

HEDGING: UNDERSTANDING
INDONESIA'S FOREIGN POLICY
TOWARDS CHINA'S BELT AND ROAD
INITIATIVE



Master's Thesis

European Studies with the specialisation of Chinese Areas Studies

2018

GENTA PERMATA SARI

20167691

Supervisor: Fuzuo Wu



AALBORG UNIVERSITY
DENMARK

Table of Contents

Abstract.....	2
Keywords:.....	2
List of Abbreviations	3
1 Introduction.....	4
2 Literature review	6
3 Methodology	9
3.1 Research strategy	9
3.1.1 Inductive approach.....	9
3.1.2 Epistemology considerations	9
3.1.3 Ontology considerations	10
3.2 Research methods	11
3.2.1 Conducting interviews – primary sources.....	11
3.2.2 Secondary sources.....	12
3.2.3 Reliability.....	13
3.2.4 Validity	13
3.3 Limitations	13
3.4 Thesis structure	15
4 Theory.....	16
4.1 Selection of theory	16
4.2 Assumption of theory.....	16
4.2.1 Hedging as a theory in the International Relations	17
4.2.2 Hedging.....	18
4.3 Limitations of theory.....	22
5 Analysis.....	23
5.1 Indonesia’s Global Maritime Fulcrum and China’s 21 st Century Maritime Silk Road.....	23
5.2 Hedging in Indonesia’s foreign policy towards China’s Belt and Road Initiative.....	25
5.2.1 Economic-Pragmatism	26
5.2.2 Binding-engagement	28
5.3 Indonesia’s foreign policy towards China’s Belt and Road Initiatives	31
5.3.1 Positive and welcome.....	31
5.3.2 With caution.....	33
5.4 Mitigate risks	37
6 Conclusion	40
Bibliography	43
Appendices.....	48

Abstract

China rises as the new rising power, it comes with BRI which was proposed by China's president Xi Jinping in 2013 in Indonesia and Kazakstan. This initiative is divided into two corridors, one is Silk Road Economic Belt and the other one is the 21st Century Maritime Silk Road. Indonesia as one of the biggest countries in ASEAN and is strategically located between two oceans, Indian and the Pacific Ocean, belongs to the 21st Century Maritime Silk Road. Indonesia under the leadership of Joko Widodo, Indonesia urgently needs economic development. China, who came with BRI, seemed like an answer to Jokowi's prayer. Indonesia responded very positively and welcoming towards BRI. In 2014, Joko Widodo delivered Indonesia's Global Maritime Fulcrum vision at the East Asia Summit in Naypyidaw, Myanmar. The main goal is to improve the function of Indonesia's maritime. Some of the projects of GMF are likely to be aligned with BRI. In the cooperation with China through BRI, Indonesia is using the strategy of hedging by implementing multiple policies. Besides positive and welcome, Indonesia is also caution towards the cooperation with BRI. Indonesia's cooperation with China is not without obstacles, the China issues come to the fore, such as the flow of Chinese workers in Indonesia, the significant growth of Chinese FDI in Indonesia and Indonesia's debt to China. These issues literally existed since the era of Megawati Sukarnoputri, then Susilo Bambang Yudhoyono, but these issues were not politicized at the time, instead it is a big issue now. Joko Widodo administration many ways to mitigate these risks, one of them is by proposing BRI projects to China with the proposals based on what Indonesia needs and not what China needs. Hedging is a strategy that is widely employed by small states in working with Great Power in a cooperative and competitive way. As there have been many scholars carried out some research, hedging itself can be categorized as a theory in International Relations which has been widely applied in unilateral, bilateral and multilateral cooperation. In regards to China, there are many states that are applying to hedge in regard to their cooperation with China. Without exception, China also employs hedging in their cooperation with some countries.

Keywords:

Strategic hedging; Belt and Road Initiative; Indonesia's Foreign Policy; Economic development; Infrastructure development.

List of Abbreviations

AIIB – Asia Infrastructure Investment Bank

ASEAN – Association of Southeast Asia Nation

BAPPENAS - Badan Perencanaan dan Pembangunan Nasional (State Minister for Chairperson of the National Development Planning Agency)

BI – Bank Indonesia (Central Bank of Indonesia)

BKPM – Badan Koordinasi Penanaman Modal (Indonesia’s Investment Coordination Bureau)

BRI – Belt and Road Initiative

CDB – China Development Bank (Zhonguo Gongshang Yinhang)

CSIS – Centre for Strategic and International Studies

FDI – Foreign Direct Investment

GDP – Gross Domestic Product

GMF – Global Maritime Fulcrum

MOFCOM – Ministry of Commerce, People’s Republic of China

MOU – Memorandum of Understanding

MSR – 21 Century Maritime Silk Road

OBOR – One Belt One Road

SOE – State-Owned Enterprise

SREB – Silk Road Economic Belt

USD – United States Dollar

1 Introduction

In 2013, on a visit to Indonesia and Kazakhstan, Chinese President Xi Jinping proposed jointly building the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (MSR) known as the One Belt One Road (OBOR) initiatives, which later the English name changed into Belt and Road Initiative (BRI). The proposed of BRI by Xi Jinping is with the focus on connectivity, encouraging the free and convenient flow of all elements of production, developing multidimensional cooperation platforms, and achieving mutual gains and shared development. The BRI is inspired by the ancient Silk Road, the aims are to help realize the shared dream of people worldwide for peace, common prosperity, and development. The basic principle of BRI are extensive consultation, joint contribution, and shared benefits in openly and inclusively. President Xi added, the initiatives are not merely China's agreement but is a chorus of the countries along the routes and win-win cooperation characterizes the partnerships. (XiJinPing, 2017)

The BRI focuses mainly on infrastructure investment, construction materials, railway and highway, automobile, real estate, power grid, and iron and steel. The initiatives cover more than 68 countries across Asia, Europe and Africa. (Hancock, 2017)

Meanwhile, as for Indonesia, BRI proposed by Chinese President Xi Jinping is to strengthen the maritime cooperation between China and Association of Southeast Asian Nation (ASEAN) countries, where Indonesia is one the member. Since the ancient time, ASEAN countries has been an important hub along the ancient Maritime Silk Road. The China – ASEAN Maritime Cooperation Fund set up by the Chinese government will not only strengthen the maritime cooperation between China and ASEAN countries, but it is also a joint effort to build the 21st century Maritime Silk Road. (Indonesian Foreign Ministry, 2013)

The history of Sino-Indonesia relationship from the two countries started as early as the Han Dynasty about 2000 years ago up until now. In 2013 during a state visit to Indonesia, Chinese President Xi Jinping and Indonesian President Susilo Bambang Yudhoyono jointly announced to upgrade the bilateral relations between the two countries to a comprehensive strategic partnership. The cooperation between the two countries has gained international influences because this cooperation cannot be separated from cooperation with ASEAN countries. President Xi quoted *“The interests to be considered should be the interests of all”* where the cooperation between China and Indonesia is on the basis of equality and mutual benefit along with China's development. In this occasion President Xi announced China will propose the

establishment of an Asian Infrastructure Investment Bank (AIIB) to give priority to Indonesia's needs, to strengthen the cooperation in maritime. (Indonesian Foreign Ministry, 2013). The two-government signed agreements marking the growing of their bilateral relations which is an important landmark of China-Indonesia friendship in the new era also for a bright future for the China-ASEAN community in order to make a greater contribution to the world peace and development. (Indonesian Foreign Ministry, 2013).

The aim of the thesis is to investigate how the strategy of hedging can explain Indonesia's foreign policy towards China's Belt and Road Initiatives. The title of this thesis is:

Hedging: Understanding Indonesia's Foreign Policy Towards China's Belt and Road Initiative

Meanwhile, the research question lays on:

How the strategy of hedging explains Indonesia's foreign policy towards China's Belt and Road Initiative?

After this introduction section, a literature review presents the most existing debates from scholars regarding the topic of this thesis. After the literature review section, a methodology chapter discloses the methodological approach and sources used in this thesis, as well as the epistemological and ontological stances of this research. The following section presents is the theoretical framework stated in the problem formulation, explaining the theory basic assumptions, why the theory has been chosen to carry out in this thesis and the potential limitations of the theory itself. The Analysis chapter comes next to investigate and discuss Indonesia's foreign policy towards BRI in Indonesia by the use of theory. Finally, the conclusions summarise the findings of this research.

2 Literature review

A literature review is a way of examining and to sketched out what is already known about the research area that is related to the phenomena of interest and the relevant theoretical approach in a critical way (Bryman, 2012, pp. 14-15, 98).

This literature review chapter proposes to review important elements of existing literature regarding what is already known about hedging in explaining Indonesia's foreign policy towards China's BRI. This includes debates among scholars. Since it has been proposed in 2013, China's BRI has already developed intense debates among scholars in Indonesia.

When talking about Indonesia's cooperation with China, there are dichotomies between scholars and political elites showing their difference of opinions. There are positive sentiment and foresee the bilateral cooperation between Indonesia and China as a mutual benefit. Nevertheless, there is the fear towards the issue so-called 'China threat' and there are that cautioned and 'wait and see' to the development of the BRI projects in Indonesia.

When it comes to discussing Indonesia's foreign policy towards China's BRI, the questions to ask are how do we know that Indonesia hedge to China, and why? As a small state, Indonesia, in the cooperation with China favours having more than one policy because a small state like Indonesia would like to prevent the worst while trying to construct the best (Sukma, 2007) and hedging is also implemented by other developing countries, especially in the ASEAN (Sukma, 2009). Hedging is widely adopted among the ASEAN member countries, especially in relation to China because states in ASEAN are likely adopting a "middle position" in the responses towards a re-emerging China (Kuik, 2008).

The closer ties between China and Indonesia are based on the needs of the economy. Indonesia's needs to improve its infrastructure to advance the country's economic performance, and this fits together with China's interests in exploiting its large number of foreign reserves in a more beneficial way. Through its BRI, China aimed at promoting infrastructure connectivity, financial integration and convenient trade across Asia, Europe, and Africa (Lalisang, 2015). Indonesia is in dire of developing infrastructure to improve connectivity, as it will lead to the development in the economic sector, carrying the vision of Indonesia's GMF where the main goal is to improve the maritime sector in Indonesia (Jetin, 2017). Indonesia is a developing country, and Joko Widodo in his presidential campaign made a political promised to increase Indonesia's economy, needs massive financing capacity in infrastructure

development from China as the world's second-largest economy, in order to boost Indonesia's economy. (Lalisang, 2015).

Without a doubt, the efforts in improving Indonesia's economy by involving China, it is not impossible to get a reaction from the Indonesian public (Sukma, Indonesia Response to the Rise of China: Growing Comfort Amid Uncertainties, 2009). Amid the rampant cooperation between Indonesia and China and accompanied by the "hot" Indonesian political situation in the era of Joko Widodo, the issues regarding the flow of Chinese workers in Indonesia, the increase of Chinese FDI in Indonesia, the increase of Indonesia's foreign debt to China emerged. Although these issues already existed from the era of Megawati Sukarnoputri, these issues were not politicized, so it did not become large as in the Joko Widodo era. China's exploitation in Indonesia's resources is another thing that needs to be worried and addressed, because this does not bring economic gain to Indonesia, but on the contrary, bringing economic gain to China. This can be seen from the rapid increase in the number of Chinese businesses in Indonesia that penetrate the mining, agriculture and plantation sectors to the e-commerce sector (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018). So that Indonesia's cooperation with China can be addressed as cooperation that brings opportunities and also a threat to Indonesia (Hikmahanto Juawana as cited in (Republika.co.id, 2014).

