Chapter 2
Indonesia’s Strategic Hedging and the South China Sea

Iis Gindarsah

Introduction

Indonesia’s view and approach toward the South China Sea disputes has been increasingly complicated in recent years. In July 2010, the Indonesian government circulated a note to the United Nations and made clear its position on the South China Sea dispute. While the note was released as a response to China’s submission to the United Nations Commission on the Limits of the Continental Shelf in 2009 that attached the ambiguous nine-dotted line map, the momentum was also related to Chinese military moves in the SCS a few months earlier. The note stated that as far as China’s claim is concerned:

“There is no clear explanation as to the legal basis, the method of drawing, and the status of those separated dotted-lines. It seems that those separated dotted lines may have been the maritime zones of various disputed small features in the waters of the South China Sea…but those remote or very small features in the South China Sea do not deserve exclusive economic zone or continental shelf of their own…[Thus] the so called ‘nine-dotted-lines map’…clearly lacks international legal basis and is tantamount to upset the UNCLOS 1982.”

While maintaining a neutral and non-claimant position, this note clearly spells Indonesia’s rejection of China’s claim in the disputed maritime area. The position is arguably based on four key dimensions of the country’s interests with regard to the regional disputes involving China and four members of Association of South East Asian Nations (ASEAN). These relate to Indonesia’s position as an archipelagic state, its economic interests, concern for stability on its periphery, and its aspiration for peace in the larger context of the evolving East Asian regional order.

This paper argues that the four-related national interests have driven Indonesia’s “hedging strategy” regarding the South China Sea disputes. The strategic approach

represents in the country’s ASEAN-centered regional diplomacy and flashpoint-based defense policy. In that context, it begins by outlining Indonesia’s views and multidimensional interests in the South China Sea. Secondly, the paper will review recent destabilizing events in the contested maritime region. Finally, it provides an elaboration of Indonesia’s policy responses to reduce tension and mitigate unexpected conflict at sea.

**Indonesia’s Multi-Dimensional Interests**

The Indonesian government has fought hard for decades to have the ‘Archipelagic State’ principle finally recognized under the United Nations Convention on the Law of the Sea (UNCLOS). A key component of the international law is the ability to draw straight baseline connecting the outermost points of Indonesia’s outermost islands. The 12-mile territorial sea, the 24-mile contiguous zone, the 200-mile Exclusive Economic Zone (EEZ), and the continental shelf up to the outer edge of the continental margin, are all measured from the baseline.

In that sense, territorial claims of the South China Sea potentially pose a challenge to Indonesia’s archipelagic state entitlement and border sovereignty. Particularly, one interpretation of the Chinese nine-dashed line map suggests that Beijing’s extended demarcation of territory may include Jakarta’s claim over the waters adjacent to the Natuna Islands. Reasserting the country’s 2010 diplomatic note to the UN Secretary General, President Joko “Jokowi” Widodo has recently reasserted that China’s claim lacks legal basis in international law.²

Unresolved border lines have been at the forefront of concern for Indonesian foreign and defence policy-makers. Among the country’s earliest problems regarding the South China Sea were the efforts to solve the continental shelf boundaries with Malaysia and Vietnam.³ Apart from the agreement with Vietnam on the area closest to the contested maritime region in 2003, only 15 coordinates have been agreed between Indonesia and Malaysia since 1969.⁴ Today, bilateral negotiations over the EEZ are still ongoing. Yet, based on a recent polling, 25 percent of Indonesian respondents believe that border incursion and military aggression are among the primary threats to national sovereignty.⁵

---

² See “Indonesian President Says China’s Main Claim in South China Sea Has No Legal Basis,” Reuters (23 March 2015).
Thus, protecting territorial integrity is the top priority of the incumbent administration in Jakarta today.

Indonesia’s concern over South China Sea disputes also reflects its economic interest and energy security. The Natuna region comprises a chain of some 300 small islands and atolls spread midway between the east coast of the Malay Peninsula and Northern Kalimantan. Considerable natural gas reserves are believed to lie below the Natuna’s seabed. It is estimated that the total potential of the entire reserve could be as much as over 200 trillion cubic feet (tcf). However, due to 70 percent of that is carbon dioxide, the total recoverable gas reserves stands at around 46 tcf (equal to 8,383 billion barrels of oil or around US$ 628,725 billion at US$ 75 per barrel).8 Comprising roughly 40 percent of the country’s total reserves, Jakarta classified offshore gas fields—including the Natuna’s D-Alpha sea-block as a vital area for its energy security.

