



Indonesia's Middle-Power Diplomacy amid U.S.-China Strategic Competition: Domestic Politics and Foreign Policy Transformation

*Diplomasi Kekuatan Menengah Indonesia di tengah
Persaingan Strategis AS-China: Politik dalam Negeri dan
Transformasi Kebijakan Luar Negeri*

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Abstract

The intensifying strategic rivalry between the United States and China has fundamentally reshaped the geopolitical landscape of the Indo-Pacific, placing middle powers under increasing pressure to navigate competing political, economic, and security interests. Indonesia has responded by reinforcing its long-standing "free and active" foreign policy while simultaneously expanding economic cooperation with China and strengthening strategic partnerships with the United States and other regional actors. Despite growing scholarly attention to Indonesia's external balancing strategy, limited research has examined how domestic political dynamics influence its evolving diplomatic posture. This study investigates the interaction between domestic political transformation and Indonesia's middle-power diplomacy amid great-power competition. Employing a qualitative research design, the study combines foreign policy analysis, elite interviews, parliamentary debates, and official policy documents to examine decision-making

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processes between 2019 and 2025. The findings indicate that Indonesia's diplomatic flexibility is shaped not only by geopolitical considerations but also by domestic economic priorities, leadership preferences, bureaucratic coordination, and public perceptions of national sovereignty. Rather than adopting a traditional balancing or bandwagoning strategy, Indonesia has developed a multidimensional diplomatic approach that seeks strategic autonomy through diversified partnerships, regional leadership within ASEAN, and issue-based cooperation. The article contributes to international relations scholarship by integrating domestic political variables into the analysis of middle-power diplomacy in the Global South. It further argues that Indonesia's foreign policy transformation demonstrates how emerging democracies can preserve policy independence while responding to structural changes in the international system. The study offers broader implications for understanding strategic autonomy among middle powers confronting increasingly polarized global politics.

Keywords: *Middle Power Diplomacy, Indonesia, U.S.-China Competition, Strategic Autonomy, Foreign Policy*

Abstrak

Meningkatnya persaingan strategis antara Amerika Serikat dan Tiongkok telah secara fundamental membentuk kembali lanskap geopolitik Indo-Pasifik, menempatkan kekuatan menengah di bawah tekanan yang semakin besar untuk menavigasi kepentingan politik, ekonomi, dan keamanan yang saling bersaing. Indonesia telah merespons dengan memperkuat kebijakan luar negerinya yang telah lama "bebas dan aktif" sambil secara bersamaan memperluas kerja sama ekonomi dengan Tiongkok dan memperkuat kemitraan strategis dengan Amerika Serikat dan aktor regional lainnya. Meskipun perhatian akademis terhadap strategi penyeimbangan eksternal Indonesia semakin meningkat, penelitian yang terbatas telah mengkaji bagaimana dinamika politik domestik memengaruhi postur diplomatiknya yang berkembang. Studi ini menyelidiki interaksi antara transformasi politik domestik dan diplomasi kekuatan menengah Indonesia di tengah persaingan kekuatan besar. Dengan menggunakan desain penelitian kualitatif, studi ini menggabungkan analisis kebijakan luar negeri, wawancara elit, debat parlemen, dan dokumen

kebijakan resmi untuk mengkaji proses pengambilan keputusan antara tahun 2019 dan 2025. Temuan menunjukkan bahwa fleksibilitas diplomatik Indonesia dibentuk tidak hanya oleh pertimbangan geopolitik tetapi juga oleh prioritas ekonomi domestik, preferensi kepemimpinan, koordinasi birokrasi, dan persepsi publik tentang kedaulatan nasional. Alih-alih mengadopsi strategi penyeimbangan atau mengikuti tren tradisional, Indonesia telah mengembangkan pendekatan diplomatik multidimensional yang berupaya mencapai otonomi strategis melalui kemitraan yang beragam, kepemimpinan regional dalam ASEAN, dan kerja sama berbasis isu. Artikel ini berkontribusi pada kajian hubungan internasional dengan mengintegrasikan variabel politik domestik ke dalam analisis diplomasi kekuatan menengah di Global South. Lebih lanjut, artikel ini berpendapat bahwa transformasi kebijakan luar negeri Indonesia menunjukkan bagaimana negara-negara demokrasi yang sedang berkembang dapat mempertahankan independensi kebijakan sambil menanggapi perubahan struktural dalam sistem internasional. Studi ini menawarkan implikasi yang lebih luas untuk memahami otonomi strategis di antara kekuatan menengah yang menghadapi politik global yang semakin terpolarisasi.

