the G-20 summit in Bali in 2022, President Joe Biden announced a financial package of US\$20 billion for Indonesia under the JETP. This partnership, backed by other G-7 countries, aims to support Indonesia in reducing its carbon emissions by transitioning away from coal and developing new renewable energy sources.<sup>49</sup> The Indonesia JETP secretariat was established in Jakarta on 17 February 2023. However, the details of its implementation are still unclear, as Indonesia has been slow in ratifying the necessary legal framework for the scheme. There is also ongoing uncertainty in Jakarta regarding private investment and public sector contribution under the JETP.<sup>50</sup> Despite this, the Indonesian government has shown a more positive response towards the IPEF and the JETP compared to the Quadrilateral Security Dialogue (Quad) and AUKUS—a security pact between the United States, Australia and the United Kingdom. This is likely due to the former's focus on economic development, which aligns with President Widodo's domestic agenda of boosting infrastructure development.<sup>51</sup>

Cooperation between Jakarta and Washington remains steadfast in the defence sector because Indonesia sees the United States as an essential partner in the modernization of its military. According to Indonesia's latest military acquisition plan, Jakarta wants to

purchase 24 F-15 jet fighters, for which the US government has given the green light.<sup>52</sup> Indonesia has also ordered five Lockheed Martin C-130J Super Hercules and will receive them by April 2024.<sup>53</sup> During a private meeting with his Indonesian counterpart, Prabowo Subianto, at the 2023 Shangri-La Dialogue, US Secretary of Defence Lloyd Austin III also reaffirmed America's commitment to supporting Indonesia's defence modernization and maintaining the bilateral strategic partnership.<sup>54</sup>

The Super Garuda Shield military exercises in 2022—an expanded version of the annual Garuda Shield military exercise between the Indonesian and US armies that was first conducted in 2004—demonstrate these healthy defence relations. The United States perceives the Super Garuda Shield as a platform to enhance regional cooperation and to support a Free and Open Indo-Pacific. However, the reinvigoration of the Quad has created uneasiness in Jakarta.<sup>55</sup> Furthermore, Indonesia has expressed concerns about the formation of the AUKUS trilateral security pact. Jakarta criticized the provision of nuclear submarines to Australia under AUKUS, which it believes will trigger a military build-up in the region and breach nuclear non-proliferation obligations.<sup>56</sup> However, in May 2023, Widodo softened this view by describing AUKUS and the Quad as “partners, not competitors”.<sup>57</sup> Recent developments, such as the “2+2” meetings between Australia and Indonesia, and the potential role of AUKUS in ensuring regional security stability, have also contributed to Indonesia's softened stance towards AUKUS.<sup>58</sup>

In 1994, Ali Alatas, Indonesia's foreign minister at the time, stressed that US-Indonesia relations must “demonstrate the breadth and depth of our shared interests”.<sup>59</sup> However, congruence of national interests has historically not been enough to move US-Indonesia cooperation forward. As this section has shown, Indonesia's domestic considerations have normally emerged as hindrances. Even when the United States was an important partner for Indonesia, such as during the Suharto dictatorship, the relationship never evolved into a formal alliance. Following the downfall of his New Order regime, although shared democratic values emerged as a new common ground for Indonesia and the United States to promote their cooperation, greater democratic freedoms within Indonesia also provided greater room for domestic politics to influence foreign policy. This was evident in the way politicians in Jakarta carefully considered their actions to avoid inciting anti-Western or anti-American sentiments among the public. The post-New Order era also illustrated how a leader's personal agenda can alter foreign relations. Yudhoyono

stressed shared democratic values as the basis of US-Indonesia relations, while Widodo saw the US-Indonesia relationship as an opportunity to further his domestic economic ambitions. However, as demonstrated in the next section, none of this would prevent Indonesia from forging closer ties with China, especially in the economic domain.