Moreover, the Natuna waters are known to be rich in marine resources. A study estimates that the total fish catch in the South China Sea has increased from 425,000 tons in 1955 to 3.34 million tons in 1999.7 A more recent study also argues that the fishing industry in Southeast Asia employs roughly 10 million people and the disputed maritime area alone accounts for 10 percent of total global catch with an annual harvest of 5 million tonnes.8 However, the depleted fish stock in the region has led foreign fishing fleets to venture into the Indonesian territory, creating incidents at sea more likely in the future.

The long-standing disputes in the South China Sea are increasingly seen by the Indonesian government within the context of its border and maritime security. Referring to an official document outlining its border management, the country has unresolved maritime boundaries with ten countries—including Malaysia and Vietnam over EEZs near the Natuna Islands.9 Two recently released documents by the Indonesian Ministry of Defence also noted that the overlapping claims between China and several ASEAN states in the disputed maritime area remain one of the top potential flashpoints in the region.10

Border security-related issues include among others illegal fishing, arms trafficking

---

6 See Syamsu Dam, Politik Kelautan (Jakarta: Bumi Aksara, 2010), p. 128.
9 See National Agency for Border Management (BNPP) Regulation No. 1/2015 on Blueprint of State Border Management, pp. 154-155.
Maintaining Maritime Order in the Asia-Pacific

and sea-lanes of commerce vulnerabilities. According to the Ministry of Fisheries and Marine Affairs, the Natuna waters remain the most vulnerable area to illegal, unregulated and unreported fishing, costing Indonesia billions of dollars annually.\(^\text{11}\) Security concerns also arise when fishing vessels are armed, being escorted by their respective country’s military assets, or are involved in arms smuggling. The rise of armed robbery and piracy in the SCS area and Indonesian waters in the past decade has also been an increasing source of national and regional concern. Based on annual reports of the ReCAAP Information Sharing Centre, there were 40 actual attacks against commercial vessels in the South China Sea in 2014, marking it the highest figure in the past ten years.\(^\text{12}\)

Finally, prolonged tension or armed confrontation in the South China Sea is potentially disruptive to Indonesia’s aspiration for regional security and geopolitical stability in East Asia. Unlike during the authoritarian regime, current civil and military leaders tend to view China as a “challenge” rather than a “threat.” However, the substance of their security concerns has not undergone significant change, especially when it comes to the South China Sea. In that context, the maritime disputes serve as a “litmus test” for China’s regional rise and Jakarta’s bilateral “comprehensive-strategic partnership” with Beijing.\(^\text{13}\)

Also, central to Indonesia’s concern is the implications of the South China Sea, especially over the Spratly Islands to ASEAN’s unity and cohesion, as well as the so-called “ASEAN-Way” of peaceful conflict settlement.\(^\text{14}\) At one level, the issue often divides Southeast Asian claimant states—including Philippines, Malaysia, Brunei, and Vietnam due to their overlapping claims in the South China Sea. On the other, it also creates rifts between ASEAN claimant and non-claimant states—such as Indonesia, Singapore, Thailand, Cambodia, and Myanmar over how the regional grouping should engage China.

This has consequences for Indonesia’s overall strategic environment as well as for its leadership claims and credibility. For one end, ASEAN and its related institutions—such as the East Asia Summit and ASEAN Regional Forum are seen by Jakarta as a key

---


\(^\text{13}\) Evan Laksmana, “Is China Failing SE Asia’s Litmus Test?,” *The Jakarta Post* (10 June 2010).

instrument to engage and balance major powers in the region. For another, the country’s defence planners also think of the regional association as a “security shield of friendship,” a *cordon sanitaire* protecting the vast archipelago from possible threats emanating from outside the region. Despite its efforts to preserve cohesion among Southeast Asian partners, recent developments in the Spratly Islands pose a serious challenge to regional security and stability.