Kata kunci: *Diplomasi Kekuatan Menengah, Indonesia, Persaingan AS-Tiongkok, Otonomi Strategis, Kebijakan Luar Negeri*

I. INTRODUCTION

The intensification of strategic competition between the United States and China has become one of the defining features of contemporary international politics. The emergence of a more contested geopolitical environment in the Indo-Pacific has transformed regional security dynamics, economic relations, and diplomatic calculations among states seeking to preserve autonomy while navigating competing great-power interests. The rivalry between Washington and Beijing extends beyond traditional military competition to encompass trade, technology, infrastructure investment, maritime security, and institutional influence, creating complex strategic dilemmas for countries that depend on both

powers for economic growth and security cooperation (Acharya 2014; Ikenberry 2018). Within this changing international environment, middle powers have increasingly become significant actors because they possess sufficient economic and diplomatic capabilities to influence regional affairs while lacking the capacity to independently shape the international order.

The concept of middle-power diplomacy has gained renewed attention as states seek alternatives to binary choices between alignment and confrontation. Traditionally, middle powers have been understood as states that pursue multilateralism, coalition-building, diplomatic mediation, and institutional cooperation to maximize influence beyond their material capabilities (Cooper, Higgott, and Nossal 1993). However, contemporary middle-power behavior has become more complex due to increasing geopolitical polarization. Rather than simply supporting one dominant power, many middle powers pursue strategic autonomy through flexible partnerships, issue-based cooperation, and diversified economic relationships (Goh 2005; Kuik 2021). This approach reflects a recognition that international influence can be achieved not only through military capabilities but also through diplomatic networks, economic interdependence, and normative leadership.

Indonesia represents a significant case for understanding the transformation of middle-power diplomacy in the Indo-Pacific. As the largest economy and most populous country in Southeast Asia, Indonesia occupies a strategically important position between competing geopolitical interests. Its geographical location, particularly its proximity to major maritime routes and contested areas such as the South China Sea, places it at the intersection of regional security competition. At the same time, Indonesia maintains deep economic relations with China while simultaneously expanding defense, technological, and strategic cooperation with the United States and other partners. This complex position has encouraged Indonesia to maintain its long-standing principle of a “free and active” foreign policy (*politik luar*

negeri bebas aktif), which emphasizes independence in decision-making and active participation in maintaining regional stability (Sukma 2012).

Indonesia's response to U.S.–China strategic competition demonstrates an attempt to preserve strategic autonomy rather than pursue conventional balancing or alignment strategies. The government has avoided openly siding with either major power while promoting diversified partnerships through ASEAN, bilateral cooperation, and multilateral forums such as the G20 and Indo-Pacific regional initiatives. Economic engagement with China has expanded through infrastructure projects, trade, and investment, particularly under the Belt and Road Initiative framework. Meanwhile, Indonesia has strengthened strategic cooperation with the United States in areas including maritime security, defense cooperation, and critical technology development. This diplomatic flexibility illustrates how middle powers attempt to maximize national interests within a competitive international environment.

However, existing explanations of Indonesia's foreign policy behavior have largely emphasized external structural factors, particularly great-power rivalry, regional security dynamics, and ASEAN's strategic position. While these perspectives provide important insights, they often underestimate the role of domestic political processes in shaping foreign policy choices. Foreign policy decisions are not produced solely by international pressures; they are also influenced by leadership preferences, bureaucratic institutions, economic interests, political coalitions, and domestic perceptions of sovereignty and national identity (Hudson 2014). Therefore, understanding Indonesia's diplomatic transformation requires examining how domestic political dynamics interact with international structural changes.

Previous studies have examined Indonesia's foreign policy through several major perspectives. One body of literature emphasizes Indonesia's tradition of strategic autonomy and non-alignment, arguing that *politik luar negeri bebas aktif* provides the

foundation for maintaining independence from major-power rivalry (Sukma 2012; Weatherbee 2019). Another group of scholars analyzes Indonesia's hedging strategy, suggesting that Jakarta deliberately maintains cooperative relationships with competing powers to avoid excessive dependence on any single actor (Kuik 2021; Ciorciari and Haacke 2019). These studies have significantly advanced understanding of Indonesia's external behavior; however, they have primarily focused on international constraints and strategic calculations rather than domestic political determinants.

The limited attention to domestic politics represents an important theoretical gap in the study of middle-power diplomacy. Middle-power strategies are often analyzed as responses to international structures, yet the ability of states to exercise strategic autonomy depends significantly on internal political capacity and institutional coherence. In democratic systems, foreign policy is shaped by interactions among executive leadership, legislative institutions, bureaucratic agencies, business groups, and public opinion. Indonesia's democratic transformation after the Reformasi era has created a more complex foreign policy-making environment in which domestic legitimacy, economic development priorities, and political narratives of sovereignty influence diplomatic decisions.