### **Indonesia-China Relations: Economy Above All**

Indonesia established diplomatic relations with the People's Republic of China (PRC) in 1950. Initially, Jakarta wanted to develop cordial ties with Beijing—as seen in President Sukarno's proposal of a “Jakarta-Pyongyang-Beijing” axis, which also referenced communist North Korea—to demonstrate his opposition to Western states that he considered as neocolonialist.<sup>60</sup> However, in 1967, Jakarta froze diplomatic ties with China in response to Beijing's backing of the Indonesian Communist Party's failed “coup” in 1965.

During Suharto's New Order regime, China was perceived as an existential threat because of its association with international communism. However, this perception gradually faded, especially after China adopted pro-market economic reforms in the late 1970s. The rapid growth of China's economy has since become the driving force behind the two countries' relationship.<sup>61</sup> Despite this, until the 1990s, the Indonesian military remained wary of China, citing concerns about the potential resurgence of communism within Indonesia.<sup>62</sup> However, these concerns were somewhat eased when Chinese Foreign Minister Wu Xueqian stated in a private conversation with Indonesian leaders in 1985 that his country would not intervene in Indonesia's domestic politics.<sup>63</sup> In addition, Suharto's desire to play a more prominent role on the world stage also contributed to his willingness to normalize China-Indonesia relations. He entrusted one of his most trusted aides, Minister of State Secretary Moerdiono, with leading the discussions to resume trade ties with China, rather than delegating the task to the Ministry of Trade or the Ministry of Foreign Affairs.<sup>64</sup> Trade relations resumed in 1985, followed by a normalization of diplomatic ties in 1990. Around the same time, Beijing's commitment to non-interference in Indonesia's internal affairs was further solidified when the Chinese Communist Party (CCP) severed ties with Indonesian communists.<sup>65</sup>

The May 1998 riots, which preceded the resignation of President Suharto later in the same month, elicited protests from Beijing because many of the rioters attacked ethnic Chinese Indonesians,

highlighting the longstanding discrimination faced by this minority group.<sup>66</sup> Habibie, the first post-Suharto president, faced considerable opposition at home (his presidency lasted just over one year) and international pressure due to atrocities committed in East Timor. As a result, he adopted a rather accommodating stance towards Beijing's protests over the attacks on ethnic Chinese during the riots. Meanwhile, because of the devastating impact of the 1997 Asian Financial Crisis on Indonesia's economy and the palatable anti-Western mood of the Indonesian public, President Abdurrahman Wahid, Habibie's successor, considered it necessary to strengthen trading relations with China and India.<sup>67</sup> He even launched the so-called "Jakarta-Beijing-New Delhi" axis, although the idea was short-lived.<sup>68</sup> More impactful was his government's "Look Towards Asia" policy, which emphasized trade among Asian countries as a means for economic recovery. In May 2000, his government signed a memorandum of understanding with Beijing to enhance cooperation in politics, economics, tourism, science and technology.<sup>69</sup>

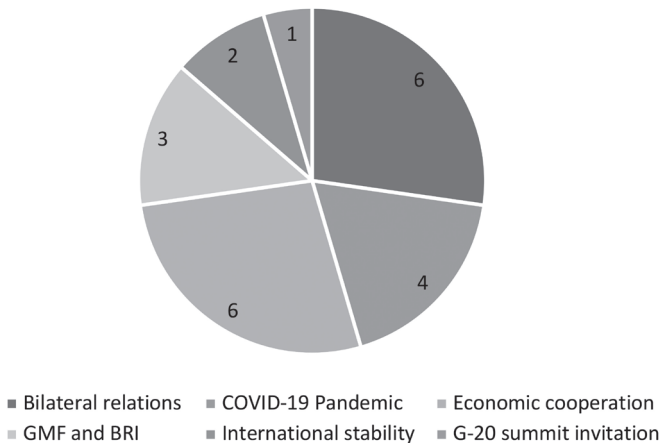
Wahid's successor, Megawati Soekarnoputri, placed ASEAN at the forefront of Indonesia's foreign policy. Her administration mainly utilized the ASEAN+3 platform, which included South Korea, Japan and China, to reach out to Beijing. During Megawati's presidency, China assisted in the construction of the Surabaya–Madura Bridge, connecting Java and Madura islands, which was completed in 2009. With a relatively stable domestic political climate, her successor, Yudhoyono, continued to foster this relationship and in April 2005 secured a strategic partnership with Beijing, signed during Chinese President Hu Jintao's visit to Indonesia on the 50th anniversary of the Bandung Conference. This partnership was later elevated to a comprehensive strategic partnership in 2013.<sup>70</sup> Bilateral trade grew from US\$8.7 billion in 2004 to US\$48.2 billion in 2014, the same year that China replaced Japan as Indonesia's top trading partner.<sup>71</sup>