**Recent Destabilizing Events**

After being relatively dormant following the 2002 Declaration on the Conduct of Parties (DoC) between ASEAN and China, recent events have brought the maritime disputes back in the limelight of regional affairs. These include the 2009 harassment of U.S. naval surveillance ship *Impeccable* by five Chinese vessels near Hainan; China’s mid-2010 unilateral fishing ban in the South China Sea and its alleged declaration of the area as its “core interest”; the 2012 blockade of Scarborough Shoal; and more recently, in May 2014, when Beijing dispatched a giant HD-981 oil rig to conduct exploratory drilling in Hanoi’s claimed EEZ.15

Although the prospect of conflict in the South China Sea remains low for the foreseeable future, small unilateral actions can have long-term implications on the stability of regional order. Incidents in the disputed waters, according to Robert Haddick, could represent a “salami-slicing” process involving “the slow accumulation of small actions, none of which is a *casus belli*, but which add up over time to a major strategic change.”16 Given the geo-strategic significance and complexity of the South China Sea, one would not be surprised that claimant states have been willing to employ any means necessary to reinforce their claim, including the use of military assets.

The “terraforming” activities in the Spratly islands are likely to have a significant impact on the South China Sea disputes. Since mid-2013, China has been reclaiming small features under its control in the Spratly Islands—including Fiery Cross Reef, Johnson Reef South, Cuarteron Reef, Hughes Reef, Gaven Reef, Mischief Reef, and Subi Reef. Although Southeast Asian claimants too had conducted land reclamation works, Beijing builds artificial islands out of reefs, with an intention to build relevant facilities for maritime monitoring. With strategic infrastructures—such as airstrips, piers,

---

15 The details of these events can be found in, for instance, “Carps among the Spratlys,” *The Economist* (10 March 2011); “Scarborough Affair: Philippines and China in Sovereignty Deadlock,” *Jane’s Intelligence Review* (1 July 2012); “Vietnam Warns China over Oil Rig Activities,” *The Jakarta Post* (20 January 2016).

multi-storey buildings, and surveillance systems operational in the new islands, Beijing will be capable of controlling all navigation through the Spratlys. That said, China's large-scale dredging operations represent an ambition for larger footholds and better power projection in the contested maritime area.17

Amid the high-profile media coverage of China's island building, the South China Sea was a relatively stable during 2015. There were signs that Beijing might be attempting to defuse tensions with regional countries. On 12 November 2015, for instance, a Chinese Ministry of Foreign Affairs spokesperson issued a first-ever public statement that the country had no objection to Indonesia's sovereignty over the Natunas.18 While Beijing never formally claimed the islands, Jakarta had been concerned over incidents in an area where the nine-dashed line overlaps with the 200 nautical miles exclusive economic zone extending from the Natunas.

Despite the softening-up tactic, the possibility remains that the artificial island-building could be the precursor to a new phase of Chinese assertiveness. With most of the islets and reefs in the Spratlys are either occupied or controlled by one of the claimants, any future "occupations" are likely over areas of the sea. According to a regional analyst, three areas are particularly vulnerable, namely Reed Bank, off the Philippines coast; James Shoal/Luconia Shoals off the Malaysian Borneo coast; and Vanguard Bank off the Vietnamese coast. All are areas of shallow sea, rich in oil or gas deposits, where a jack-up oil rig or its equivalent could be easily installed.19

In 2016, a significant event took place between Indonesia and China over illegal fishing. On 19 March of that year, an Indonesian coastguard vessel captured eight fishermen and seized the fishing boat—the Kway Fey 10078—for poaching in the country's claimed-waters near the Natuna Islands. However, a Chinese coastguard vessel approached and rammed the fishing boat as it was being towed, forcing the Indonesian crews to abandon it. The Kway Fey 10078 was subsequently boarded by Chinese coastguards and sailed towards China.20 This incident is the most serious encounter

17 See, for example, James Hardy, “Sands of Time: China's ‘Salami Slicing’ in the South China Sea,” Jane's Intelligence Review (1 August 2014); Ian Storey, “China’s Terraforming in the Spratlys: A Game Changes in the South China Sea,” ISEAS Perspective, No. 9 (23 June 2015).
19 Bill Hayton, “Rivals Prepare for South China Sea Adjudication,” Jane's Intelligence Review (1 March 2016).
20 See “Indonesia's Discloses Further Details of Ramming Incident with China Coast Guard Vessel,” Jane's Defence Weekly (23 March 2016).
between Indonesia and China maritime authorities in recent times.