Meanwhile, hedging that subsists economic-pragmatism and binding-engagement (KUIK) seems to be the perfect strategy in explaining Indonesia's cooperation with China through BRI (Lalisang 2015). If we look at the analysis from the balance of power theory that puts forward military involvement in order for states to balance of power, which will cause a war in the system (Morgenthau, 1985), hedging is a strategy that comes between balancing and bandwagoning and is a strategy that helps small state dealing with threats and constraints they will face under the unipolarity (Goh, 2005, 2007/2008 as cited in (Geeraerts, Strategic Hedging and Balancing Model Under the Unipolarity, 2015). Hedging gives a nuance in the explanation of state behaviour, with the aim of honing the analytical edge of the balance of power theory (Kang 2007, p. 54-55; Tessman and Wolfe 2011, p. 216 as cited in (Koga, 2017). Hedging which is a competitive strategy that employed by small states in the unipolar system (Tessman & Wolfe, 2011:236) as cited in (Geeraerts, The Impact of Strategic Hedging on the Foreign Politics of Great Powers: The Case of Chinese Energy Strategy in the Middle East, 2013, p. 4) where small state is an attempt to improve its competitive ability in economy and avoiding direct confrontation with big state (Geeraerts, Measuring Strategic Hedging, 2014) to maximize

opportunities and minimize threats to create both short and long-term benefits (Tessman, 2012 as cited in (Geeraerts, Strategic Hedging and Balancing Model Under the Unipolarity, 2015). Geeraerts and Salman are in their research of proving the strategy of hedging as a new concept of theory in International Relations. Hedging has been implemented by countries in the modern world today. (Geeraerts, Strategic Hedging and Balancing Model Under the Unipolarity, 2015).

Hedging does not come without a limitation. By choosing to hedge among other variations of choice that can be taken by a state, the choice of the state takes is literally reflecting they are a weaker state in facing the enduring of the uncertainty of the power structure in the international level (Kuik, 2105). Moreover, Kuik argues that risks are harmful to a small state, and in the fragile situation, the big state tends to invite external exploitation. In here, their possible ways of how big states use their influence towards the small states. They can either invade small states for resources or domination in politics or big state can also provide help and resources to minimise the risks. It is up to the small states to confront the situation either to accommodate or reject the big state (Kuik, 2008). States should carefully control the risks as it is unstable (Medeiros, 2005).

3 Methodology

3.1 Research strategy

3.1.1 Inductive approach

An inductive approach to a research is a technique where the researcher starts with observations of the research question, the research question then guides the collection of empirical observation about the social world. Based on those empirical observations, the researcher will be able to see the pattern and generate a tentative hypothesis. Once the pattern is created, the researcher will be able to develop a theory. However, the inductive process also entails an element of deductive. Once the theoretical reflection has been carried out, the researcher may want to collect further data in order to see if the theory will or will not hold. (Bryman, 2012, p. 26).

On the process of this thesis, I started with the observation of the research question where it was still a tentative research question. Then I began with the data collection where I managed to get two interviews as primary sources. From the interviews, I am able to visualise and generate a tentative hypothesis. The theory reflected the empirical data is Hedging. Hedging is one of an important contribution from the balance of power theory concepts that are balancing and bandwagoning. After the hedging has been carried out, I furthermore carried out in collecting data in order to test if hedging hold to describe Indonesia's foreign policy towards China's BRI. I collected secondary data such as articles, journals, books that support hedging as the strategy/theory to describes Indonesia's foreign policy towards China's BRI.

3.1.2 Epistemology considerations

Interpretivism is of assistance to understand human behaviour through social sciences. This term emanates the views of writers who are critical towards the application of scientific models to study the social world who have been influenced by different intellectual traditions. Interpretivists share the common concept of the social sciences subjects, such as human beings and their institutions, that is fundamentally different from the natural sciences. Therefore, interpretivists believe the different logic of research procedures is required in the study of the social world. (Bryman, 2012, p. 28). Max Weber (1864–1920) describes sociology as "*science which attempts the interpretive understanding of social action in order to arrive at a causal explanation of its course and effects*" (Weber, 1947, p. 88 as cited on (Bryman, 2012, p. 29).

In the discussion of this thesis, the adoption of interpretivism is understanding human behaviour in determining Indonesia's foreign policy by choosing to implement multiple policies, which is positive and welcome but also with caution. Furthermore, interpretivism also plays a role in interpreting human behaviour on how Indonesian government acts against the risks that arise, as well as those to rising, and actions taken to mitigate the risks in the Indonesia-China cooperation through BRI.

3.1.3 Ontology considerations

Constructionism, often referred to as constructivism, is an ontological position which social actors continually make a point to ratifies the social phenomena and their meaning. This also entails that social phenomena and categories are not only created by way of social interaction, but social phenomena and categories are also produced through continually state of revision. In the past few years, the term of constructivism also includes the conception of the researcher's explanations of the social world are constructive. By way of explanation, a specific version of social reality always presents by the researcher, with an eye not to be definitive. (Bryman, 2012, p. 33). Constructivist believe that individuals or groups construct meaning, or reality based on interactions with the social environment. They do not find knowledge, they construct it. It is, therefore, possible to have multiple, socially constructed realities that are all considered correct. Constructivist reject the notion that an objective reality exists. (Egon G. Guba & Yvonna S. Lincoln, 1994, p. 113).

In discussing Indonesia's foreign policy towards BRI, Indonesia's foreign policy maker and actor are socially constructing the social phenomena. This process is socially constructed by social factors. The social phenomena that socially constructing realities are constructed by the political actors, for instance, the opposition constructs the "China issue", so it is constructed public disappointment towards Joko Widodo administration. On the contrary, political actors within the Joko Widodo government also constructing reality by counterbalancing this "China issue", by for instance publicising more on Indonesia's proposals to China's BRI, by aiming more to the economic gain for Indonesia and publicised less the BRI current and upcoming projects.

These methods are socially constructing the way Indonesian public, including the political actors both from government and opposition, act and react towards the social realities in Indonesia-China cooperation, particularly, BRI. And this phenomenon is ongoing.

3.2 Research methods

3.2.1 Conducting interviews – primary sources

The research method is simply defined as a technique for data collection. This data collection can involve a specific instrument such as an interview. (Bryman, 2012, p. 46). For the data collection of the thesis, I conducted two interviews, where the interviews are conducted through Skype. These interviews are used as the primary sources. The characteristic of the interview is a semi-structured interview where the questions were lists of predetermined questions with additional questions that are related to the topic. (Bryman, 2012, pp. 477-478)

The first interview conducted is with Yeremia Lalisang, a lecturer at the International Relations Departments, the University of Indonesia who is now a PhD candidate at Xiamen University, China. The reason for selecting Lalisang to be one of the sources of this thesis is that he has a number of publications related to Indonesia-China cooperation, China's Belt and Road Initiatives and Indonesia's Global Maritime Fulcrum.

The second interview is with Dr Santo Darmosumarto. He is an Indonesian diplomat from the Ministry of Foreign affairs of the Republic of Indonesia, posted two times at Embassy of the Republic of Indonesia in Beijing from 2005-2009 and 2014-2018. During his posts in Beijing, Darmosumarto is the government officials who directly is involved and in the BRI cooperation between China and Indonesia where he has greater knowledge in Indonesia-China cooperation especially in the Belt and Road Initiative. A few years back, Darmosumarto published a number of articles related to Indonesia-China cooperation.

	Appendix 1	Appendix 2
Text name	Interview with Yeremia Lalisang	Interview with Dr Santo Darmosumarto
Title/position	Lecturer at the International Relations Departments, University of Indonesia, Jakarta and PhD at Xiamen University, China.	A diplomat from Ministry of Foreign Affairs of the Republic of Indonesia, post at Embassy of the Republic of Indonesia in Beijing from 2005-2009 and 2014-2018.
Date	14 May 2018	22 August 2018

I have however acknowledged there are limitations in the primary sources. The data collected could have been more variety and more sources that could give a different perspective towards Indonesia-China BRI cooperation. To have sources that are both pros and cons to Indonesia-China BRI cooperation will give more nuance on the thesis. Literally, I have furthermore source that provides different, perspectives towards Indonesia-China cooperation in the BRI, however, this particular source is not willing to go on the public with its opinion and be interviewed. This is due to the position and work related of the source as a civil servant in the Indonesian government, where according to Indonesia Government Regulation No. 53/2010, disallows civil servant to be on the opposite side of the government. (Ministry of Justice and Human Rights, 2010).

3.2.2 Secondary sources

Bryman describes secondary sources refer to academic articles in journals, books and other relevant newspaper articles to complement the primary sources. Bryman further added documents as materials are relevant for the social researcher even though they may not specifically produce for social research, but they are preserved so they are available for the analysis. However, it can be problematic to rely heavily on secondary references, because it makes the researcher rely on the interpretation provided by the authors on the original text of the secondary text. (Bryman, 2012, p. 123).

In this thesis, the secondary data is used to complement the primary data to analyse Indonesia's foreign policy towards China's BRI through. Staying true to the inductive approach discussed above, I will take the interviews and the secondary data and analyse them according to the theories presented in chapter 3. Doing this, I will be able to see if my tentative theoretical explanations, that is hedging, truly reflecting Indonesia's foreign policy towards China's BRI, so that be sure that hedging is reflecting Indonesia's foreign policy towards China's BRI.

The timeframe of the data that are used in this thesis regarding identifying Indonesia's foreign policy towards China's BRI are from BRI was first initiated in 2013 until the present time, 2018. However, there will be some paragraphs that briefly explain Indonesia-China history as well as cooperation that happened before BRI being initiated, is taken before 2013.

3.2.3 Reliability

Reliability refers to whether the data collection techniques and analytic procedures would reproduce consistent findings if they were repeated on another occasion or if they were replicated by another researcher (Bryman, 2012, p. 46). In the process of data collection, on the interview, there is neither participant error nor bias because both of the participants are not pressured and under influence from any party. Furthermore, there are no researcher error and bias occurred in the process of data collection. This means that participants are being carefully selected based on their background, and the moment of the interview is conducted in the untighten time both for participants and researcher and researcher is staying as subjective as possible towards the participants and the data collected.