This domestic dimension has become increasingly important during the period of 2019–2025. Under President Joko Widodo's administration and the transition toward new political leadership, Indonesia's foreign policy has been strongly influenced by economic nationalism, infrastructure development priorities, industrial transformation strategies, and efforts to position Indonesia as an influential regional actor. Economic considerations have shaped Indonesia's engagement with China, particularly through investment and industrial cooperation, while concerns over sovereignty and strategic autonomy have influenced relations with the United States and other partners. These dynamics demonstrate that foreign policy flexibility is not merely a response

to external competition but also a reflection of domestic political calculations.

Beyond theoretical debates, Indonesia's evolving diplomacy also presents important social and institutional questions. Domestically, public perceptions of sovereignty, nationalism, and foreign economic influence increasingly shape debates regarding international cooperation. Economic partnerships with major powers may generate domestic support through development benefits but may also produce concerns regarding dependency, resource control, and national interests. Similarly, institutional coordination between the Ministry of Foreign Affairs, economic ministries, security institutions, and political actors affects the coherence and effectiveness of Indonesia's diplomatic strategies.

From a legal and institutional perspective, Indonesia's foreign policy transformation also raises questions regarding the relationship between executive authority and democratic oversight. The Indonesian constitutional framework grants the president significant authority in foreign affairs, yet parliamentary institutions and domestic political actors influence the legitimacy and implementation of international agreements. As Indonesia becomes more engaged in strategic economic and security partnerships, questions regarding transparency, accountability, and institutional coordination become increasingly relevant. These dynamics remain insufficiently explored in existing middle-power literature.

Therefore, this article addresses these gaps by examining Indonesia's middle-power diplomacy amid U.S.–China strategic competition through the interaction between international pressures and domestic political transformation. Rather than viewing Indonesia's foreign policy solely as a strategic response to great-power rivalry, this study argues that Indonesia's diplomatic flexibility is produced through the interaction between external geopolitical constraints and domestic political factors, including leadership preferences, economic priorities, bureaucratic coordination, and public perceptions of sovereignty.

This research makes three contributions to the literature. First, it contributes to middle-power diplomacy studies by incorporating domestic political variables into analyses that have traditionally emphasized systemic factors. Second, it advances understanding of strategic autonomy in the Global South by demonstrating how emerging democracies maintain diplomatic flexibility through diversified partnerships rather than traditional balancing strategies. Third, it provides a deeper understanding of Indonesia's foreign policy transformation by showing how domestic political dynamics shape responses to international power competition.

The Indonesian case demonstrates that middle powers are not merely passive actors responding to great-power rivalry. Instead, they actively negotiate their position within changing international structures by combining diplomatic flexibility, economic pragmatism, and domestic political considerations. Indonesia's experience provides broader insights into how emerging democracies can pursue strategic autonomy in an increasingly polarized international system.

II. INDONESIA'S MIDDLE-POWER STRATEGY AND STRATEGIC AUTONOMY AMID U.S.- CHINA COMPETITION

The intensification of U.S.-China strategic competition has created a complex geopolitical environment in which middle powers must navigate competing demands from major powers while protecting national interests. For Indonesia, this environment presents both opportunities and challenges. As a rising regional power with significant economic potential, strategic geography, and diplomatic influence, Indonesia seeks to preserve autonomy by avoiding excessive dependence on any single major power. This approach reflects a distinctive form of middle-power diplomacy based on strategic flexibility, diversified partnerships, and institutional engagement rather than conventional alignment strategies.

The concept of strategic autonomy provides an important framework for understanding Indonesia's foreign policy behavior. Strategic autonomy refers to the ability of states to maintain independent decision-making capacity while engaging with external partners and adapting to international pressures (Kuik 2021). Unlike traditional notions of self-reliance, strategic autonomy does not require isolation from global powers; instead, it involves maintaining sufficient flexibility to pursue national interests across different geopolitical contexts. For middle powers, strategic autonomy becomes a mechanism for managing vulnerability within an unequal international system.

Indonesia's long-standing principle of *politik luar negeri bebas aktif* represents the institutional foundation of this strategic autonomy. Since independence, Indonesia has sought to avoid formal alignment with competing power blocs while actively contributing to international and regional affairs. The principle of "free" emphasizes independence in foreign policy decision-making, while "active" reflects Indonesia's ambition to participate in shaping regional and global governance. This diplomatic tradition has enabled Indonesia to maintain flexibility during periods of geopolitical uncertainty, including the current rivalry between the United States and China (Sukma 2012).

However, contemporary strategic competition presents new challenges that differ from earlier periods of bipolar rivalry. The current U.S.-China competition is characterized not by complete ideological separation but by complex economic interdependence. China has become Indonesia's largest trading partner and a major source of investment, particularly in infrastructure, manufacturing, and industrial development. At the same time, the United States remains an important partner in security cooperation, maritime capacity building, technology, and strategic engagement. This interdependence creates incentives for Indonesia to maintain cooperation with both powers rather than choosing exclusive alignment.

