

CONTEMPORARY SINO-INDONESIAN RELATIONS ©Σ

TIAN TIECHENG*, ZARINA OTHMAN† AND AIZAT KHAIRI ‡

ABSTRACT

Sino-Indonesian relations are characterised by a complex interplay of economic opportunities and geopolitical challenges, shaping both nations' roles in Southeast Asia. This study examines Indonesia's engagement with China, particularly through its participation in the Belt and Road Initiative (BRI) and the Jakarta-Bandung High-Speed Rail project, as a strategy to address critical infrastructure deficits. While Chinese investments have driven industrial modernisation, issues such as cost overruns, project delays, debt dependency, and environmental risks pose significant concerns. Geopolitically, Indonesia's strategic location in the Indo-Pacific positions it as a pivotal player amidst intensifying regional rivalries. Despite its non-claimant status in the South China Sea dispute, Chinese incursions into Indonesia's Exclusive Economic Zone (EEZ) near the Natuna Islands have prompted Jakarta to adopt a more assertive defence policy. Using a qualitative approach and secondary data analysis, this study explores how Indonesia balances economic cooperation with the geopolitical complexities arising from China's growing influence and the United States' counterbalancing strategies in the Indo-Pacific. The findings reveal that while economic collaboration with China remains robust—particularly in trade, renewable energy, and electric vehicle manufacturing—Indonesia is increasingly diversifying partnerships and leveraging platforms like ASEAN and the Regional Comprehensive Economic Partnership (RCEP) to mitigate dependency risks. This study underscores the importance of pragmatic engagement, transparency, and trust-building to manage bilateral tensions while advancing mutual growth. Sino-Indonesian relations profoundly influence Southeast Asia's economic and geopolitical landscape, making sustainable and equitable practices essential for regional stability and shared development.

Keywords: Belt and Road Initiative; Indo-Pacific strategy; regional stability; Sino-Indonesian relations; South China Sea

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HUBUNGAN CHINA-INDONESIA KONTEMPORARI
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ABSTRAK

Hubungan Sino-Indonesia dicirikan oleh gabungan peluang ekonomi dan cabaran geopolitik yang kompleks, membentuk peranan kedua-dua negara di Asia Tenggara. Kajian ini meneliti penglibatan Indonesia dengan China, terutamanya melalui penyertaannya dalam Inisiatif Jalur dan Laluan (Belt and Road Initiative, BRI) dan projek Kereta Api Berkelajuan Tinggi Jakarta-Bandung, sebagai strategi untuk menangani kekurangan infrastruktur yang kritikal. Walaupun pelaburan China telah memacu pemodenan industri, isu seperti kos yang meningkat, kelewatan projek, kebergantungan kepada hutang, dan risiko alam sekitar menimbulkan kebimbangan yang ketara. Dari segi geopolitik, kedudukan strategik Indonesia di Indo-Pasifik menjadikannya pemain penting di tengah-tengah persaingan serantau yang semakin meningkat. Walaupun bukan pihak yang menuntut dalam pertikaian Laut China Selatan, pencerobohan China ke Zon Ekonomi Eksklusif (EEZ) Indonesia berhampiran Kepulauan Natuna telah mendorong Jakarta untuk mengamalkan dasar pertahanan yang lebih tegas. Menggunakan pendekatan kualitatif dan analisis data sekunder, kajian ini meneroka bagaimana Indonesia mengimbangi kerjasama ekonomi dengan kerumitan geopolitik yang timbul daripada pengaruh China yang semakin berkembang dan strategiimbangan kuasa oleh Amerika Syarikat di Indo-Pasifik. Dapatan kajian menunjukkan bahawa walaupun kerjasama ekonomi dengan China kekal kukuh—terutamanya dalam perdagangan, tenaga boleh diperbaharui, dan pembuatan kenderaan elektrik—Indonesia semakin mempelbagaikan kerjasama dan memanfaatkan platform seperti ASEAN dan Perkongsian Ekonomi Komprehensif Serantau (RCEP) untuk mengurangkan risiko kebergantungan. Kajian ini menekankan pentingnya pendekatan pragmatik, ketelusan, dan pembinaan kepercayaan untuk menguruskan ketegangan dua hala sambil memajukan pertumbuhan bersama. Hubungan Sino-Indonesia secara mendalam mempengaruhi landskap ekonomi dan geopolitik Asia Tenggara, menjadikan amalan yang mampan dan saksama penting untuk kestabilan serantau dan pembangunan bersama.