3.2.4 Validity

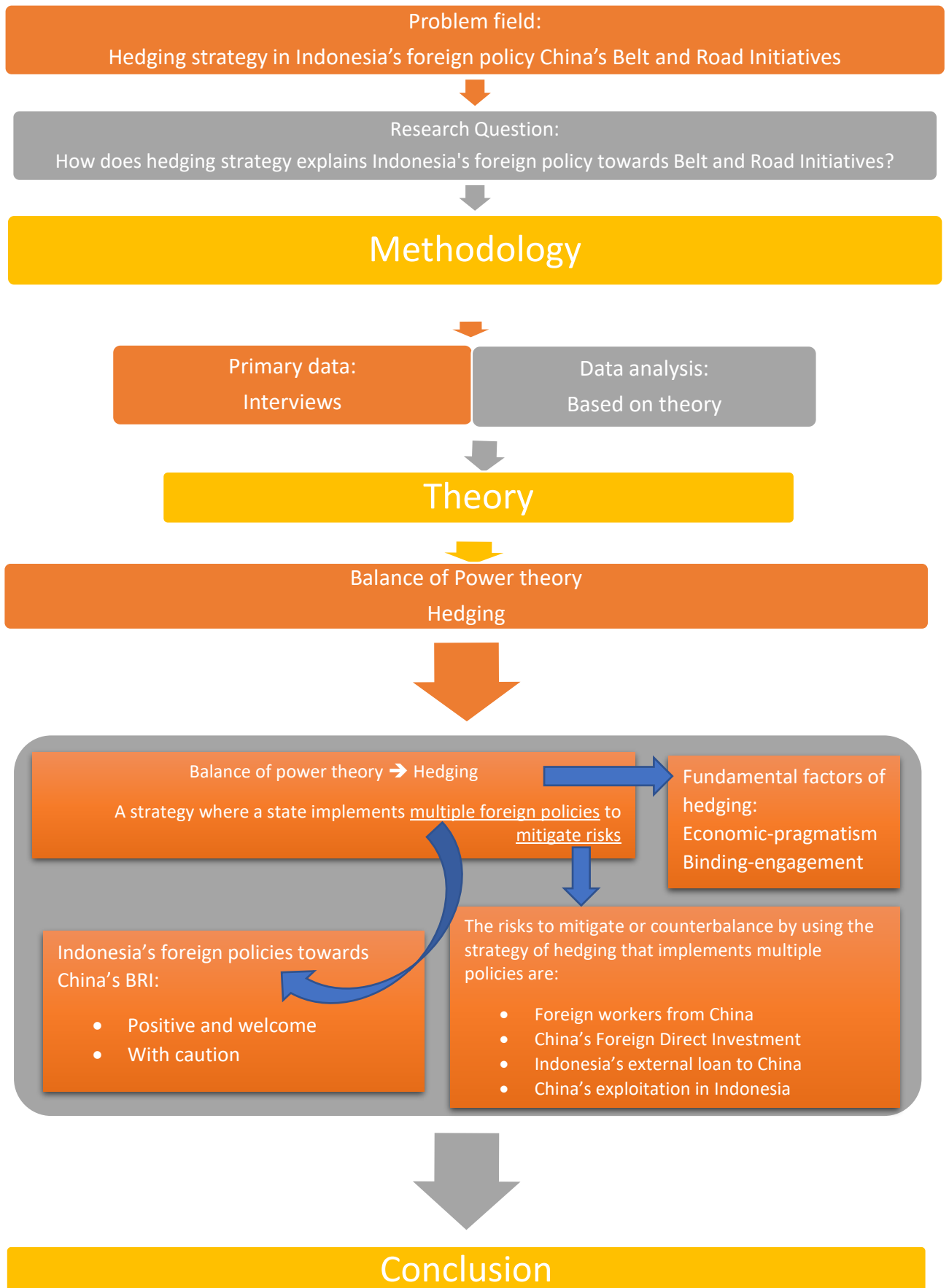
Internal validity is established when the research demonstrates a causal relationship between two or more variables. In internal validity, the researcher is required to examine the existence of a relationship between two different variables, dependent and independent variable. (Bryman, 2012, pp. 47-48). In this thesis, Indonesia's foreign policy is by implementing multiple policies, is the independent variable. While hedging as a theory that explains small state choose to implement multiple foreign policies towards big state to mitigate risks, is the dependent variable. The purpose of this thesis is examining hedging as the strategy to explain Indonesia's foreign policy towards China's BRI.

3.3 Limitations

This thesis seeks to find out what are the implications of Indonesia's foreign policy towards China's Belt and Road Initiative. However, some considerations must be taken into account to carry out the analysis. Firstly, there would be a room of improvements in terms of more primary sources of interviews, as it will give more nuance in the analysis, particularly both with the opinion of pros and cons towards Indonesia's cooperation through BRI. Secondly, the perspectives used in discussing Indonesia's foreign policy towards BRI are based on Indonesia's point of view, not China's. This mainly is on the account of the topic of this thesis is Indonesia's foreign policy towards China's BRI. Third, Indonesia's foreign policy discussed in this thesis is also limited to Indonesia's foreign policy to China's BRI, therefore this doesn't cover other issues like the South China Sea or Indonesia-China's energy cooperation.

Furthermore, the difficulties in collecting data from the Indonesian website is also an issue, as many of the Indonesian websites are not updated and even inactive. According to one of the sources, unlike other countries, Indonesia also have not been used to publishing a white paper regarding government regulations, foreign policy or presidential speech as such. Last but not least, the language should also take into consideration in carrying out the analysis. The interviews and mainly of the secondary sources, including articles, government regulations and reports, websites, are translated from Bahasa Indonesia, therefore, there are possibilities in misinterpretation.

3.4 Thesis structure



4 Theory

On this theory section, the discussion of theory will cover the selection of theory, the assumption of the theory and the limitations of the theory.

Not only theory is crucial for the social researcher as it provides background and logical explanation for the research conducts but it also provides a framework within the understandable social phenomena and interpretable research findings. (Bryman, 2012, p. 20). According to Bryman, mid-range theories, unlike grand theories, operate in limited areas of expertise, to some extent, they differ in various applications. Mid-range theories, that take place between grand theories and empirical findings present way to understand and explain limited aspects of social life. (Bryman, 2012, p. 22).

4.1 Selection of theory

The theory at hand that can successfully be used is a mid-range theory, that is hedging. The reason for using this theory is that hedging puts forward domestic imperatives as the driven factor of a small state, like Indonesia, as the explanation for their foreign policy towards a great power like China. The purpose of using hedging is to explore more on what domestic imperative of Indonesia is today. Indonesia in the era of Joko Widodo's presidency needs economic development, and politically, this economic development will contribute positively to the political legitimacy of the government. China as the new rising power comes with its BRI and is one of the countries that can contribute to Indonesia's economic development. For further discussion on the balance of power theory and hedging will be discussed below.

4.2 Assumption of theory

The strategy of hedging has emerged as a new concept in the International Relations and can be categorized as a mid-range theory to add an important element as the contribution to the long history of the balance of power theory (Goh 2005, 2007, 2008 as cited in (Geeraerts, Strategic Hedging and Balancing Model Under the Unipolarity, 2015, p. 3). In the traditional balance of power theory, the standard behaviour of the state is to balance. The balance of power theory predicts that because of their fear of domination, the small state tends to balance the big state by taking a weaker side of power (Waltz, 1979, p. 127 as cited in (Koga, 2017, p. 7).

The balance of power theory is the theory that describes states' behaviour, where states act to preserve a balance of power in the system to prevent any of the states in the system from domination or even conquering other states in the system. Firstly, balancing can be achieved by state increasing its own power in order to balance with another state that has experienced growth of power. The way for the state to balance the power is by increasing their economic, political or military capacity, and so on. Secondly, balancing can be achieved through alliances between states in the system. The idea of alliances is combining efforts in order to balance the growing power. States engage in either of the types of balance of power behaviour above in order to preserve a balance of power in the system and no domination in the system occur. However, preserving the balance of power in the system does require war in the case that the growing power state decided to attack another state. Moreover, if other states in the system decided to form an alliance and attack the growing state (bandwagoning), in this case, balance of power can create into a war. And this is dynamic, the growing state can change, or the alliance state can shift. However, all of this originates with the basic theory that states are engaging in policies to achieve a balance of power among them in the system to ensure that the system cannot be dominated by one actor (Morgenthau, 1985, pp. 237-253).

There is dichotomies view of state behaviour in the balance of power theory, in balancing and bandwagoning (Geeraerts, Strategic Hedging and Balancing Model Under the Unipolarity, 2015, p. 2). Balancing is a state behaviour towards preventing a rising state from becoming a hegemon, while bandwagoning is a state behaviour which is allying with the source of the threat. Balancing and bandwagoning dictate state behaviour (Koga, 2017, p. 2). More recently, scholars have proposed an alternative concept to articulate this behaviour. This concept is hedging. (Lake 1996; Kang 2003; Pape 2005; He 2008 as cited in (Koga, 2017, p. 2). Hedging contributes to explaining difference behaviour of small state without the need to choose between balancing and bandwagoning. Thus, it is sharpening the analytical edge of the balance of power theory and giving nuanced to the explanation of state behaviour (Kang 2007, p. 54-55; Tessman and Wolfe 2011, as cited in (Koga, 2017, p. 5).

4.2.1 Hedging as a theory in the International Relations

Hedging has drawn scholarly attention because it has been effectively explaining small states' behaviour (Lake 1996, p. 15 as cited in (Koga, 2017, p. 2). Hedging explains why small countries choose a strategy by implementing multiple policies in working together with Great

Power (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 163). Moreover, through hedging, the small state conducts a counteracting policy, by strengthening economic cooperation while preparing for the diplomatic capability to temporarily avoid confrontation with the big state (Koga, 2017, p. 2). If we refer it to Bryman's definition of the mid-range theory above, hedging falls between empirical findings and balance of power theory which are theories of foreign policy. Hedging in this thesis represents an effort to understand and explain limitedly on Indonesia's foreign policy towards the cooperation in China's BRI.

Geeraerts and Salman are one of the scholars who put forward their research to prove that hedging is a theory in International Relations. If we look at under the unipolar condition, hedging is behaviour that aims to explain the second-tier states behaviour that seek to develop competitiveness by reducing or bridging the gap with the system leader by improving economic capabilities of the hedging state (Tessman & Wolfe, 2011 as cited in (Geeraerts, *Strategic Hedging and Balancing Model Under the Unipolarity*, 2015)). Moreover, to create both short and long-term benefit, and to accept short-term costs, second-tier states use hedging in order to maximize opportunities and minimize threats (Tessman 2012 as cited in (Geeraerts, *Strategic Hedging and Balancing Model Under the Unipolarity*, 2015, p. 3)).

If we look at the explanation of the balance of power theory above, to balance the power, this theory involves the military in balancing the power and this will likely to create war. While the hedging strategy, which is an alternative concept of balancing and bandwagoning, provide a peaceful concept that avoids confrontation because this strategy involves strengthening economic cooperation between countries in the unipolar system. Therefore, hedging honing our analytical edge towards the balance of power theory so that it gives nuance in explaining the state behaviour. This makes hedging as the right approach or strategy in explaining small states' behaviour towards a peaceful cooperation with big state/Great Power in a unipolar system.

4.2.2 Hedging

The term "hedging" is originally borrowed from the terminology in finance. The term is brought into International Relations to deliver an alternative strategy to distinguish from balancing and bandwagoning. Scholars such as Kang (2007), Tessman and Wolfe (2011) argued that hedging is the third choice of strategy which is located between balancing and

bandwagoning. Moreover, by adding a nuanced explanation of state behaviour, the purpose of hedging is contributing to honing the balance of power theory (Kang 2007, p. 54-55; Tessman and Wolfe 2011, p. 216 as cited in (Koga, 2017, p. 3). Obviously, by explaining in detail the behavior of the state through balancing and bandwagoning, traditional balance of power theory is contributing to the theoretical parsimony in understanding the strategic interaction between states, especially the great power; However, simplification will also limit theory in analysing patterns of interaction between countries and this will blind us from looking at regional and global dynamics as a whole (Koga, 2017, p. 23).

The concept of strategic hedging is defined as an

Insurance strategy that aims at reducing and minimizing risks arising from uncertainties in the system, increasing freedom of manoeuvre, diversifying strategic options and shaping the preferences of the adversaries. It is a portfolio or mix strategy that consists of both cooperative and competitive strategic instruments ranging from engagement and enmeshment, all the way up to balancing. Any hedging portfolio will be a combination of both cooperative strategic instruments (Dong 2015 as cited on (Hannes Ebert and Daniel Flemes, 2018, p. 305)

Hedging is somehow called as a “smart” way for the compensation of smallness with less of “hard” meaning of pursuing policies, particularly foreign policy. The strategy of hedging is a strategy for small states to seek for middle ground. (Wolfe, 2011, p. 216)

Glen Munn, Jonathan D. Pollack and Evelyn Goh (as cited in (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 163)) define hedging as *a behaviour in which a country pursue to counterbalance risks by carrying multiple policy options that are proposed to produce mutually opposite effects, in the situation of high-unpredictability and high-risks* (Munn, 1991, p. 485), (Pollack, 1996, pp. 99-132), (Goh, 2005, pp. 2-4). However, under the condition of unipolarity, the behaviour of hedging strategy helps small states encounter the situation that threatening them and gave them constraints (Tessman, 2012, p. 203 as cited in (Geeraerts, *Strategic Hedging and Balancing Model Under the Unipolarity*, 2015, pp. 2-3). Evelyn Goh defines hedging *”as a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality”* (Goh, 2005, pp. 2-4). Similarly, Rizal Sukma argues that hedging is *“a strategy to prevent the worst while trying to construct the best”* (Sukma, *ASEAN and the Major Power in the New Emerging Regional Order*, 2007, p. 86). Second, to that, Evan A. Laksmana defines hedging as *“aligning with great powers through positive engagement but preparing for contingencies”* (Laksmana,

2016). To John D. Ciorciari, the reason for developing countries implementing the hedging strategy is because developing countries choose to have an open strategic choice or more choices (Ciorciari, 2010, p. 17).