Indonesia's diplomatic posture has therefore been frequently interpreted through the concept of hedging. Hedging refers to strategies adopted by states that simultaneously pursue cooperation with competing powers while preparing for uncertainty in the international environment (Ciorciari and Haacke 2019). Rather than balancing against China or bandwagoning with Beijing, Indonesia seeks to maximize strategic benefits from multiple relationships. Economic cooperation with China provides opportunities for infrastructure development and industrial growth, while security engagement with the United States supports Indonesia's strategic interests in maintaining regional stability.

The Indonesian case demonstrates that hedging is not simply a passive response to great-power competition but an active diplomatic strategy. Through diversified partnerships, Indonesia attempts to reduce vulnerability and preserve decision-making autonomy. This approach can be observed in Indonesia's participation in multiple regional and international frameworks, including ASEAN, the G20, the Indo-Pacific frameworks, and bilateral strategic partnerships with various countries. Such diplomatic diversification allows Indonesia to avoid becoming excessively dependent on any single external actor.

Nevertheless, Indonesia's strategic autonomy does not mean complete neutrality. Middle powers operate within structural limitations created by differences in economic capabilities, military power, and technological dependence. Indonesia's growing economic relationship with China creates significant opportunities but also generates strategic concerns regarding economic dependency and sovereignty. Similarly, cooperation with the United States provides security benefits but requires careful management to avoid perceptions of alignment within a broader U.S. containment strategy toward China.

This balancing act illustrates the complexity of contemporary middle-power diplomacy. Unlike traditional theories that categorize state behavior into balancing or bandwagoning, Indonesia's strategy reflects a more nuanced approach in which

states seek benefits from competing power centers while maintaining independent policy space. Goh (2005) argues that Southeast Asian states often employ strategic ambiguity and diplomatic flexibility because regional security environments require simultaneous engagement with multiple major powers.

Indonesia's approach also reflects the broader transformation of middle-power diplomacy in the Global South. Traditional middle-power theories often emphasized the role of states such as Canada, Australia, and Nordic countries in supporting liberal international institutions. However, emerging middle powers in Asia, Africa, and Latin America increasingly pursue more pragmatic forms of diplomacy centered on development, sovereignty, and economic interests. Indonesia represents this newer generation of middle powers, where diplomatic influence is derived not only from normative leadership but also from economic weight, demographic potential, and regional positioning.

The pursuit of strategic autonomy has also influenced Indonesia's approach to regional security issues, particularly regarding the Indo-Pacific. Indonesia has promoted the concept of an inclusive Indo-Pacific that emphasizes ASEAN centrality, dialogue, and cooperation rather than military competition. This approach reflects Indonesia's attempt to shape regional order while avoiding direct confrontation between major powers. By promoting inclusive regional architecture, Indonesia seeks to maintain ASEAN's relevance and prevent Southeast Asia from becoming merely an arena of great-power rivalry.

However, maintaining strategic autonomy requires continuous diplomatic adaptation. As competition between Washington and Beijing becomes increasingly intense, the space for middle-power maneuvering may become more constrained. Economic pressures, security concerns, and technological competition may force states to make increasingly difficult choices. Indonesia's challenge is to preserve flexibility while ensuring that diplomatic pragmatism does not undermine strategic consistency.

Furthermore, Indonesia's middle-power strategy depends on domestic political capacity. Strategic autonomy requires not only external flexibility but also internal coherence. A state's ability to maintain independent foreign policy depends on effective institutions, political consensus, and coordination among government actors. Without domestic support, foreign policy flexibility may become vulnerable to political contestation and changing leadership preferences.

Therefore, Indonesia's diplomacy amid U.S.–China competition represents a form of adaptive middle-power strategy based on strategic autonomy, hedging, and diversified engagement. Rather than seeking dominance or choosing sides, Indonesia attempts to preserve room for maneuver by balancing economic pragmatism, security interests, and sovereignty concerns. This strategy demonstrates how middle powers in the Global South can navigate geopolitical uncertainty through flexible diplomacy while maintaining an independent foreign policy orientation.

The Indonesian experience contributes to broader debates on international relations by demonstrating that middle powers are not merely constrained actors responding to great-power competition. Instead, they can actively shape their strategic environment through diplomatic innovation, institutional engagement, and selective cooperation. Indonesia's case illustrates that strategic autonomy remains a viable foreign policy strategy for emerging democracies seeking to protect national interests in an increasingly polarized international system.