Kata kunci: *Inisiatif Jalur dan Laluan; strategi Indo-Pasifik; kestabilan serantau; hubungan Sino-Indonesia; Laut China Selatan*

Introduction

The intricate web of Sino-Indonesian relations exemplifies a strategic balancing act that reflects the interplay of economic ambition and geopolitical tension in Southeast Asia. As ASEAN's largest economy, Indonesia navigates a dual challenge: leveraging China's Belt and Road Initiative (BRI) to modernise critical infrastructure while mitigating the risks of economic overdependence and strategic concessions. Projects like the Jakarta-Bandung High-Speed Rail, though emblematic of bilateral cooperation, underscore the vulnerabilities inherent in asymmetrical partnerships, such as escalating debt obligations and uneven distribution of benefits. These dynamics reveal not only the opportunities presented by BRI but also the structural imbalances that complicate Indonesia's engagement with China.

Geopolitically, Indonesia's position at the crossroads of the South China Sea dispute adds a layer of complexity to its foreign policy. The Natuna Islands, frequently subject to Chinese incursions, test Jakarta's ability to assert maritime sovereignty under international law without jeopardising its broader economic and diplomatic ties with Beijing. At the same time, Indonesia faces growing pressure from external powers, particularly the United States, whose Indo-Pacific strategy aims to counterbalance China's assertiveness. This external influence introduces a further dimension to Indonesia's policy calculus, challenging it to reconcile its aspirations for regional leadership with its commitment to neutrality and non-alignment.

The dual dimensions of geopolitical friction and geo-economic collaboration highlight the interdependent yet contested nature of Sino-Indonesian relations. Indonesia's balancing act—defending its territorial sovereignty while capitalising on economic opportunities—requires a pragmatic strategy underpinned by risk mitigation, transparent diplomacy, and regional solidarity. For instance, Jakarta's efforts to diversify its partnerships through ASEAN and multilateral agreements such as the Regional Comprehensive Economic Partnership (RCEP) are critical steps toward reducing dependency on any single power. By strengthening institutional frameworks and fostering trust-building measures, Indonesia can navigate these complex dynamics while safeguarding its long-term strategic and economic interests.

Geopolitical Relations: South China Sea Dispute and Geopolitical Tensions

Indonesia's territorial integrity faces escalating challenges in the Natuna Islands due to overlapping claims with China's contentious nine-dash line, a demarcation widely criticised for its lack of legal foundation under international law. While Indonesia officially maintains that it is not a claimant in the broader South China Sea (SCS) disputes, the situation in the Natuna waters exemplifies a more intricate geopolitical reality. Situated at the northern edge of Indonesia's Exclusive Economic Zone (EEZ), the Natuna waters are critical not just for their abundant fisheries and hydrocarbon reserves but as a microcosm of the broader contestations between sovereignty, international law, and power dynamics in the Indo-Pacific (Muas 2023, 24). The frequent incursions by Chinese fishing fleets and coast guard ships underline the growing challenge Jakarta faces in asserting its rights under UNCLOS, while balancing this stance with its broader economic interdependence with Beijing (Wu 2021, 159–163).

Indonesia's response has evolved to reflect a dual strategy of assertion and pragmatism. The 2016 decision to bolster its military presence in the Natuna Islands—upgrading bases, conducting high-profile naval exercises, and deploying additional

forces—was not merely a demonstration of sovereignty but also a calculated move to signal its commitment to maritime defence. President Joko Widodo’s visit to the region aboard a warship amplified this resolve, reinforcing Indonesia’s legal and geopolitical position under UNCLOS. Yet, China’s persistent use of “grey-zone” tactics, which rely on fishing fleets and coast guard vessels to assert claims without triggering outright conflict, underscores the limitations of military measures alone (Zou 2023). This dynamic highlights the challenge of navigating a dispute where direct confrontation is avoided but sovereignty is persistently contested.

The Natuna Islands dispute also reflects the broader complexities of Sino-Indonesian relations. While historically adhering to a non-aligned foreign policy, Jakarta has been compelled to recalibrate its approach in response to Beijing’s growing assertiveness in its EEZ. This shift signals a departure from mere neutrality toward a more defensive posture aimed at safeguarding sovereignty without jeopardising the economic benefits derived from bilateral ties. The challenge is further compounded by the strategic calculus of the South China Sea as a vital corridor for global trade, through which approximately \$5 trillion worth of goods transit annually (Bing and Gao 2024, 38–55). For Indonesia, preserving access and stability in these waters is as much an economic imperative as it is a geopolitical one.