With its relations to China through BRI, Indonesia as a developing country who is dire to develop its economy exhibits clear elements of economic-pragmatism and binding-engagement (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 166). China's BRI cooperation, particularly in Indonesia are mainly focused on infrastructure investments which is one of the most important factors for economic development. These elements of economic-pragmatism and binding-engagement are discussed below.

I. Economic-Pragmatism

This element is in regard to a policy of a state where the state tries to maximize economic gains through direct trade and investment that links the small state to the big state (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 167). Economic-pragmatism is one of the policies that have been emphasized by all ASEAN members for a long period of time. In fact, the economic pragmatism has been embraced by all ASEAN states well before they establish formal diplomatic relationships with Beijing. Singapore was the first ASEAN state who build relations in commercial and trade with the PRC in the 1960s, followed by Malaysia in 1971, the Philippines in 1972, Thailand in 1974 and Indonesia in July 1985. (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 167).

II. Binding-Engagement

Engagement relates to a policy where a state tries to establish relations and maintain it with a Great Power. The purpose of engagement is to create communication, increasing the opportunities to have a voice, and giving the influence to have choices of the policy of power. (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 167). In a similar vein, John Hemming argues that to prepare for the best condition, a state engages with another state, and the engagements can be in form of building trade networks, increasing diplomatic links, and creating binding multilateral frameworks. (Hemmings, 2013). Randall L. Schweller from Colombia University argues that engagement is one of the strategies

used in responding to the rise of a new power. According to Schweller, the definition of engagement

refers to the use of noncoercive means to ameliorate the nonstatus quo elements of a rising major power's behaviour. The goal is to ensure that this growing power is used in ways that are consistent with the peaceful change in regional and global order. The most common form of engagement is the policy of appeasement, which attempts to settle international quarrels "by admitting and satisfying grievances through rational negotiation and compromise, thereby avoiding the resort to an armed conflict which would be expensive, bloody and possibly very dangerous". (Schweller, 1999, p. 14).

From the definition above, Schweller puts the engagement strategy to prioritize the resolution of problems by peaceful means, which can be done through negotiation and compromise. The main objective of this strategy is to prevent the state from using violence in solving problems, such as the use of weapons that can cause harm, both physically and mentally. In that sense, this engagement strategy is used to resolve conflicts in a peaceful manner. This peaceful way can be through negotiation and compromise, both of which can be carried out through international institutions (Schweller, 1999, pp. 13-15). Meanwhile, binding is a strategy in regard to an act where a state tries to standardize its relations with another state by involving in a regular diplomatic activity. If we combine binding and engagement, they have the function to socialize and integrate Great Power established order. The purpose is to neutralize the tendency of debunking of the power behaviour. (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 167).

In regard to discuss hedging, we need to acknowledge the risks that make a state needs to hedge. In international politics, the concept of risks can be classified into three types: security, economic, and political. Some of these risks are coming from the acts of state or non-state actors, while others are from structural forces like global economic deterioration, domestic political disintegration, and systemic turnaround in the distribution of power. These risks are likely to cause harm for small states, regardless of their origins. Partly because the internal limitations of the states that incline to invite exploitation from the external party and partly because these small states have a deficiency of resources to cope with structural shock and to diminish those risks by themselves. Hereof, the big state often plays important roles in the risk management of the small state. The roles of the big state are multidirectional. A big state can perform the action of encumbering behind the elites of the state and provide the resources they need to diminish some risks, for instance, enduring economic hardship (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 163)

The problem that will occur and small states are aware of is the structure of power is fluctuate and it is almost beyond bound of possibility for small states to determine how and when this problem will take place. This is on the account of the distribution of power is a systemic process which cannot be command by any single actor, moreover, there is always a change of commitment from the big state. Given this reason, there is always a tendency for small states to hedge and avoid taking sides or speculating about future relations with big states. Hedging is possible only when these conditions are fulfilled: 1) no immediate threat that forces a state to form an ally with another state for protection, 2) no ideology fault-lines that might rigidly divide the states into opposite camp 3) no big states rivalry that forces small states taking sides (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 165).

4.3 Limitations of theory

Hedging strategy provides some limitations. By choosing hedging as their strategy, states that choose to implement hedging strategy are the reflections from the variation of choice taken by weaker states in facing the enduring of uncertainty in the power structure at the international level (Kuik, *Variations on a (Hedging) Theme: Comparing ASEAN Core States's Alignment Behaviour in Gilbert Rozman*, 2015, p. 3). Moreover, although the small state is able to implement multiple policies in order to counterbalance risks when the risks come, these risks are particularly harmful to small states. In the fragile situation, this tends to invite external exploitation. Moreover, due to the internal limitation of the small state that is lack of resources, it makes the state difficult to absorb the structural shock and to counterbalance the risks by themselves. Here, the big state can harm small state in every possible way to use their influence to invade small state for resources or domination in politic or big state can also provide help and resources needed to minimize risks, for instance, to endure economic hardship. (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 163). Nevertheless, in the case that whether small state view big state not as a threat but rather as a main resource of aid, fundamentally, it is up to the small states on how they confront the situation, either to accommodate the big state or to reject it (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 164). Furthermore, those risks should carefully be controlled by the states because it is inherently unstable (Medeiros, 2005, p. 158).

5 Analysis

In this analysis chapter, the discussion lies in how does the strategy of hedging explain Indonesia's foreign policy towards China's Belt and Road Initiatives? In order to be able to explain the origin of Indonesia's foreign policy, what drives the statement decided the country's foreign policy until the formation of a country's foreign policy, I would like to disclose briefly about the relation between China's Belt and Road Initiatives and Indonesia's vision on Global Maritime Fulcrum. Thereafter, comes the discussion of hedging with its fundamental factors, followed by Indonesia's foreign policies and the risks to mitigate.

5.1 Indonesia's Global Maritime Fulcrum and China's 21st Century Maritime Silk Road

At the beginning of the inception of the Belt and Road Initiatives (BRI) by Chinese president Xi Jinping was during his visit to Indonesia in 2013, President Xi Jinping said that China's BRI is initiatives based on bilateral cooperation between China and a certain country. This cooperation is based on a win-win cooperation. The BRI will be funded by the Asia Infrastructure Investment Bank (AIIB). With the total member states of 86 states, AIIB is expected to invest USD1 trillion by the year of 2020. (XiJinping, 2013, p. 2).



Figure 1 Belt and Road Initiatives map - Source: www.qz.com - 2017

As shown in Figure 1, the Belt and Road Initiatives consists of the Silk Road Economic Belt (SREB) and 21st Century Maritime Silk Road (MSR). SREB covers the overland corridors

while the 21st Century MSR covers the sea corridors. BRI is China's ambitious plan that covers from Southeast Asia to Eastern Europe and Africa. This initiative is covering more than 68 countries, encompassing more than half of the world's population with up to 40% of the global Gross Domestic Product (GDP). (Griffiths, 2017). This initiative appears when China has domestic overcapacity in raw materials, China initiate cooperation with countries in Asia, Europe, Africa that is in dire to develop their economy, where one aspect of the economic development is through the development of the infrastructure sector. (XingLi, 2017). At the initiation of the 21st Century MSR in Indonesia in 2013, China's President Xi Jinping also addressed that this initiative is very important to develop the economy in the regions where the 21st Century Maritime Silk Road passes through. This includes Indonesia and other ASEAN member states. (XiJinping, 2013, p. 2).

The launching of the 21st Century MSR in Indonesia is not without a reason. According to Lalisang, the launching of the 21st Century MSR in Indonesia is based on several reasons, including, President Xi Jinping as one of the most powerful leaders in China's history wants to have something big and concrete for China during his presidential period and bringing BRI into reality is a great achievement for president Xi (Appendix 1, p. 2). Moreover, Southeast Asia as the closest region to China and Indonesia as one of the biggest countries in Southeast Asia is the perfect place for the BRI, to be particular the 21st Century Maritime Silk Road, to be initiated for the first time (Appendix 1, p. 3). Similarly, Darmosumarto states that Indonesia is one of the most important partners in developing the cooperation of Belt and Road initiatives because China sees not only the strategic location of Indonesia in Southeast Asia, which is located between two oceans, Indian and the Pacific Ocean but also between two continents, Asia and Australia. These make Indonesia be a good partner for China in developing its 21st Century Maritime Silk Road. (Appendix 2, p. 2). Second to that, Christopher Len from National University of Singapore argues that, to China, Indonesia is a key partner in Southeast Asia not only because Indonesia is one of the largest economies in ASEAN and it has a strategic location between the Indian and Pacific Oceans, but also it has sea lines of communication that pass around Sunda, Lombok and Malacca strait, which now became one of the routes of 21st Century Maritime Silk Road. (Len, 2015).

Meanwhile, Indonesia's president Joko Widodo announced Indonesia's Global Maritime Fulcrum (GMF) vision at the 2014 East Asia Summit in Myanmar. This vision rests on five

core pillars and two auxiliary pillars. The five core pillars are maritime culture, maritime infrastructure and connectivity, protection of maritime resources, maritime diplomacy, and maritime defence. The two auxiliary pillars are maritime governance and maritime environment (Jetin, 2017). The GMF vision has been formally introduced via Indonesia's Sea Policy in 2017 presidential regulation. The vision predominantly aims to benefit Indonesia's economic objectives by increasing the connectivity of inter-island the development of infrastructure and protecting Indonesia's maritime resources. Internationally, by leveraging Indonesia's strategic location at the crossroads of the Indian and Pacific Ocean, the GMF vision interfaces in various regional initiatives and one of them is China's BRI (Marzuki, 2018).

5.2 Hedging in Indonesia's foreign policy towards China's Belt and Road Initiative

One of Indonesia's domestic imperatives is to develop Indonesia's economy. One of the main factors for Indonesia's economic development is the development in the sector of infrastructure. As Kuik argues at the theory chapter above, to maximize their economic gains, the small state will tie to the big state through direct trade and investments (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 12). In the cooperation of Indonesia and China through China's BRI, Indonesia as a small state, sees the cooperation with China, as a big state, as an opportunity to gain Indonesia's economy. Rizal Sukma argues that through the hedging strategy, Indonesia is aiming at maintaining the opportunity to strengthen its beneficial economic relations with China while at the same time managing the uncertainties and anxieties in the security arena among the Indonesian public (Sukma, *ASEAN and the Major Power in the New Emerging Regional Order*, 2007, p. 85). By using the strategy of hedging, Indonesia is pursuing multiple policies to mitigate the risks (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 163).

If we look at under the unipolar condition, where China as the unipolar, hedging is the behaviour that aims to explain Indonesia's behaviour that seek to develop competitiveness by reducing or bridging the gap with China by improving Indonesia's economic capabilities (Tessman & Wolfe, 2011 as cited in (Geeraerts, *Strategic Hedging and Balancing Model Under the Unipolarity*, 2015) (Appendix 1, p. 1-2 and Appendix 2, p. 2), Moreover, to create both short and long-term economic gain, Indonesia use hedging in order to maximize the economic gain through the BRI cooperation and once the economic gain is in hand, threats will be reduced

(Tessman 2012 as cited in (Geeraerts, Strategic Hedging and Balancing Model Under the Unipolarity, 2015, p. 3).

As it has already mentioned in the theory section above, in analysing hedging as Indonesia's foreign policy towards China's BRI, the discussion of a hedging strategy is focused on two fundamental factors, that are economic-pragmatism, and binding-engagement. These fundamental factors of economic-pragmatism and binding-engagement are closely related to Indonesia's endeavour to develop the economy with China as its partner. Below is the explanation.