On 20 March 2016, Indonesia’s Minister of Foreign Affairs, Retno Marsudi summoned the Chinese chargé d’affaires in Jakarta to convey a diplomatic note of protest against measures taken by its coast guards near the Natuna Islands.21 While threatening to take the latest incident to an international court, the Minister of Marine Affairs and Fisheries, Susi Pudjiastuti also announced that the Indonesian government would prosecute eight Chinese fishermen for illegal fishing.22 This is the first time that Indonesia’s top-rank officials have made public statements over incidents involving alleged violations of the country’s EEZ adjacent to the Natuna Islands by Chinese vessels. In response, Beijing has called on Jakarta to release the fishermen whom it said were operating in “traditional fishing grounds” when they were detained by the Indonesian coastguard.23

Since President Jokowi came to power in 2014, the Ministry of Marine Affairs and Fisheries has sunk more than 150 vessels in a crackdown on illegal fishing, but only one was Chinese.24 In the past, the Indonesian government tried to downplay alleged Chinese encroachment of its territorial waters, as it did not want to be dragged into the territorial dispute over the South China Sea—of which it is not a claimant state. Despite a wider context of deepening bilateral defense ties, Indonesia’s recent official comments and its intent to prosecute the fishermen indicate a more assertive stance of the Jokowi Administration to fight any territorial incursions.25

Indonesia’s Strategic Hedging in the South China Sea

With broad interests in the South China Sea, the Indonesian government appears to adopt a hedging strategy aimed at preserving national security and regional stability. Indonesia has been at the forefront of the regional efforts on “confidence building” among the claimant states in the disputed maritime region, with mixed results. It put forward the so-called “3+1 Formula” – promoting mutual trust, conflict prevention, and

21 See “Indonesia Protests against China in South China Sea Fishing Dispute,” The Jakarta Post (21 March 2016).
22 See “RI-China Sea Spat Continues,” The Jakarta Post (22 March 2016).
mitigating the risk of an incident at sea, plus creating a conducive environment through early harvest measures— as the basis for drafting a Code of Conduct on the South China Sea.\textsuperscript{26} Recently, President Widodo has reassured the country’s neutral position and offered to act as an “honest broker” in resolving the multi-party dispute.\textsuperscript{27}

However, the biggest challenge to Indonesia’s aspirations and role is the divergent perspectives of the Southeast Asian states, each having different concerns and approaches to the South China Sea issue. The unprecedented diplomatic setback in 2012 was a valuable lesson-learned about the delicate unity of ASEAN members when it comes to the multi-party disputes.\textsuperscript{28} Given ASEAN’s consensus-building diplomacy, it is difficult—though not impossible—for Jakarta to ink concrete peace terms beyond a basic stance. At the 2015 ASEAN Summit, regional leaders voiced “serious concerns” that the land reclamation had “eroded trust and confidence” in the South China Sea.\textsuperscript{29} However, the regional grouping refrained from naming China as the source of the regional worry, suggesting a fear of further diplomatic escalation.

Most recently, the arbitral tribunal’s award marks a dramatic turn over the disputed maritime region. The two most salient elements of the tribunal’s award were a ruling that China’s claim to “historic rights” within its vaguely defined nine-dash line was invalid and that none of the features in the Spratlys were actually islands within the meaning of UNCLOS. None are therefore entitled to a surrounding exclusive economic zone.\textsuperscript{30} Although the case was brought by the Philippines and is only binding on Manila and Beijing, other states potentially stand to benefit. Indonesia’s claim to a number of potential gas fields east of the Natuna Islands, for example, has been greatly reinforced by the award. On 14 July 2017, Jakarta issued a new official map to re-assert the country’s sovereignty over land and maritime territories—including the EEZ on the northern part of the Natunas.\textsuperscript{31}