The involvement of external powers, particularly the United States, adds another layer of complexity. Washington’s Indo-Pacific strategy, framed as a commitment to upholding a “free and open Indo-Pacific,” includes military cooperation and Freedom of Navigation Operations (FONOPs) that directly counter Beijing’s claims in the South China Sea. Indonesia’s careful balancing act—welcoming U.S. efforts to maintain regional stability while avoiding alignment that could antagonise China—reflects its longstanding commitment to ASEAN’s principles of neutrality and non-interference (Perwita and Hanggarini 2024, 263–280). This cautious approach highlights Jakarta’s nuanced strategy of maintaining strategic autonomy amidst polarised regional dynamics.

Domestically, the Natuna Islands dispute has sparked a wave of nationalist sentiment, further complicating Indonesia’s foreign policy. Media coverage of Chinese incursions often frames these events as provocations, amplifying public calls for a firmer stance. Nationalist groups have leveraged these sentiments to push for more assertive measures, portraying the dispute as a matter of national pride. However, this domestic pressure risks constraining Jakarta’s ability to engage in pragmatic diplomacy, potentially exacerbating tensions with Beijing (Stenberg 2024, 252). Balancing public demands with the need for constructive bilateral relations remains a critical challenge for Indonesia’s policymakers.

Economically, the Natuna Islands are emblematic of Indonesia’s resource-rich potential and the vulnerabilities it faces. Illegal fishing by Chinese vessels has inflicted significant economic losses on local communities, while the hydrocarbon reserves in the region hold the promise of long-term energy security (Yan 2021, 262–279). However, developing these resources requires technological expertise and foreign investment, areas where Indonesia continues to engage with China despite the tensions. This dual dependency illustrates the intricate balancing act Jakarta must perform, leveraging Beijing’s resources for economic growth while safeguarding its sovereignty.

Indonesia’s response has been comprehensive, integrating military, diplomatic, and economic strategies. Militarily, efforts to enhance naval capabilities and deploy advanced surveillance systems underscore a commitment to deterrence and sovereignty defence. Diplomatically, Jakarta has prioritised peaceful resolution and adherence to international law, aligning its stance with ASEAN’s efforts to maintain regional unity. However,

internal divisions within ASEAN often limit the bloc's effectiveness, requiring Indonesia to lead by example in fostering collective responses to South China Sea challenges (Yan 2023, 755–783). Economically, diversification of trade and investment partnerships—with nations such as Japan, South Korea, and India—reflects Jakarta's effort to mitigate overreliance on China. Multilateral frameworks like the RCEP and the G20 further bolster Indonesia's strategic autonomy, enabling it to navigate external pressures while expanding economic opportunities (Tritto 2022).

Despite the challenges, Sino-Indonesian relations continue to present opportunities for collaboration. Joint initiatives in renewable energy, digital infrastructure, and maritime security hold promise for building mutual trust and addressing shared challenges such as climate change and resource management. Indonesia's leadership role within ASEAN also positions it to advocate for a rules-based order in the South China Sea, promoting stability and sustainable development. By aligning pragmatic engagement with long-term strategic goals, Indonesia can strengthen its position as a regional leader while ensuring its sovereignty and economic resilience (Wu 2021, 159–163).

Bilateral Political Cooperation

Indonesia's territorial integrity faces escalating threats in the Natuna Islands, a region emblematic of the broader geopolitical contestations in the South China Sea. The overlapping claims stemming from China's contentious nine-dash line, widely criticised for lacking legal foundation under international law, have intensified these challenges. While the Natuna waters, situated at the northern edge of Indonesia's Exclusive Economic Zone (EEZ), hold abundant fisheries and significant hydrocarbon reserves critical for Indonesia's maritime sovereignty and energy security, they have become a focal point of Chinese assertiveness. Recurrent incursions by Chinese fishing fleets and coast guard vessels underscore Beijing's efforts to assert control, drawing attention to the strategic vulnerabilities Jakarta must address (Febriana and Romaniuk 2021, 151–178).