5.2.1 Economic-Pragmatism

In economic-pragmatism, Indonesia looks for the possibility of the cooperation with China for the purpose of developing connectivity in Indonesia and connects Indonesia to the rest of the regions and beyond, which stands on one of the pillars of Indonesia's GMF, that is maritime infrastructure and connectivity. This synergizes China's plan to develop connectivity in the ASEAN maritime with Indonesia's GMF. Since this initiative has been officially announced by President Joko Widodo at the East Asia Summit in Myanmar in 2014, Indonesia and China have been working together to develop a specific MOU that will link Indonesia's GMF to China's 21st Century MSR. By building connectivity infrastructures that pushed forward by Jakarta and Beijing, Jakarta emphasizes that there are economic aspects of the cooperation between Indonesia and China. (Appendix 2, p. 1-2).

According to the 2017 Economic Report on Indonesia's published by Bank Indonesia, the economy of Indonesia continued to recover. This is garnered by the supportive global economy and the stability of macroeconomy in domestic. Consequently, a positive and important contribution that comes from the export and investment sectors giving rise to Indonesia's economic growth in 2016 was 5.03% had increased to 5.07% in 2017. The structure of Indonesia's economic recovery mainly occurs in business sectors related to exports, investment, and the impact of consumption shifting trends. Ongoing investment in various infrastructure projects also buoyed the construction sector. The economic recovery continued to encourage improvements in welfare levels. The rate of unemployment, poverty, and inequality in 2017 was decreasing. The positive developments in investment, on the one hand, are driven by accelerated infrastructure project development which in turn increases investment. On the other hand, economic development also has a positive impact on Indonesia in terms of giving investors the confidence to invest in Indonesia. (Bank Indonesia, 2017, p. 20). Infrastructure

projects also encourage non-construction investments in Java and outside Java such as in the province of Bangka Belitung, Lampung, Riau, West Sumatra, North Sumatra, West Kalimantan, and West Nusa Tenggara (Bank Indonesia, 2017, pp. 30-31).

Even though Indonesia's economic growth rose by 0.22% from the year 2015 until the year 2017 which was 5.01%, this is still far from what President Joko Widodo stated on his campaign pledge in 2014, which was 7% of economic growth. Furthermore, in line with Indonesia's economic growth during Joko Widodo era, the percentage of Chinese Direct Investment (CDI) has increased, and the projects funded by loans from China are also increasing. This is however not significant enough to determine how important the role of China in Indonesia's economic growth today. (Hal Hill and Siwage Dharma Negara, 2018, p. 122). For Indonesia, growth in the economic field not only the way to get maximizing returns with the cooperation with China but Indonesia's economic growth is also a ticket for President Joko Widodo to 2019 presidential election.

Until today, there have been controversies whether the Jakarta-Bandung High-speed Railway project is under the BRI's flagship. Beijing considered this project as part of BRI, however, Jakarta has a different view. Regardless the Jakarta-Bandung High-speed Railway project is under the BRI flagship or not, the project which fully funded by the loans from China is President Joko Widodo's ambition to upgrade Indonesia's lagging in infrastructure. President Joko Widodo placed this project as a national strategic project and ordered the government agencies to give top priority to this project. The commencing of the project was carried out in 2016 and was targeted to start operating in 2019, but now has to be delayed until 2020 or more. This is on the account of a number of obstacles faced by Joko Widodo's administration in this Jakarta-Bandung high-speed Railway project. Starting from the tension in Joko Widodo's cabinet between the Minister of State-Owned Enterprises (SOE), Rini Soemarno, and the Minister of Transportation at the time, Ignasius Jonan. Until finally Ignasius Jonan was replaced by the reasons related to smoothen the issuance of permits for the project. Nonetheless, the problem of issuance of permits from many districts and cities that will be traversed by the railway line. Until September 2017, only about 55% of the total 600-hectare of land for the 142 kilometres of railway project that has been obtained. Then came the issue of the flow of Chinese workers came to Indonesia. Moreover, the China Development Bank (CDB) took the stand that before the loan agreement could be signed, the land must 100% legally procured. Yet, the Jakarta-Bandung High-speed Railway project has so far given a small contribution to the development of Indonesia's economy in the employment sector. (Suryadinata, Jakarta-

Bandung high-speed rail project poses a challenge for Jokowi, 2018). The project itself expected to generate 40.000 jobs a year during the construction (Railway Technology, 2018).

President Joko Widodo may have high expectations from the Jakarta-Bandung High-speed Railway to increase his electability. However, with all the obstacles from the project while the trickle-down effect of the project will not be obvious to the public, in the short term this can be used as an effective weapon by President Joko Widodo's political opponents to pit against him for the 2019 presidential election. As for China, the Jakarta-Bandung Highspeed Railway which is seen as a role model project of China's investments in Southeast Asia's infrastructure has to succeed as this will affect China's reputation. (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, p. 15).

5.2.2 Binding-engagement

As it discloses in the theory chapter above, engagement is somewhat a way where a state tries to establish relations, and maintain it, with a Great Power. The purpose of engagement is creating communication, increasing opportunities to have a voice, giving the influence to have choices of the power policy. Engagement by establishing relations, as well as maintaining it, can be in various form such as building trade networks, creating binding bilateral frameworks, compromising and negotiation.

Indonesia is establishing relations with China, as a Great Power, by engaging in the bilateral cooperation to meet Indonesia's domestic imperatives, that is economic development. Indonesia's engagement policy at a bilateral level with China through the BRI can be traced back both before and after China's President Xi Jinping initiated the 21st Century MSR in Indonesia in 2013. If we traced back after President Xi Jinping initiated the BRI initiatives, both Indonesia and China have signed MOU agreements for various projects mainly infrastructure projects across Indonesia. One of the projects that China called a BRI project is Jakarta-Bandung High-speed Railway. However, there have been some controversies in Indonesia regarding Jakarta-Bandung High-speed Railway project is a project of BRI. At the time of the negotiation, both Jakarta and Beijing merely asked for a concrete deal and an immediate realization. (Appendix 1, p. 3). Moreover, after the realization of Jakarta-Bandung High-speed Railway, Jakarta is proposing Beijing for more engagement projects mainly in infrastructure. The proposals proposed by Indonesia are mainly to realizing Indonesia's vision at the Global Maritime Fulcrum through the cooperation with China's BRI. As for now, both

parties are designing specific MOUs that can harmonize Indonesia's vision of the Global Maritime Fulcrum with 21st Century Maritime Silk Road (Appendix 2, p. 4). However, the process of designing MOUs and negotiations between the two parties runs very slowly. This is literally on the account of different perceptions between Indonesia and China regarding BRI. Indonesia considers BRI merely to cover infrastructure projects financed by Beijing. (Suryadinata, *Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects*, 2018, p. 19). Beijing however, after the BRI official announcement, appears to include all activities and covers total relations with all the partnering countries along the BRI route. The activities include infrastructure projects, investments, loans, education exchanges and tourism. (HKTDC - Research, 2018).

If we trace back to the time before BRI was initiated by President Xi Jinping in 2013, there are many projects in Indonesia, both infrastructure and non-infrastructure, constructed by China. Some of these projects have already been completed, some are ongoing projects. (Suryadinata, *Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects*, 2018, pp. 32-41) Regardless of where the finances of the projects funded from, FDI or Indonesia's external loan, government or private loans, many of these projects China claims as BRI projects. (Appendix 1, p. 3).

For Indonesia, there are many purposes of the engagement relationship with China through BRI cooperation. Firstly, Indonesia is giving the influence to have choices through proposing various BRI projects where most of the proposed projects are part of the plan to achieve the vision of the Global Maritime Fulcrum proposed by President Joko Widodo in East Asia Summit in Myanmar in 2014. During the visit of Ministry of Maritime, Luhut Pandjaitan, to Beijing, shortly after the BRI Summit in 2017, Indonesia answers China's focus of BRI and proposed various projects of both infrastructure and non-infrastructure. The projects proposed by Indonesia that covers four strategic areas like North Sumatra, North Kalimantan, North Sulawesi and Bali, are prioritized under the BRI flag. (Appendix 1, p. 1). The projects will be focusing not merely in infrastructure but also tourism, industrial zones, plantation and many more projects as listed in Figure 2 (Suryadinata, *Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects*, 2018, p. 17). As for today, the MOU remains on the table, the Indonesian government is also proposing terms and conditions for the projects. This shows that Indonesia also has bargaining and position and not merely drag by China (Appendix 1, p. 1). One of the terms and conditions Indonesia proposed is for example regarding hiring Chinese workers on site. Indonesia's police and immigration department began to investigate tighten

their supervision towards illegal Chinese workers. This, however, does not come with a price, since it has become more difficult for companies of the Indonesia-China joint venture to employ Chinese workers, the projects may not be completed on time. (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, pp. 29-30).

List of areas of cooperation under BRI proposed by Indonesia

No.	Type/sector	Location	Province
1	Tourism	Lake Toba	North Sumatera
2	Industrial zones	Sei Mangkei, Kuala Tanjung	North Sumatera
3	Port, toll road, airport, railway	TBC	North Sumatera
4	Plantation	TBC	North Kalimantan
5	Industrial zones, alumina	TBC	North Kalimantan
6	Onshore mini LNG	TBC	North Kalimantan
7	Tourism	Manado-Bitung	North Sulawesi
8	Industrial zones, agroindustry, logistics, fisheries	Bitung	North Sulawesi
9	Port, toll road, airport, railway	TBC	North Sulawesi
10	Tourism	Ubud, Kuta, Nusa Dua, Nusa Penida, Tanjung Benoa	Bali
11	Port, toll road, airport, railway	TBC	Bali

Note: The list is prepared by Bappenas in consultation with relevant ministries.

Source: Bappenas 2017 via BKPM.

Figure 2: BRI projects proposed by Indonesia.

Secondly, by proposing some terms and conditions upon the BRI agreements, Indonesia is trying to increase their opportunities to have voice upon the relationship with China. For instance, regarding Chinese workers in Indonesia, Jakarta is proposing Beijing to also pay attention to the flow of Chinese workers coming to Indonesia for work, whether they come in a legal or illegal form of employment. In another word, many of the illegal Chinese workers enter Indonesia with a tourist visa, however many of them ended up working for various Chinese projects in Indonesia in illegal form. (Appendix 2, p. 4).

Engagement and binding policy are also a way to resolve conflicts in a peaceful manner, where the conflict would cause harm and possibly very dangerous. This can be seen in Indonesia's attitude by answering China's preferences of focus to the BRI and proposes both infrastructure and non-infrastructure projects. Nonetheless, Indonesia inquires some terms and conditions in agreements as a bargaining position in China. The fact that both countries are closely working together on the MOUs towards the cooperation is shown that the engagement and binding policy are tools to resolve conflicts in a peaceful manner.

5.3 Indonesia's foreign policy towards China's Belt and Road Initiatives

Indonesia's President Joko Widodo at the beginning of his administration announced Nawa Cita as the nine prioritized agendas as Indonesia's foreign policy. The program was initiated to bring Indonesia into a politically sovereign state, economically independent, and cultural personality. In order to realize the spirit of Nawa Cita, Indonesia's Ministry of Foreign Affairs formulates three priorities of foreign policy, that is safeguarding Indonesia's sovereignty, enhancing protection of Indonesian citizens and intensifying economic diplomacy. (Ministry of Foreign Affairs of the Republic of Indonesia, 2015). Dino Patti Djalal, former Deputy Minister of Foreign Affairs of Indonesia marks that the attention of Joko Widodo administration is to domestic affairs and more focus on developing national infrastructure. The developing infrastructure in Indonesia is highlighted at disposal to improve Indonesia's inter-regional ties and to reduce the gap between western and eastern parts of Indonesia. (Noor, 2017).