III. DOMESTIC POLITICS AND THE MAKING OF INDONESIA'S DIPLOMATIC FLEXIBILITY

While international structural factors provide important explanations for Indonesia's diplomatic behavior amid U.S.–China strategic competition, they do not fully explain the complexity of Jakarta's foreign policy choices. Indonesia's strategic autonomy is not produced solely by external geopolitical pressures; it is also

shaped by domestic political dynamics, including presidential leadership, economic development priorities, bureaucratic coordination, elite interests, and public perceptions of sovereignty. The interaction between international constraints and domestic political considerations demonstrates that Indonesia's middle-power diplomacy is simultaneously an external strategy and a reflection of internal political transformation.

Foreign Policy Analysis (FPA) emphasizes that states do not respond mechanically to international structures. Instead, foreign policy decisions are filtered through domestic institutions, decision-makers, political interests, and national identities (Hudson 2014). This perspective is particularly relevant for Indonesia because its democratic transition has created a more complex foreign policy environment in which executive leadership, economic actors, legislative institutions, and public opinion influence diplomatic priorities. Indonesia's foreign policy flexibility therefore emerges from the interaction between global strategic pressures and domestic political calculations.

One of the most influential domestic factors shaping Indonesia's diplomacy has been presidential leadership. The Indonesian constitutional system grants significant authority to the president in determining foreign policy direction, particularly regarding strategic partnerships and international engagement. Under President Joko Widodo's administration (2014–2024), foreign policy became closely connected with domestic economic transformation goals, particularly infrastructure development, industrialization, investment attraction, and economic nationalism. Unlike previous administrations that emphasized Indonesia's role as a regional diplomatic actor, the Widodo government increasingly linked foreign policy with economic development objectives.

This economic orientation significantly influenced Indonesia's relationship with China. Chinese investment became an important component of Indonesia's infrastructure and industrial development agenda, particularly through projects related to

transportation, energy, and mineral processing. Cooperation with China was therefore not merely a response to geopolitical calculations but also a reflection of domestic development priorities. The government viewed foreign investment as a mechanism to accelerate economic growth, industrial upgrading, and employment creation. Consequently, maintaining constructive relations with Beijing became strategically valuable from a domestic political perspective.

However, economic engagement with China has also generated domestic debates regarding sovereignty, dependency, and national interests. Critics have raised concerns about excessive economic reliance, foreign ownership, labor issues, and the potential erosion of strategic autonomy. These debates illustrate that foreign policy decisions are embedded within domestic political contestation. Cooperation with external powers must therefore be managed not only according to international strategic considerations but also according to domestic legitimacy requirements.

Economic nationalism represents another important domestic variable influencing Indonesia's foreign policy transformation. The government's emphasis on resource sovereignty, downstream industrialization, and domestic value creation demonstrates how economic interests shape diplomatic choices. Policies such as restrictions on raw mineral exports and efforts to develop domestic processing industries reflect an attempt to strengthen Indonesia's bargaining position within global economic networks. These policies also influence relations with major powers because access to Indonesia's strategic resources has become increasingly important within global supply chains.

The connection between economic nationalism and foreign policy illustrates how domestic development strategies can become instruments of international diplomacy. Indonesia's control over critical minerals, particularly nickel, has enhanced its strategic importance amid global competition over supply chains and technological industries. By leveraging economic assets, Indonesia

has increased its diplomatic bargaining power with both China and Western partners. This demonstrates that middle-power influence is not derived solely from military or geopolitical capabilities but also from the ability to mobilize domestic economic resources strategically.

Bureaucratic politics also plays a significant role in shaping Indonesia's diplomatic flexibility. Foreign policy decisions involve multiple institutions with different priorities, including the Ministry of Foreign Affairs, Ministry of Investment, Ministry of Trade, Ministry of Defense, and other state agencies. While the Ministry of Foreign Affairs traditionally emphasizes diplomatic principles, economic institutions often prioritize investment, trade, and development objectives. The interaction between these bureaucratic actors influences how Indonesia balances strategic concerns with economic interests.

The importance of bureaucratic coordination became increasingly visible as Indonesia expanded engagement with both China and the United States. Economic ministries generally emphasized the benefits of foreign investment and market access, while security institutions focused on maritime sovereignty, defense cooperation, and regional stability. Indonesia's ability to maintain a flexible foreign policy depends on the state's capacity to reconcile these competing institutional interests. Weak coordination could produce inconsistent policies and reduce diplomatic credibility.

Domestic political elites also influence foreign policy narratives. Political actors frequently frame international partnerships through concepts of sovereignty, nationalism, and national development. In Indonesia, foreign policy decisions involving major powers are often evaluated through domestic political narratives regarding independence and economic fairness. The principle of *politik luar negeri bebas aktif* remains influential not only as a diplomatic doctrine but also as a political symbol representing Indonesia's historical commitment to independence.