After taking office in 2014, the Widodo administration deepened economic cooperation with China. His Global Maritime Fulcrum (GMF) scheme—which aimed to turn Indonesia into a global maritime hub<sup>72</sup>—dominated much of Widodo's early years in office, although he somewhat abandoned the concept halfway through his presidency.<sup>73</sup> Nonetheless, the GMF played an important part in Indonesia's relationship with China because of its compatibility with Beijing's Belt and Road Initiative (BRI).<sup>74</sup> It was during Widodo's first visit to China in March 2015 that Beijing persuaded Jakarta to support the BRI.<sup>75</sup> Signing up to the BRI also improved diplomatic, economic and people-to-people relations between the two countries.<sup>76</sup> In addition,

Indonesia was a supporter of China's Global Development Initiative (GDI), a platform to engage the Global South and an alternative source of funds other than the US-led development agencies.<sup>77</sup> Economic relations were galvanized further by Indonesia's ratification of the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement between ASEAN states and Australia, China, India, Japan, Korea and New Zealand.<sup>78</sup> Throughout his presidency, Widodo had at least 18 one-on-one meetings with President Xi Jinping. While their conversations were not limited to bilateral ties—they also discussed global issues, such as the COVID-19 pandemic and international stability<sup>79</sup>—economic cooperation, specifically the GMF and BRI, dominated their discussions (see Figure 1).

Figure 1

**Discussions during Widodo-Xi Jinping's One-on-One Interactions, 2014–23**



Source: Author's own compilation based on various media sources.

However, the alignment of Indonesia's GMF and China's BRI did not positively influence defence cooperation between the two countries. In fact, compared to the United States, Indonesia's engagement with China in this area remains very limited. Regular interactions between the two countries' militaries only occur through their navies. China has been a regular participant in the biannual KOMODO multilateral training exercise initiated by the Indonesian Navy since its inception in 2014.<sup>80</sup> At the 2022 Boao Forum, Xi outlined his Global Security Initiative (GSI), a scheme for China to take a central role in the post-Western-led regional order.<sup>81</sup> Although



Beijing has attempted to woo Indonesia into signing up for this initiative, Jakarta has maintained its non-alignment principle and remains cautious.<sup>82</sup>

Despite progress in trade relations, with bilateral trade value increasing from US\$48.2 billion in 2014 to US\$133.6 billion in 2022,<sup>83</sup> Indonesia-China ties have sparked some consternation among the Indonesian public. The increase in bilateral trade has been driven primarily by Indonesia importing more goods from China, thus widening its trade deficit with China. The influx of cheap Chinese imports since the 2000s has also weakened Indonesia's local industries. Much of the Indonesian business community was concerned when Beijing proposed creating the ASEAN-China Free Trade Area (ACFTA) in 2000, although Indonesia was one of the first Southeast Asian countries to ratify the agreement.<sup>84</sup> China's assertiveness in the South China Sea also became a thorny issue in Indonesia-China relations. The occasional intrusion of Chinese fishing vessels into Indonesia's exclusive economic zone has caused tensions to arise. In an effort to maintain good relations, the Yudhoyono administration kept many of these incidents hidden from the public.<sup>85</sup>