From the interviews with two Indonesia's experts in Indonesia-China relations, Yeremia Lalisang from the University of Indonesia and Santo Darmosumarto from Ministry of Foreign Affairs of Indonesia state that Jakarta has chosen to pursue both the cooperative and caution action in the policies towards China, to be particular in BRI cooperation. This means that Indonesia is on the one hand, to shape interests and values through bilateral engagement with China, on the other hand, cautious towards this cooperation with regard to the reactions of the Indonesian public. (Appendix 1, p. 2 and Appendix 2, p. 1).

5.3.1 Positive and welcome

On the interview with Yeremia Lalisang and Santo Darmosumarto, both sources mentioned Indonesia's foreign policy towards China's Belt and Road Initiatives are positive. Lalisang specifically coined that the Indonesian government is welcome and have a positive attitude towards China's Belt and Road Initiatives (Appendix 1, p. 1). One of the reasons that the Indonesian government is welcome and positive towards China's Belt and Road Initiative is because the initiative is in line with Indonesia's President Joko Widodo vision of Indonesia's Global Maritime Fulcrum. On top of that, both Lalisang and Darmosumarto underlined economic development as the main reason why Indonesia is so positive and welcome to China's Belt and Road Initiative. East Asian states, Indonesia to be particular, have chosen to engage to China diplomatically in order to develop economic ties. Economic cooperation and

diplomatic engagement are the main motivation to gain economic and diplomatic benefit. Additionally, the engagement of developing economic ties do not comprise the act of power engagement. (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 160) At present, Indonesia is in dire need of very rapid development in the economic sector. One of the supporting factors for development in the economy is the development of the infrastructure sector. Development in the infrastructure sector is very important because this directly related to connectivity. Indonesia as one of the biggest archipelagic country in the world that consists of thousands of islands needs infrastructure to connect among the archipelagos. (Appendix 2, p. 2-3). Darmosumarto moreover argues that Indonesia is positive and look for more possibilities towards the cooperation in the interest of developing connectivity in the region and developing connectivity in Indonesia. As for China, the 21st Century Maritime Silk Road is about developing connectivity in the ASEAN maritime, therefore Indonesia sees the possibility of synergizing China's initiatives with Indonesia's Global Maritime Fulcrum. Global Maritime Fulcrum vision is not only to enhance connectivity in Indonesia but also connects Indonesia to the rest of the world. (Appendix 2, p. 1).

Literally, both Indonesia and China are very enthusiastic, and Indonesia wanted to have an immediate realization of the BRI cooperation (Appendix 1, p. 1). Indeed, in 2017, Indonesia's Ministry of Maritime proposed China for projects under the flag of Belt and Road Initiative in four strategic areas that cover North Sumatra, North Kalimantan, North Sulawesi, and Bali. What is more, the fact that President Joko Widodo visit to China since he became a president in 2014 until now, nearly six times, is a good sign and positive towards Indonesia's cooperation with China? (Appendix 1, p. 1-2).

Jakarta and Beijing have a different view upon Jakarta-Bandung High-Speed Railway project which commenced in 2016. Beijing considers the project as the project under the Belt and Road Initiatives flag, Lalisang argues that Jakarta-Bandung High-speed Railway is a BRI project to Beijing where both Jakarta and Beijing, at the time of the contract was signed wanted and immediate realization from the BRI cooperation (Appendix 1, p1.). Meanwhile, Darmosumarto and Siwage argue although Beijing considers Jakarta-Bandung High-speed Railway project is a BRI project, Indonesia has a different opinion. Indonesia sees the project as an opportunity and possibility of developing bigger cooperation with Beijing on developing connectivity infrastructure (Appendix 2, p. 4) and the project is President Joko Widodo's ambition to upgrade Indonesia's lagging infrastructure (Suryadinata, *Jakarta-Bandung high-speed rail project poses a challenge for Jokowi*, 2018, p. 2).

5.3.2 With caution

Although Indonesia is very positive and welcome towards the cooperation with China through BRI, Jakarta is also cautious towards this bilateral cooperation (Appendix 1, p. 1). The Indonesian attitude of cautious towards bilateral relations with China is a precautionary attitude towards the risks that are originated from intentional acts of particular state or non-state actors and systemic changes in the distribution of power. The issues that are agitating among the Indonesian public regarding China are about Chinese workers in Indonesia, Chinese investment in Indonesia, Indonesia's foreign loans to China and China's exploitation of Indonesia's resources (Suryadinata, *Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects*, 2018, p. 23). This 'China issues' came to the surface shortly after President Joko Widodo was being elected in 2014 and Joko Widodo's administration shows a positive attitude and welcomes to China's BRI. By some means, Indonesia under the leadership of Joko Widodo is constantly facing systemic changes in the distribution of power. And the 'China issues' is intentionally used by the political actors to provoke Indonesian public sentiment towards China. These risks are particularly harmful to Indonesia because firstly, Indonesia is in the position of lack of resources that might be able to absorb structural shocks that make them able to mitigate the risks by themselves. Secondly, the internal limitation that Indonesia is facing will likely invite China's exploitation (Kuik, *The Essence of Hedging: Malaysia and Singapore's Response To a Rising China*, 2008, p. 164). Below is the discussion of the risks that Indonesia is encountering.

a. Chinese workers from mainland China

The news concerning the massive flow of Chinese workers coming to Indonesia came to the surface in August 2015. The subject was first brought up by Tempo Magazine August 2015 edition (Figure 3), later fried up by political actors from the opposition to challenge Joko Widodo's administration, Indonesian public was very quickly ignited by the news (Appendix 1, p.5). According to the Ministry of Manpower of Indonesia, the number of foreign workers working in



Figure 3: Tempo Magazine cover August 2015



Figure 4: Total foreign workers working in Indonesia from 2015-2017.

Source: Ministry of Manpower of Indonesia

Indonesia until the end of 2017 was 85.974 foreign workers. Whilst in 2016 were 80.375 workers dan in 2015 were 77.149 foreign workers working in Indonesia (Figure 4). (Ministry of Manpower of the Republic of Indonesia, 2018). The main concerns about hiring Chinese workers are mainly due to Indonesia's unemployment rate. Until the

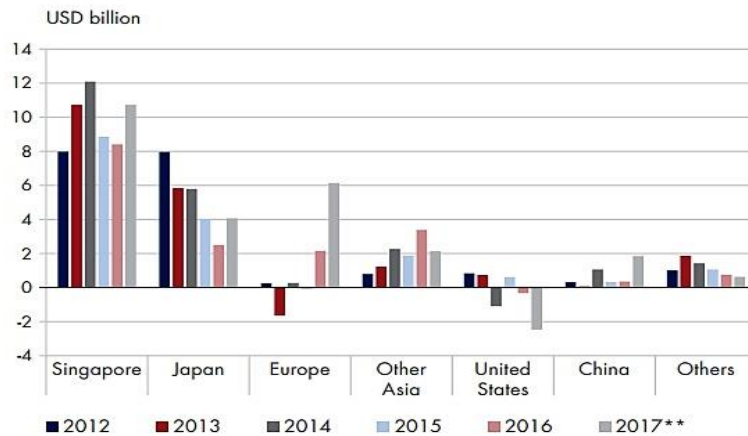
first quarter of 2017, there are around 7 million Indonesians are unemployed (Sukmana, 2017).

The Chinese workers mainly work at projects invested by China where the Chinese government claimed to be the project under the flag of BRI. As mentioned in the interview with Lalisang and Darmosumarto, Jakarta claimed Jakarta-Bandung Railway as the flagship project under the BRI flag. However, the projects that have been carried out even before the Belt and Road Initiative initiated by President Xi, Beijing claimed to be the BRI projects. These include an industrial complex of Morowali in Central Sulawesi, infrastructure projects of Cisumdawu Expressway and the Suramadu Bridge connecting East Java and Madura Island. To China, these projects are BRI projects and there are Chinese workers working for these projects. (Appendix 1, p. 4 and Appendix 2, p. 3). The 5.4-kilometre Suramadu Bridge, constructed from 2003-2009, which 45% of the project cost funded by China Exim Bank, was evidently involving many Chinese workers from China, however, the issue was not politicised then and there was no protest (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, p. 12).

b. Chinese investments in Indonesia

The increase in the number of foreign workers in Indonesia was accompanied by an increase in the realization of foreign investment which in 2017 reached a total investment of USD 22.1 billion. This shows the high interest of investors to invest in Indonesia. (Bank Indonesia, 2017, p. 48). On the 2017 Economic Report published by Bank of Indonesia, the foreign direct investment (FDI) in Indonesia increased to USD22.1 billion in 2017. The dominant FDI

Foreign Direct Investment by Major Investor Countries



Source: Bank Indonesia
 Note: **Very preliminary figures

Figure 5: Indonesia's Foreign Direct Investments by major investor countries.

Source: Bank Indonesia

investors in Indonesia by origin were Singapore, Europe, Japan, and China with other Asian countries including South Korea and Hongkong. (Figure 5) (Bank Indonesia, 2017, p. 48).

The debate about China's position in Indonesia's rank of FDI and external creditor may appear on the surface. Tao Kong

from Peking University and Pierre van der Eng from Australian National University argue that FDI and the amount of Indonesia's debt to China are not the highest and still lower than Singapore, for instance. The reason for this could be because some Chinese companies channel their investment through Singapore and Hongkong. The legal system in Singapore provides security and its financial system offered ready access to finance when it is required. Most of China's state-owned banks have representation in Singapore and these banks provide services to China's largest SOE. Moreover, Kong and Van der Eng also argue that Chinese firms are also channelling some of their FDI through Hongkong. These are based on the 2004-2015 FDI calculation of BKPM that did not match with China's Ministry of Commerce (MOFCOM). MOFCOM granted 628 permits of Chinese companies, including 131 representative offices, to establish their subsidiaries in Indonesia. During these same years, BKPM recorded more than 2500 FDI projects realisation from China and 1100 from Hongkong. (Eng, 2018). Many of the projects completed in by Chinese companies in Indonesia are not FDI, rather the projects are contracted by Indonesian central and regional governments which are carried by Chinese companies. Chinese companies were successfully winning the tender for the projects due to their competitive prices with China's SOE banks provided low-interest rate loans and long repayment periods. This decency, however, comes with consequences. First, Indonesia's external or foreign debt, especially to China, increased immensely between 2010-2017. Second, Chinese contractors and subcontractors often source materials and equipment from their

suppliers in China rather than in Indonesia. Third, more than half of the Chinese expats working in Indonesia are employed at the construction projects. (Eng, 2018).

Although Chinese FDI in Indonesia is yet comparative smaller than Japan, it is very likely Chinese FDI in Indonesia will surpass Japan in the next few years. Over and above for the reason that Chinese FDI is more diversified than Japan, starting from mineral sectors towards property, e-commerce and many others. (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, p. 6)

c. Indonesia's foreign debt to China

Indonesia's external debt was increasing by 10.1% in 2017, which made the total external debt were USD 352.2 million. Sources of the loans came from International Bank for Reconstruction and Development by the World Bank, Japan, Asia Development Bank, France, South Korea, Germany and China (Bank Indonesia, 2017, p. 52). Among the total of Indonesia's external debt, Indonesia's foreign debt to China have increased gradually for the past two years. If we take a look at Indonesia's external debt to China from 2007 was USD800 million it has reached USD15.7 billion in 2017. (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, p. 10) Big portion, about 92%, of these loans goes to the private sector and 8% is taken by the government (Bank Indonesia, 2017, p. 52). In the meantime, Indonesia's debt to Japan has been declining from 23.5% in 2008 to 8.3% in 2017. This is expected to continue to decline when BRI projects have been signed. (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, pp. 10-12).

d. China's exploitation in Indonesia

The risks that emerged from Indonesia's internal limitation is likely to invite China's exploitation. The meaning of BRI is ambiguous to both China and Indonesia. Indonesia sees BRI as an economic opportunity through Chinese investment, while China is promoting commerce and infrastructure in Indonesia to boost China's economy. Most of Indonesia-China past and current projects that are not linked to the BRI, do not focus on Indonesia's development in infrastructure. Rather, it is simply related to the exploitation of raw materials by China and the expansion of Chinese companies in Indonesia to tap into Indonesian consumers. (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, p. 31). This can be seen by the investments of Chinese companies in Indonesia since 2014 that are actively investing in mineral resource, palm oil plantation,

electronics, and e-commerce (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, pp. 20-22). Although other projects like power plants, dams, and bridge are linked to the Indonesian infrastructure development. It is assumed that the gains from BRI projects will be unevenly distributed both between Indonesia and China (Suryadinata, Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects, 2018, p. 31). Thus, the cooperation between Indonesia and China provides both opportunities and awareness for Indonesia (Juwana as cited in (Republika.co.id, 2014).