Indonesia's response to these incursions reflects a dual strategy of military assertiveness and calibrated restraint. The 2016 military escalation in the Natuna Islands, including infrastructure upgrades and high-profile naval exercises, was both a symbolic assertion of sovereignty and a pragmatic measure to deter further provocations. President Joko Widodo's warship visit to the region reinforced this stance, showcasing Jakarta's resolve under the framework of the United Nations Convention on the Law of the Sea (UNCLOS). However, China's "grey zone" tactics—incremental actions designed to advance territorial claims without triggering open conflict—highlight the limitations of purely military solutions. The use of maritime militias further complicates enforcement, undermining Indonesia's efforts to maintain stability and assert authority over its EEZ (Yani, Machmudi, and Rofii 2023, 373–398).

The Natuna Islands dispute also illustrates the broader complexities of Sino-Indonesian relations. Historically, Jakarta has pursued a non-aligned foreign policy to navigate major power rivalries. Yet, the growing assertiveness of Beijing's activities in the South China Sea has compelled Indonesia to adopt a more defensive posture, raising questions about how long its neutrality can be sustained. The United States' Indo-Pacific strategy, explicitly aimed at countering China's influence, further complicates this recalibration. Indonesia's position as Southeast Asia's largest economy and a pivotal ASEAN member forces it to balance competing imperatives: defending sovereignty, maintaining strategic autonomy, and fostering economic and diplomatic ties with both

Washington and Beijing (Raditio and Yeremia 2022, 79–109).

Domestically, the Natuna Islands dispute has heightened nationalist sentiment, adding another layer of complexity to Indonesia's foreign policy calculus. Media portrayals of Chinese incursions have amplified public anger, framing these actions as direct challenges to Indonesia's sovereignty. This has led to rising anti-China sentiment and increased calls for a review of bilateral agreements, including projects under the Belt and Road Initiative (BRI). The Jakarta-Bandung High-Speed Rail project exemplifies this duality: while critical for Indonesia's infrastructure development, it has drawn criticism for fostering debt dependency, highlighting the economic contradictions inherent in Jakarta's engagement with Beijing (Yan 2021, 262–279).

Indonesia's broader strategic responses reveal inherent contradictions. While Jakarta's bolstered military presence in the Natuna Islands underscores its sovereignty defence, its reluctance to join any anti-China coalition reflects a commitment to ASEAN's principle of neutrality. Despite these efforts, ASEAN's fragmentation—driven by varying levels of dependency on China among member states—has limited the bloc's effectiveness in presenting a unified stance on South China Sea issues. This fragmentation underscores Indonesia's leadership challenges within ASEAN and the constraints of multilateral diplomacy in addressing Beijing's assertiveness.

Moving forward, Indonesia must adopt a multifaceted strategy to manage these tensions effectively. Militarily, enhancing surveillance capabilities and integrating them with regional partners such as the United States, Japan, and Australia can strengthen Indonesia's deterrence without compromising its strategic autonomy. Diplomatically, Jakarta should continue advocating for a legally binding Code of Conduct in the South China Sea, leveraging its leadership within ASEAN to push for consensus-driven approaches that prioritise regional stability. Such initiatives could help Indonesia mediate between competing interests while reinforcing its standing as a regional leader.

At the same time, Indonesia must navigate its economic interdependence with China with caution. While diversification of trade and investment partnerships with nations like Japan, South Korea, and India is critical, Indonesia should also focus on strengthening its domestic economic resilience. Building downstream processing industries for resources such as nickel and hydrocarbons can reduce dependency on raw material exports and capture greater value domestically. These measures, coupled with strategic participation in multilateral frameworks like the Regional Comprehensive Economic Partnership (RCEP), can provide Jakarta with the leverage needed to maintain economic sovereignty in the face of external pressures (Tritto 2022).

Ultimately, the Natuna Islands dispute serves as both a microcosm and a magnifier of the broader challenges shaping Sino-Indonesian relations. While tensions over sovereignty remain central, Indonesia's ability to balance military assertiveness, diplomatic engagement, and economic pragmatism will determine its trajectory as a regional power. By aligning its policies with long-term strategic goals and fostering cooperative regional solutions, Jakarta can navigate the intricate dynamics of the South China Sea while safeguarding its national interests and asserting its role as a stabilising force in Southeast Asia (Wu 2021, 159–163).

Table 1: Political Interaction Events between China and Indonesia (2001–2024)

Event Type	Positive Events	Negative Events	Total
China-Indonesia	215	25	240

Source: Nanhai Institute, 2024

Table 1 highlights the political interaction events between China and Indonesia from 2001 to 2024, totalling 240 recorded instances. Among these, 215 are categorised as positive events, while 25 are negative. This significant imbalance suggests a predominantly cooperative relationship, reflecting shared interests in economic collaboration, infrastructure development (e.g., the Belt and Road Initiative), and regional stability.