Public perceptions further contribute to the domestic foundations of Indonesia's strategic autonomy. Democratic governments must consider societal attitudes toward foreign influence, national identity, and economic cooperation. Public concerns regarding foreign investment, particularly from China, demonstrate that external partnerships require domestic legitimacy. Governments must therefore communicate foreign policy decisions in ways that align with national interests and public expectations.

This dynamic reflects a broader challenge faced by democratic middle powers: maintaining strategic flexibility while ensuring domestic political support. Unlike authoritarian systems that may pursue foreign policy with limited domestic constraints, democracies must continuously negotiate between international opportunities and domestic accountability. Indonesia's foreign policy flexibility is therefore shaped by both diplomatic pragmatism and the need to maintain political legitimacy.

The role of domestic politics also becomes evident in Indonesia's approach to relations with the United States. Cooperation with Washington has been strengthened in areas such as maritime security, defense engagement, education, and technology. However, Indonesia has avoided framing this cooperation as part of an anti-China coalition. Domestic political considerations influence this cautious approach because alignment with one great power could contradict Indonesia's long-standing diplomatic identity and generate concerns regarding sovereignty.

Indonesia's diplomatic strategy therefore reflects what can be described as domestically embedded strategic autonomy. The country's foreign policy flexibility is not simply a rational response to external competition but a product of internal political negotiation. Leadership preferences, economic priorities, institutional interests, and public expectations collectively shape the boundaries within which Indonesian diplomacy operates.

This finding challenges approaches that analyze middle-power diplomacy primarily through international structural

conditions. While great-power competition creates strategic opportunities and constraints, domestic politics determines how states interpret and respond to those pressures. Indonesia's case demonstrates that middle powers require not only external diplomatic flexibility but also internal political capacity to sustain autonomous foreign policy choices.

Ultimately, Indonesia's transformation as a middle power cannot be separated from its domestic political evolution. Democratic consolidation, economic development ambitions, and institutional competition have shaped the country's diplomatic orientation in profound ways. The interaction between domestic politics and international strategy explains why Indonesia has pursued neither alignment nor confrontation, but rather a pragmatic and adaptive diplomacy aimed at maximizing national interests while preserving strategic independence.

IV. ASEAN LEADERSHIP, ECONOMIC INTERESTS, AND THE LIMITS OF MIDDLE-POWER DIPLOMACY

Indonesia's middle-power diplomacy cannot be understood solely through bilateral relations with major powers. A central component of Indonesia's strategic autonomy lies in its ability to utilize regional institutions, particularly ASEAN, as a platform for maintaining diplomatic influence and managing geopolitical competition. Through ASEAN-centered diplomacy, Indonesia seeks to prevent Southeast Asia from becoming an arena of great-power rivalry while simultaneously strengthening its own position as a regional agenda setter. However, Indonesia's reliance on ASEAN also reveals the structural limitations facing middle powers operating within fragmented regional environments.

ASEAN has historically represented one of the most important instruments of Indonesia's foreign policy. Since the establishment of the organization in 1967, Indonesia has viewed ASEAN not only as a mechanism for regional stability but also as

an extension of its diplomatic influence. As the largest member state in terms of population, territory, and economic size, Indonesia has frequently positioned itself as a natural leader within ASEAN. This leadership role reflects Indonesia's ambition to shape regional norms, promote strategic autonomy, and ensure that Southeast Asia maintains diplomatic space amid competition among major powers (Acharya 2014).

The intensification of U.S.–China rivalry has strengthened Indonesia's commitment to ASEAN centrality. Rather than supporting exclusive strategic blocs, Jakarta has promoted an inclusive regional order based on dialogue, cooperation, and openness. Indonesia's formulation of the ASEAN Outlook on the Indo-Pacific (AOIP) represents this approach by emphasizing ASEAN-led mechanisms, economic cooperation, maritime collaboration, and peaceful dispute management. The initiative reflects Indonesia's effort to influence regional discourse while avoiding direct confrontation with either Washington or Beijing.

From a middle-power perspective, ASEAN provides Indonesia with collective diplomatic leverage. Individually, Indonesia lacks the military and economic capabilities of major powers; however, through ASEAN institutions, it can amplify its diplomatic influence. This demonstrates the importance of institutional strategies among middle powers, where multilateral frameworks become instruments for managing power asymmetries. By embedding competition within regional institutions, Indonesia attempts to transform geopolitical rivalry into manageable cooperation.

Nevertheless, ASEAN-based diplomacy also presents significant challenges. ASEAN operates through consensus-based decision-making, which often limits collective responses to strategic issues. Divergent interests among member states, particularly regarding relations with China, create difficulties in developing unified positions on security and economic matters. While some ASEAN members seek stronger engagement with the United States, others maintain close economic and political

relations with Beijing. These internal divisions constrain Indonesia's ability to use ASEAN as a fully effective instrument of strategic autonomy.