5.4 Mitigate risks

Indonesia carries out the strategy of hedging by pursuing multiple policy options in order counteracting the effects in Indonesia's foreign policy towards China's Belt and Road Initiative, under some high-certainties and high-stakes situation, in another word, risky situation. By implementing hedging in Indonesia's foreign policy towards China's BRI, not only is Indonesia welcome towards China's initiatives, but Indonesia is also active in proposing China's investment in Indonesia. Indonesia is in dire to develop the sector of infrastructure, because this will have a positive impact on Indonesia, to develop its economic sector. However, Indonesia is also very careful in this bilateral cooperation. This precautionary attitude is on the account of Indonesian public sentiment towards China.

By carrying out the strategy of hedging that allows state implementing multiple policies, the risks that Indonesia is trying to mitigate are the risks that come from domestic factors and external factors. Developing countries, like Indonesia for instance, choose to implement a hedging strategy in order to have an open strategic choice or more choices (Ciorciari, 2010, p. 17). Rizal Sukma, as one of the visionary architects of Indonesia's Global Maritime Fulcrum, noted that country like Indonesia decides not to implement just one strategy in foreign policy where there are other powers in it. (Sukma, Indonesia Response to the Rise of China: Growing Comfort Amid Uncertainties, 2009, p. 153). If we examine it from domestic factor, this other power is Indonesia's domestic imperatives which are economic development and the strong Indonesian public sentiment towards China.

Due to the sensitive matters about China in Indonesia, Jakarta is being careful not only making a mark upon the flagship project under the BRI but also to all projects under the flag of China's Belt and Road Initiative. Moreover, a very small number of visits of President Joko Widodo to the site of the Jakarta-Bandung High-speed Railway project is also one of the prevention

actions towards the 'China issue'. In addition to that, the visit of Ministry of Maritime to Beijing in 2017 for the purpose of signing the MOU with the Chinese government for the upcoming BRI projects is rather in low profile news, which has only been publicized by an English newspaper the Jakarta Post. However, the nominal of the projects was not publicized, rather the news focused on the development of infrastructure in Indonesia which will eventually lead to Indonesia's economic development. These are some of the ways to muffle the domestic political issue in Indonesia. (Appendix 1, p. 2). Moreover, a number of high-rank government officials including Indonesia's president and ministers often release statements in media in relations to the matter of Chinese workers in Indonesia. Indonesia's Minister of Manpower M. Hanif Dakhiri repeatedly disproved that there are millions of Chinese workers from China working in Indonesia. In fact, among the total number of foreign workers working in Indonesia, 70.000 in 2016 and 86.000 in 2017, there were only about 21.000 Chinese workers worked in Indonesia in 2016 (Kompas, 2016) and 24.800 in 2017 (Kompas, 2018). He also added that if we compare Chinese workers working in Indonesia with Indonesian domestic workers working in foreign countries, it is the Indonesian domestic workers who invaded foreign countries. Indonesia's Ministry of Manpower is working together with the immigration and the police to take firm action against illegal foreign workers who do not have a working permit or violating permit. Those who violate permits are from various countries such as China, Japan, Malaysia, India and Korea. (Kompas, 2016). He added Indonesian public should refer to the data owned by the government, including data regarding the number of foreign workers in Indonesia in order not to fall prey to a provocation that is not based on data at all. (CNN Indonesia, 2018).

Amid the concerns on the flow of Chinese workers to Indonesia, the Indonesian Vice-President Jusuf Kalla clarified that Chinese workers who work in Indonesia were there for special projects. Kalla further argued, the Chinese workers were not taking away Indonesian jobs, on the contrary, cooperation with so many projects with China created more employment opportunities for Indonesians (Kalla, 2017).

To counterbalance the external risks, Indonesia changes its course. For the upcoming BRI projects, Jakarta proposed Beijing for BRI projects (Appendix 1, p. 1) to prioritize the cooperation not merely for the interests of China but also focuses on the interests of Indonesia, that is economic development. At the moment, both Indonesia and China are working to develop a specific MOU that links Indonesia's Global Maritime Fulcrum to the 21st Century Maritime Silk Road. The MOU will be contained certain projects by synergizing the two different initiatives. There is indeed some hesitance among the Indonesian public in regard to

the cooperation with China, however, the Indonesian government needs to emphasize that there are economic benefits in the cooperation with China along the Belt and Road Initiatives (Appendix 2, p. 1-2). Furthermore, Jakarta made a focal point that Beijing should also pay attention to the Chinese workers working in Indonesia, particularly those who are working in Indonesia illegally. This was highlighted by Indonesia's president Joko Widodo to Chinese Prime Minister Li Keqiang during his visit to Indonesia this year. (Appendix 2, p. 5). Additionally, the Indonesian government, in this case, Ministry of Maritime, proposed project proposals to China for infrastructure projects cover four strategic areas of North Sumatra, North Kalimantan, North Sulawesi, and Bali. The terms and conditions of the projects set by the Indonesian government. The Indonesian government is trying to show that Indonesia also has bargaining and position and not merely drag by China. One obvious indicator when China was very much interested in investing at Kuala Tanjung Port in North Sumatra, the project did not offer to China, instead, it is constructed by one of Indonesian state-owned construction company after China lost during the tender. (Appendix 1, p. 1).

6 Conclusion

Hedging is a small state's strategy towards a rising power that is motivated more by an internal process which is driven by the ruling elite. Foreign policy choices are made by ruling elites primarily to the reference with their own political survival that may affect their governance capacity. Indonesia's Foreign policy choices are not determined by the concerns over the growth of China. Rather, it is determined by the ruling elites to the reference with their own political survival. President Joko Widodo has made promises during his presidential campaign that Indonesia's economy will be targeted to gain into 7% during his presidential era. And to reach Indonesia's domestic imperatives, Indonesia needs a partner to realise it. The aspects of domestic factors are further unshrouded by the appealing fact that Indonesia has the preference to accommodate China. China as the new rising power comes with its product of Belt and Road Initiatives in 2013. This initiative, then, did not get much of answers from President Susilo Bambang Yudhoyono. While Joko Widodo, who has a debt of political promises, sees China as an opportunity to Indonesia's domestic imperatives, namely economic development and welcome the initiatives. China comes with an offer that Indonesia consider is less constrained than, for instance, Japan. Japan lost a tender with China on a project that China and some Indonesian experts labelled as the BRI project, namely Jakarta-Bandung Highspeed Railway project.

The fundamental factors of hedging that manifests Indonesia's foreign policy towards China's Belt and Road Initiative are economic-pragmatism and binding-engagement. Indonesia under the leadership of President Joko Widodo has very urgent needs, that is economic development. For President Joko Widodo, an economic development not only is a homework during his presidential time now but also a ticket to be re-elected for the presidential election in 2019. Under the leadership of President Joko Widodo, Indonesia indeed experienced economic growth as much as 0.22% since 2014, but the growth of this economy is not merely from the cooperation between Indonesia and China through BRI. The biggest contribution to Indonesia's economic growth is from export. Indonesia's exports to China are indeed very large, however, the cooperation between Indonesia and China through BRI does not cover the export sector, rather, it is primarily in the infrastructure sector. In cooperation with BRI, Indonesia proposed China for infrastructure projects throughout Indonesia. By proposing the BRI projects

Through binding-engagement in cooperation through BRI, Indonesia is building a network and creating binding bilateral frameworks with China for the purpose of increasing opportunity to

have a voice and giving the influence to have choices. Indonesia proposes more infrastructure projects under the BRI flag and to counterpart Indonesia's visions on the Global Maritime Fulcrum. Until now, both Jakarta and Beijing are still working on the MOU to match China's initiatives and Indonesia's vision. This engagement between Indonesia and China is also seen as a way to resolve some disagreements in a peaceful manner.

Indonesia's proposals to China as a partner to develop Indonesia's infrastructure sector through BRI projects are the answers to what Indonesia's foreign policy towards China's BRI. That is positive and welcome. Indonesia is so positive and welcome to China's BRI because Indonesia under the leadership of President Joko Widodo needs development in the economic field, one of the supporting factors of development in the economic sector is developing the infrastructure sector. China, who comes with its BRI product gives competitive offers, this seems to be the answers of prayers to Joko Widodo's regime. However, this does not come without a price. The risks emerged. The 'China issue' came and politicized by President Joko Widodo's political opponents. This issue is very strategic amid the growth of Chinese investment in Indonesia. With the rampant issues about China, Jakarta is applying the cautious policy to mitigate or counterbalance the risk. The cautious action that Jakarta conclude is setting conditions to the cooperation with China in regard to the flow of Chinese workers, proposing BRI projects according to Indonesia's needs, not China's needs. This is mainly to show it to the Indonesian public as well as to China that Indonesia has bargaining positions in the cooperation and not merely steer by China's needs. More of cautious action that Indonesia carried out to mitigate the risk is fewer publicities of Indonesia-China's cooperation. Implementing multiple policies to mitigate risks, in another word, cooperative but also competitive, is what makes hedging is the right strategy in describing Indonesia's relation with China through BRI.

Hedging as an alternative concept of balancing and bandwagoning, unlike balancing and bandwagoning, to balance of power it provides a peaceful concept that avoids confrontation due to it involving the strengthening in economic cooperation between countries in the unipolar system. In another word, hedging allows us in explaining the behaviour of the small / second-tier state that seeks to develop competitiveness by reducing or bridging the gap with the big state/system leader by improving economic capabilities of the hedging state. Furthermore, hedging is used by small/second-tier states to both maximize opportunities and minimize threats in order to create short and long-term benefit. Through hedging, Indonesia seeks to improve its economic capabilities by cooperating with China through BRI, in order to create short and long-term benefit.

Prospects of Indonesia-China cooperation through BRI

At present, it is difficult to make any meaningful assessment of China's BRI in Indonesia as the projects are relatively new and the gains from BRI projects have not given much of contribution to Indonesia's economy. Indonesia-China joint projects will become increasingly important with the funding and technology from China for developing Indonesia's infrastructure for Indonesia to gain economic development.

Until today, the BRI projects proposed by Indonesia are remains on the table for further negotiation. Regardless of the pros and the cons regarding the prospect of Indonesia's cooperation with China through BRI, it comes to the existence of cordial relations between Indonesia and China.