On its part, China has refused to either recognize or accept the tribunal ruling. However, its response was restrained, with military exercises, visits by civilian aircraft,

\begin{itemize}
\item \textsuperscript{26} See the Ministry of Foreign Affairs, \emph{Laporan Kinerja Kementerian Luar Negeri Tahun 2016: Matriks Informasi Kerja} (Jakarta: 2016).
\item \textsuperscript{27} See “Jokowi Clarifies Indonesia Still Neutral in the South China Sea,” \emph{Jakarta Globe} (5 March 2015).
\item \textsuperscript{28} See “South China Sea Tensions Divide ASEAN,” \emph{Jane’s Intelligence Weekly} (25 July 2012).
\item \textsuperscript{29} See “ASEAN Leaders Express ‘Concern’ over South China Sea Island Building,” \emph{Jane’s Defence Weekly} (29 April 2015).
\item \textsuperscript{31} See “New Map Reasserts Sovereignty over Natuna,” \emph{The Jakarta Post} (15 July 2017).
\end{itemize}
and rhetoric calculated to assuage domestic nationalist sentiments rather than exacerbate it. Soon after the ruling announcement, Indonesian Ministry of Foreign Affairs also issued a statement “[calling] on all parties to exercise self-restraint and to refrain from any actions that could escalate tensions, as well as to protect the Southeast Asia region particularly from any military activity that could pose a threat to peace and stability, and to respect international law including UNCLOS 1982.” Although a political solution to the dispute remains a possibility, the question facing the region remains whether China will actively violate the tribunal’s ruling, or whether it will tacitly comply.

Amid the possibility of renewed tensions between China and ASEAN claimant states, Indonesian policymakers also ponder defensive measures to anticipate “strategic surprises” in the country’s border areas close to the South China Sea. Past incidents in the Natuna waters, where Chinese coast guards subverted Indonesian attempts to capture illegal fishermen, had alarmed defense officials in Jakarta. With the current land reclamation in Cuarteron and Fiery Cross Reefs, the Indonesian Navy is becoming increasingly aware that similar encounters between fishing fleets and patrol vessels are likely to become more prevalent in the future.

This border concern is among the underpinning reasons behind Indonesia’s new concept of “flashpoint-based defence” that was released as part of the military’s Minimum Essential Force (MEF) plan in 2010. This re-focuses Indonesia’s force development not just qualitatively and quantitatively to obtain the minimum capability needed to deal with the country’s actual threats, but also geographically by gradually positioning forces in the areas of potential conflict. As Picture 1 shows, the Riau and Riau Islands, the Western and Eastern Borneo, and Northern Sulawesi are all not only near the Malaysian and Philippines borders but also the South China Sea.

32 See Bill Hayton, “South China Sea Ruling Rejects Beijing’s Claims,” Jane’s Intelligence Review (1 August 2016).
In recent years, Indonesian military planners have begun to recalibrate “low-intensity balancing” measures to mitigate the potential effects of unwanted escalation. The existing defense plans include troops repositioning and upgrading “forward operation bases” surrounding the Natunas. On arms procurement, Indonesian defense officials also seek to modernize the military logistical capabilities through selective acquisitions of amphibious assault vessels, replenishment ships, airborne early warning, and refueling systems. The idea is to enable a rapid military deployment and sustain maritime operations in distant flashpoints.

In the light of rising tensions in the disputed South China Sea, the Indonesia armed forces have increased the complexity of regular military exercises. Between 9 and 20 June 2016, the Navy dispatched five surface combatants, an auxiliary support vessel, and a maritime patrol aircraft for a 12-day naval exercise such as surface warfare drills, escort
movements, and search-and-rescue operations. Although the naval drill was a yearly event, the last it was done in the Natuna Island was in 2012.

In addition to recent naval drills, the Indonesian Air Force conducted an annual war-game on 6 October 2016. The exercise was originally planned to take place on Belitung Island, in the eastern part of Sumatera, but moved to the Natuna region for undisclosed reasons. Deploying jetfighters, air cargoes, utility helicopters and special forces, it simulated an air raid and the seizure of a captured runway in the Natuna Besar Island. Later in October 2016, the Indonesian Army also undertook land-based exercises on the same island. Taken as a whole, the 2016 military exercises demonstrated a growing concern of the Indonesia government over increased Chinese assertiveness on the country’s northern-most maritime border.

**Concluding Remarks**

Given the strategic significance of the South China Sea for regional and extra-regional powers, Indonesia’s leadership, positions, and policies on the SCS dispute can have a significant impact on the regional security architecture in East Asia. In the midst of all regional uncertainties, the hedging strategy increasingly permeates the country’s strategic thinking regarding the contested maritime area. Indonesia’s forward maritime presence in the Natunas is a valuable asset for its “defense diplomacy” through various naval cooperative engagements with regional partners. This way, the military becomes an important instrument of Indonesian foreign policy writ large.

---