The Indonesian public has been increasingly expressing anger towards the growing involvement of China in their economy. This sentiment was particularly evident in the Jakarta-Bandung High-Speed Railway project in which Beijing played a major role. In October 2015, Jakarta announced that China, not Japan, would be the principal backer of the project.<sup>86</sup> The reason appeared to be financial; China offered a business-to-business framework to finance the project without any state-guaranteed funding from Jakarta. In the end, however, the Indonesian government was forced to divert some of the state budget to complete the project, frustrating many Indonesians.<sup>87</sup> As is common across Southeast Asia, the Indonesian public has also grown disgruntled that mostly Chinese workers are employed in Chinese investment projects and that some Chinese-funded projects have generated negative environmental and social impacts.<sup>88</sup> Frustration boiled over during the COVID-19 pandemic when Chinese-owned companies allegedly laid off Indonesian workers while retaining Chinese employees.<sup>89</sup> In response, the Widodo government delayed the work permits of some Chinese nationals.<sup>90</sup> The influx of Chinese workers has also become a sensitive issue for Jakarta, which feared that it could lead to anti-Chinese sentiment and even the replication of the mass violence against ethnic Chinese, similar to what happened in the late 1990s. Such

a situation would jeopardize domestic political stability and, thus, weaken the government's economic agenda.

In June 2020, Indonesia's Coordinating Minister for Maritime and Investment, Luhut Binsar Pandjaitan, acknowledged China's global status, particularly its economic power. According to Luhut, "China is a global power that cannot be ignored."<sup>91</sup> Moreover, he noted that Indonesia's cooperation with China had centred on the economy. Indeed, President Widodo played a crucial role in fostering closer ties between Jakarta and Beijing, driven by his domestic agenda of promoting economic growth. Because he needed China's resources to develop his various infrastructure projects, he rolled out the red carpet for Beijing.

In sum, domestic politics have played an important role in shaping Indonesia's engagement with China. After the fall of Suharto's dictatorship in 1998, politicians were compelled to compete for popularity and votes, leading to a focus on economic growth as a means of gaining legitimacy. Moreover, Indonesia's volatile economy in the late 1990s and early 2000s meant it was crucial to secure new trade partnerships, with China emerging as a key player. Indonesia also perceived healthy relations with Beijing as a way to lessen its reliance on Japan and the United States. However, domestic factors—including public anger over how Chinese investors operate in Indonesia and financial difficulties associated with some Chinese investment projects—have also hindered the deepening of Indonesia's relationship with China.

## **Conclusion**

This article examines how Indonesia's domestic factors have influenced its foreign policy decisions regarding the United States and China. The above analyses show that domestic and foreign policies are interconnected as domestic agendas, including the interests and aspirations of Indonesian politicians and the public, have led to variations in the country's hedging behaviours towards the two great powers. On one hand, domestic political and economic considerations have often encouraged Jakarta to develop close ties with the two great powers. From time to time, however, these same factors can also hinder Jakarta's relations with Washington and Beijing. Following the fall of the Suharto regime, for example, the Indonesian government showed hesitation in engaging with the United States due to prevalent anti-Western sentiments among the public. Similarly, negative sentiments towards China due to

negative issues associated with Chinese investment projects, as well as tensions in the South China Sea, have limited Indonesia's ability to fully embrace economic cooperation with China.

Indeed, since 1998, Indonesia's democratization has enabled domestic determinants to play an increasingly essential role in foreign policymaking. Although the general Indonesian public rarely treats foreign policy as a daily concern, some foreign policy issues, such as those related to Islam or nationalism, can attract their attention. Politicians' desire to maintain public support further amplifies the role of domestic factors, as not addressing the concerns of the majority can jeopardize the popularity and electability of the government. Moreover, the absence of a dominant power bloc in Indonesian politics has resulted in a fractured elite political landscape where political elites with different political and economic agendas are constantly vying against each other. This allows their domestic considerations to shape their foreign policy preferences, especially when they find certain foreign policies conducive to their domestic goals.

On 14 February 2024, Indonesians cast their vote for the next president. The incumbent Minister of Defence, Prabowo Subianto, known for his stalwart nationalism, emerged victorious. During the campaign period, Prabowo portrayed himself as Widodo's successor and pledged to continue his policies, including the ambitious plan to build a new capital city and his economic strategies. Prabowo has also pledged to put national interests at the centre of foreign policy.<sup>92</sup> This suggests that domestic factors will continue to heavily influence Indonesia's foreign policy during his presidency.

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