Bibliography

- Bank Indonesia. (2017). *2017 Economic Report on Indonesia*. Jakarta: Bank Indonesia.
- Bryman, A. (2012). *Social Research Methods*. New York: Oxford University Press Inc.
- Ciorciari, J. D. (2010). In J. D. Ciorciari, *The Limits of Alignment: Southeast Asia and the Great Powers since 1975* (p. 135). Washington DC: Georgetown University Press.
- CNN Indonesia. (2018, April 28). *The Minister of Manpower Called Chinese Foreign Workers Already Rife Since Susilo Bambang Yudhoyono Era*. Retrieved from CNN Indonesia: <https://www.cnnindonesia.com/nasional/20180428180234-20-294380/menaker-sebut-tka-china-sudah-marak-sejak-era-sby>
- Egon G. Guba & Yvonna S. Lincoln. (1994). Competing Paradigms in Qualitative Research. In N. K. (Eds.), *Handbook of Qualitative Research* (pp. 105-117). Thousand Oaks, CA: Sage Publications.
- Eng, T. K. (2018, May 18). *Mix Messages of Chinese Investments in Indonesia*. Retrieved from East Asia Forum: <http://www.eastasiaforum.org/2017/05/18/mixed-messages-of-chinese-investment-in-indonesia/>
- Geeraerts, M. S. (2013). The Impact of Strategic Hedging on the Foreign Politics of Great Powers: The Case of Chinese Energy Strategy in the Middle East. *China Goes Global Conference* (pp. 1-16). Bremen: https://www.researchgate.net/publication/266089160_The_Impact_of_Strategic_Hedging_on_the_Foreign_Politics_of_Great_Powers_The_Case_of_Chinese_Energy_Strategy_in_the_Middle_East.
- Geeraerts, M. S. (2014). Measuring Strategic Hedging. *The American Political Science Association Annual Meeting* (pp. 1-21). Washington DC: Social Science Research Network.
- Geeraerts, M. S. (2015). Strategic Hedging and Balancing Model Under the Unipolarity. *Midwest Political Science Association* (pp. 1-19). Chicago: <https://www.researchgate.net/publication/275654677>.
- Goh, E. (2005). *Meeting the China Challenge: The US in the Southeast Asian Regional Security Strategies*. Washington D.C.: East-West Centre.
- Griffiths, J. (2017, May 12). *Just what is this China's One Belt One Road thing anyway?* Retrieved from CNN.com: <https://edition.cnn.com/2017/05/11/asia/china-one-belt-one-road-explainer/index.html>
- Hal Hill and Siwage Dharma Negara. (2018). The Indonesian Economy in Transition - Policy Challenges in the Jokowi Era and Beyond. *Journal of Southeast Asian Economies Vol. 35, No. 2*, 121-124.
- Hancock, T. (2017, May 4). *China Encircles the World with One Belt One Road Strategy*. Retrieved from Financial Times: <https://www.ft.com/content/0714074a-0334-11e7-aa5b-6bb07f5c8e12>

- Hannes Ebert and Daniel Flemes. (2018). *Regional Powers and Contested Leadership*. Hamburg: Springer International Publishing AG.
- Hemmings, J. (2013, May 13). *Hedging: The Real U.S. Policy Towards China?* Retrieved from The Diplomat: <https://thediplomat.com/2013/05/hedging-the-real-u-s-policy-towards-china/>
- HKTDC - Research. (2018, May 3). *The Belt and Road Initiatives*. Retrieved from HKTDC - Research: <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/obor/en/1/1X000000/1X0A36B7.htm>
- Indonesian Foreign Ministry. (2013, October 2). *Future Direction of Indonesia - China Comprehensive Strategic Partnership*. Retrieved February 5, 2018, from Indonesian Foreign Ministry: <https://www.kemlu.go.id/Documents/RI-RRT/Joint%20Statement%20Comprehensive%20Strategic%20Partnership.pdf>
- Jetin, B. (2017, January). "One Belt-One Road Initiative" and ASEAN Connectivity: Synergy Issues and Potentialities. Retrieved from Research Gate: https://www.researchgate.net/publication/322375088_%27One_Belt-One_Road_Initiative%27_and_ASEAN_Connectivity_Synergy_Issues_and_Potentialities
- Kalla, J. (2017, May 9). It will benefit Indonesia by Participating in OBOR Forum. (L. News, Interviewer)
- Koga, K. (2017). The Concept Of "Hedging" Revisited: The Case of Japan's Foreign Policy Strategy in East Asia's Power Shift. *International Studies Review*, pp. 1-28.
- Kompas. (2016, July 17). *Minister of Manpower Denies Issue of Indonesia Flooded with Chinese Workers*. Retrieved from Kompas.com: <https://nasional.kompas.com/read/2016/07/17/12074221/menaker.bantah.isu.indonesia.kebanjiran.tenaga.kerja.china>
- Kompas. (2016, December 23). *Ministry of Manpower: Foreign workers from China Reaches Millions, That's a Slander*. Retrieved from Kompas.com: <https://regional.kompas.com/read/2016/12/23/12590211/menteri.hanif.tenaga.kerja.asal.china.capai.jutaan.itu.fitnah>
- Kompas. (2018, April 23). *Minister of Manpower: Indonesia's Domestic Workers Who Invade China, Not Chinese Foreign Workers Who Invade Indonesia*. Retrieved from Kompas.com: <https://ekonomi.kompas.com/read/2018/04/23/200620326/menaker-ki-yang-serbu-china-bukan-tka-china-yang-serbu-indonesia>
- Kuik, C.-C. (2008). The Essence of Hedging: Malaysia and Singapore's Response To a Rising China. *Contemporary Southeast Asia Vol. 30, No. 2*, 159-185.
- Kuik, C.-C. (2015). Variations on a (Hedging) Theme: Comparing ASEAN Core States's Alignment Behaviour in Gilbert Rozman. *Joint U.S.-Korea Academic Studies Vol. 26*, 11-26.
- Laksmiana, E. A. (2016, April 28). *Here's why Jakarta doesn't push back when China barges into Indonesian waters*. Retrieved from Washington Post:

https://www.washingtonpost.com/news/monkey-cage/wp/2016/04/28/heres-why-jakarta-doesnt-push-back-when-china-barges-into-indonesian-waters/?noredirect=on&utm_term=.50d2c203e360

- Lalisang, Y. (2015, 7 23). *Indonesia's Global Maritime Fulcrum Challenges and Trajectories*. Singapore: Institute of Defence and Strategic Studies RSIS Nanyang Technological University . Retrieved 2 10, 2018, from Indonesia Programme Institute of Defence and Strategic Studies SRIS Nanyang Technological University Singapore: https://www.rsis.edu.sg/wp-content/uploads/2016/07/ER160714_Global-Maritime-Fulcrum.pdf
- Leifer, M. (1999). Indonesia's Encounter with China and the Dilemmas of Engagement. In A. I. Ross, *Engaging China: The Management of an Emerging Power* (pp. 87-108). London: Routledge.
- Len, C. (2015, June 24). China's 21st Century Maritime Silk Road Initiative, Energy Security and SLOC Access. *China's 21st Century Maritime Silk Road Initiative, Energy Security and SLOC Access*. Singapore, Singapore, Singapore: Taylor and Francis Online.
- Marzuki, K. I. (2018, February 22). *PacNet #14A - The Meaning of Indonesia's Global Maritime Fulcrum*. Retrieved from Center for Strategic and International Studies: <https://www.csis.org/analysis/pacnet-14a-meaning-indonesias-global-maritime-fulcrum>
- Medeiros, E. S. (2005). Strategic Hedging and the Future of Asia Pacific Stability. *The Washington Quarterly*, 145-167.
- Ministry of Foreign Affairs of the Republic of Indonesia. (2015). *Annual Press Statement Minister for Foreign Affairs of the Republic of Indonesia*. Retrieved from The Ministry of Foreign Affairs of the Republic of Indonesia: <https://www.kemlu.go.id/Documents/PPTM%202015/PPTM%202015%20ENG%20FINAL%20PDF.pdf>
- Ministry of Justice and Human Rights. (2010, June 6). Government Regulation No. 53/2010 on Civil Servant. *Government Regulation No. 53/2010 on Civil Servant*. Jakarta, Jakarta, Indonesia: Government of the Republic of Indonesia.
- Ministry of Manpower of the Republic of Indonesia. (2018, April 25). *Minister of Manpower: President Regulation No. 20/2018 Important to Boost Investment and Create Employment*. Retrieved from Ministry of Manpower of the Republic of Indonesia: <http://kemnaker.go.id/berita/berita-naker/menaker-perpres-202018-penting-untuk-genjot-investasi-dan-ciptakan-lapangan-kerja>
- Morgenthau, H. J. (1985). *Politics Among Nations: The Struggle for Power and Peace. Sixth Edition, revised by Kenneth W. Thompson*. McGraw-Hill.
- Munn, G. (1991). *Encyclopedia of Banking and Finance 9th edition*. New York: McGraw-Hill.
- Noor, S. W. (2017, December 6). *Indonesian Foreign Policy under Three Years of Jokowi's Administration*. Retrieved from ASEAN Studies Center University of Gadjah Mada:

<http://asc.fisipol.ugm.ac.id/indonesian-foreign-policy-three-years-jokowis-administration/>

- Pollack, J. D. (1996). Weaving the Net: Conditional Engagement with China. In J. Shin, *Designing a New American Security Strategy for Asia* (pp. 99-132). New York: Council on Foreign Relations.
- Railway Technology. (2018). *Jakarta-Bandung High-Speed Rail*. Retrieved from Railway Technology: <https://www.railway-technology.com/projects/jakarta-to-bandung-high-speed-rail/>
- Republika.co.id. (2014, November 9). *Indonesian-Chinese Cooperation, Between Opportunities and Precautions*. Retrieved from Republika.co.id: <https://www.republika.co.id/berita/nasional/umum/14/11/09/nervgv-kerja-sama-indonesiacina-antara-peluang-dan-kewaspadaan>
- Schweller, R. L. (1999). Managing The Rise of Great Powers: History in Theory. In A. I. Ross, *Engaging China* (p. 14). London and New York: Routledge.
- Sukma, R. (2007). *ASEAN and the Major Power in the New Emerging Regional Order*. Retrieved from National Institute for Defense Studies: http://www.nids.mod.go.jp/english/publication/joint_research/series1/pdf/series1-7.pdf
- Sukma, R. (2009). Indonesia Response to the Rise of China: Growing Comfort Amid Uncertainties. In J. Tsunekawa, *The Rise of China: Responses from Southeast Asia and Japan* (pp. 139-155). Tokyo: The National Institute for Defense Studies.
- Sukmana, Y. (2017, May 5). *Tingkat Pengangguran Turun Tipis di February 2017*. Retrieved from Kompas.com: <https://ekonomi.kompas.com/read/2017/05/05/123658926/tingkat.pengangguran.turun.tipis.di.februari.2017>
- Suryadinata, S. D. (2018). Indonesia and China's Belt and Road Initiatives: Perspectives, Issues and Prospects. *Trends in Southeast Asia - ISEAS Yusof Ishak Institute*, 1-41.
- Suryadinata, S. D. (2018, January 4). Jakarta-Bandung high-speed rail project poses challenge for Jokowi. *Perspectives - ISEAS Yusof Ishak Institute No. 2*, 1-8. Retrieved from Today Online: <https://www.todayonline.com/commentary/jakarta-bandung-high-speed-rail-project-poses-big-challenge-jokowi>
- Wolfe, B. T. (2011). Great Powers and Strategic Hedging: The case of Chinese Energy Security Strategy. *International Studies Review Vol. 13 (2)*, 214-240.
- XiJinping. (2013, October 2). Speech by Chinese President Xi Jinping to Indonesian Parliament. *Speech by Chinese President Xi Jinping to Indonesian Parliament*. Jakarta, Indonesia.
- XiJinPing. (2017, May 14). *Full text of President Xi's speech at opening of Belt and Road forum*. Retrieved May 14, 2017, from Xinhuanet: http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm

XingLi. (2017, October 25). *Introduction of book project: "Mapping China's "One Belt One Road" Initiatives*. Retrieved from Department Culture and Global Studies - Aalborg University: <https://www.en.cgs.aau.dk/research/research-groups/dir/research-projects/research+project/mapping-china-s--one-belt-one-road--initiative-.cid336080>

Appendices

Appendix 1. Interview with Yeremia Lalisang – PhD fellow at Xiamen University in the People's Republic of China and a teaching member of staff at the International Relations Departments, University of Indonesia, Jakarta. 14 May 2018.

Appendix 2. Interview with Dr Santo Darmosumarto – Diplomat from Ministry of Foreign Affairs of the Republic of Indonesia, post at Embassy of the Republic of Indonesia in Beijing from 2005-2009 and 2014-2018. 22 Aug. 2018.