The South China Sea issue illustrates these limitations. Indonesia has consistently emphasized international law, maritime sovereignty, and peaceful dispute resolution, particularly regarding Chinese activities near Indonesia's exclusive economic zone around the North Natuna Sea. However, Jakarta has avoided framing the issue as direct strategic confrontation with Beijing. This cautious approach reflects Indonesia's broader diplomatic calculation: defending sovereignty while preserving economic and political engagement with China.

This balancing strategy demonstrates both the strengths and weaknesses of Indonesia's middle-power diplomacy. On one hand, Indonesia has successfully maintained diplomatic flexibility by separating specific disputes from broader bilateral relations. On the other hand, excessive caution may limit Indonesia's ability to provide stronger leadership on regional security challenges. The tension between sovereignty protection and economic pragmatism represents a recurring dilemma for middle powers operating between competing major powers.

Economic interests constitute another central dimension of Indonesia's regional diplomacy. Indonesia's growing economic importance, particularly through natural resources, manufacturing capacity, and strategic minerals, has enhanced its international bargaining position. The country's nickel reserves and downstream industrial policies have attracted significant attention from global powers seeking secure supply chains for renewable energy technologies and electric vehicle industries. This economic leverage provides Indonesia with new opportunities to strengthen its strategic autonomy.

However, economic interdependence also creates vulnerabilities. Indonesia's economic relationship with China remains extensive, particularly in trade, investment, and industrial cooperation. While these relations contribute to economic

development, they may also generate concerns regarding dependency and policy constraints. Strategic autonomy requires not only attracting foreign investment but also ensuring that economic relationships do not reduce political independence.

This dilemma reflects a broader challenge for emerging middle powers: economic openness can simultaneously increase influence and vulnerability. Access to global markets and investment strengthens national capabilities, but dependence on external economic partners may limit diplomatic freedom. Indonesia must therefore continuously manage the tension between economic pragmatism and strategic independence.

The competition between the United States and China has further complicated Indonesia's economic diplomacy. Both powers seek greater engagement with Indonesia because of its market potential, strategic location, and critical resources. This competition provides Jakarta with opportunities to negotiate favorable partnerships, but it also increases pressure to demonstrate political alignment. Indonesia's response has been to diversify partnerships rather than replace one dependency with another.

Indonesia's engagement with multiple partners, including Japan, South Korea, European countries, India, Australia, and ASEAN members, reflects this diversification strategy. By expanding economic and strategic networks, Indonesia attempts to reduce vulnerability while increasing bargaining capacity. This approach represents a practical expression of strategic autonomy in which independence is achieved through connectivity rather than isolation.

Nevertheless, Indonesia's middle-power diplomacy faces several structural limitations. First, its influence remains constrained by material capabilities. Although Indonesia is the largest economy in Southeast Asia, it remains significantly less powerful than the United States or China in military, technological, and financial terms. Strategic autonomy therefore depends on diplomatic skill rather than the ability to independently shape regional outcomes.

Second, domestic institutional capacity affects Indonesia's ability to translate diplomatic ambitions into concrete outcomes. Regional leadership requires not only political vision but also effective policy coordination, technological capacity, and economic competitiveness. Without strong domestic institutions, international influence may remain symbolic rather than substantive.

Third, the increasingly polarized international environment may reduce the strategic space available for middle powers. As competition expands into technology, security alliances, and supply chains, maintaining neutrality becomes more difficult. Pressure from major powers may require clearer choices, particularly in sensitive areas such as critical technologies, maritime security, and defense cooperation.

Despite these limitations, Indonesia's experience demonstrates that middle-power diplomacy remains viable in an era of geopolitical competition. Rather than seeking to compete directly with great powers, Indonesia exercises influence through diplomacy, institutions, economic resources, and strategic positioning. Its approach illustrates a form of pragmatic strategic autonomy in which flexibility becomes the primary source of power.

The Indonesian case also contributes to broader debates about the role of Global South middle powers in international relations. These states are not simply secondary actors within great-power competition; they possess agency to shape regional environments through coalition-building, institutional leadership, and economic diplomacy. However, their influence depends on maintaining a careful balance between ambition and capability.

Ultimately, Indonesia's middle-power diplomacy represents a continuous negotiation between opportunity and constraint. ASEAN provides diplomatic legitimacy, economic resources provide bargaining power, and domestic political support provides strategic direction. Yet structural inequalities in the international system continue to limit the extent of Indonesia's autonomy. The

future effectiveness of Indonesia's foreign policy will depend on its ability to strengthen domestic institutions, diversify international partnerships, and preserve diplomatic flexibility amid intensifying global competition.

Therefore, Indonesia's response to U.S.-China strategic competition should be understood not as simple neutrality or avoidance, but as an active strategy of adaptive autonomy. Through ASEAN leadership, economic statecraft, and diversified diplomacy, Indonesia seeks to maintain strategic independence while contributing to regional stability. The Indonesian experience demonstrates how middle powers can navigate geopolitical uncertainty by transforming limitations into diplomatic opportunities.

V. CONCLUSION

This article has examined Indonesia's middle-power diplomacy amid intensifying U.S.-China strategic competition by focusing on the interaction between international pressures and domestic political transformation. The study argues that Indonesia's foreign policy behavior cannot be adequately explained through purely systemic approaches that emphasize great-power rivalry alone. Instead, Indonesia's diplomatic flexibility emerges from the interaction between external geopolitical constraints and domestic political dynamics, including leadership preferences, economic priorities, institutional coordination, and public perceptions of sovereignty.

The findings demonstrate that Indonesia has pursued strategic autonomy through a multidimensional diplomatic strategy rather than adopting conventional balancing or bandwagoning behavior. By maintaining cooperative relations with both China and the United States, Indonesia seeks to maximize economic and strategic benefits while preserving independent decision-making capacity. This approach reflects the logic of middle-power diplomacy in which influence is generated not

through material superiority but through diplomatic flexibility, institutional engagement, and the ability to navigate competing interests.

The analysis further shows that Indonesia's strategic autonomy is deeply embedded in domestic political processes. Presidential leadership, particularly during the period of 2019–2025, played a significant role in linking foreign policy with domestic economic transformation objectives. Infrastructure development, industrialization, investment attraction, and resource-based economic strategies shaped Indonesia's engagement with major powers. Economic cooperation with China was therefore not simply a geopolitical calculation but also part of a broader domestic development agenda. At the same time, concerns regarding sovereignty, economic dependency, and national interests influenced the boundaries of Indonesia's external engagement.

The study also highlights the importance of domestic institutions in shaping foreign policy outcomes. Indonesia's diplomatic strategy reflects ongoing negotiation among various state actors, including the Ministry of Foreign Affairs, economic institutions, security agencies, and political stakeholders. These institutional dynamics demonstrate that strategic autonomy requires not only external diplomatic flexibility but also internal political capacity. The ability to coordinate competing interests domestically determines whether a middle power can effectively pursue independent foreign policy objectives.

Furthermore, Indonesia's use of ASEAN and multilateral diplomacy illustrates how middle powers employ institutions to compensate for structural limitations. Through ASEAN centrality and initiatives such as the ASEAN Outlook on the Indo-Pacific, Indonesia attempts to shape regional order while avoiding direct confrontation between major powers. However, the study also finds that institutional constraints, divergent interests among ASEAN members, and increasing geopolitical polarization limit the effectiveness of regional strategies.

Theoretically, this research contributes to three major debates in international relations. First, it expands middle-power diplomacy literature by demonstrating that strategic autonomy is not solely a response to international structures but is also produced through domestic political processes. Second, it contributes to Foreign Policy Analysis by showing how leadership, institutions, and economic priorities mediate state responses to systemic pressures. Third, it advances understanding of Global South diplomacy by highlighting how emerging democracies pursue autonomy through pragmatic engagement rather than ideological alignment.

Empirically, the Indonesian case provides broader insights into how rising powers navigate a fragmented international order. Indonesia demonstrates that middle powers can exercise meaningful agency despite structural disadvantages by combining diplomatic diversification, economic leverage, and institutional leadership. However, strategic autonomy remains conditional rather than absolute. Economic dependency, technological gaps, institutional limitations, and intensifying great-power rivalry continue to constrain Indonesia's diplomatic choices.

From a policy perspective, Indonesia's experience suggests that maintaining strategic autonomy requires strengthening domestic capabilities alongside diplomatic flexibility. Future foreign policy effectiveness depends on improving institutional coordination, enhancing technological and economic competitiveness, diversifying international partnerships, and ensuring domestic legitimacy for external engagement. Strategic autonomy cannot be sustained through diplomatic balancing alone; it requires strong domestic foundations.

The Indonesian experience also provides lessons for other emerging democracies facing geopolitical polarization. Rather than choosing between competing great powers, states may pursue flexible strategies based on diversified cooperation and issue-based partnerships. However, such strategies require careful management of economic dependence and political legitimacy. The

effectiveness of middle-power diplomacy ultimately depends on the ability to transform vulnerability into bargaining power.

Future research could further examine comparative cases among Global South middle powers, such as India, Brazil, South Africa, and Vietnam, to explore how different domestic political systems shape strategic autonomy strategies. Additional research could also investigate the role of non-state actors, business networks, and public opinion in influencing foreign policy choices in democratic middle powers.

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