The limited number of negative events likely stems from tensions in the South China Sea, particularly concerning the Natuna Islands and related sovereignty disputes. While fewer, these incidents emphasize persistent challenges in managing maritime boundaries and balancing sovereignty with economic interdependence.

Overall, the data underscores a pragmatic approach by both nations to foster bilateral ties while navigating occasional conflicts. The dominance of positive events signals a mutual effort to prioritise economic and strategic gains over disputes. However, negative events highlight the need for sustained diplomacy and trust-building measures to ensure long-term stability in Sino-Indonesian relations (ibid.).

Technological innovation offers another avenue for strengthening Indonesia's position (Yan 2023, 755–783). Investments in satellite surveillance and unmanned aerial systems would enhance maritime domain awareness, enabling real-time monitoring and response capabilities. Partnerships with international organisations and private sector entities specialising in maritime technology could further augment Indonesia's capabilities, fostering sustainable and technology-driven solutions to maritime challenges.

Geo-Economic Relations: Economic Cooperation under the Belt and Road Initiative (BRI)

The Jakarta-Bandung High-Speed Rail (HSR) project stands as a prominent example of Sino-Indonesian cooperation under China's Belt and Road Initiative (BRI). Envisioned to cut travel time between Jakarta and Bandung from three hours to just 45 minutes, the HSR symbolises the transformative potential of large-scale infrastructure investments. Yet, this potential is tempered by significant challenges. Cost overruns, construction delays, and allegations of mismanagement have marred the project, raising concerns about the broader dynamics of Chinese investments in Indonesia. For many, the HSR embodies both the opportunities, and the risks associated with BRI initiatives, highlighting the tension between infrastructure development and economic sustainability (Yotes 2024, 436–448).

From its inception, the HSR project was framed as a cornerstone of Indonesia's efforts to modernise its infrastructure, aligning with President Joko Widodo's vision of establishing Indonesia as a "Global Maritime Fulcrum." For Indonesia, the railway represents a strategic effort to bolster regional connectivity and catalyse urban development, while for China, it serves as a platform to expand its economic influence in Southeast Asia. However, the project's trajectory reveals deeper structural issues. Initially budgeted at \$6 billion, the HSR's costs have ballooned to over \$8 billion,

exacerbated by delays, land acquisition disputes, and inefficiencies in project management. The financing model—dominated by loans from Chinese banks—has drawn criticism for its opacity and terms perceived as exploitative, intensifying fears of debt dependency (Isabella 2024, 31–57).

These fiscal challenges underscore a broader question: can the HSR deliver financial benefits commensurate with its costs, or does it risk becoming another emblem of unsustainable foreign investment? Critics of the BRI argue that projects like the HSR prioritise geopolitical objectives over economic feasibility, burdening host nations with debt that undermines long-term development. For Indonesia, these concerns are particularly salient given the challenges of generating sufficient revenue from ticket sales to cover operational and repayment costs (Raditio and Yeremia 2022, 79–109). This raises the critical issue of whether such projects genuinely serve Indonesia's developmental needs or primarily benefit China's strategic ambitions.

The domestic reception of the HSR project reflects broader anxieties about Indonesia's growing reliance on Chinese investments. Proponents view the railway as a testament to Indonesia's ability to attract high-profile foreign direct investment, while detractors criticise it as emblematic of an asymmetrical economic relationship. Nationalist groups argue that the project has marginalised local contractors and workers in favour of Chinese firms, stoking anti-China sentiment. These criticisms are amplified by local media, which frequently highlight disparities in benefits, portraying Chinese companies as the primary beneficiaries while Indonesians bear the environmental, social, and financial costs (Stenberg 2024, 252). Beyond the HSR, similar patterns of perceived inequality in Chinese investments in industrial parks, toll roads, and power plants reinforce these narratives, fuelling concerns about sovereignty and dependency (Perwita and Hanggarini 2024, 263–280).

Indonesia's reliance on Chinese investments reflects a pragmatic response to its infrastructure deficit. As an archipelagic nation with underdeveloped logistics networks, Indonesia requires substantial foreign investment to modernise. China, through the BRI, is uniquely positioned to meet these needs. However, the challenges faced by the HSR project highlight the delicate balance Jakarta must strike between leveraging foreign investment and safeguarding its sovereignty. The reliance on Chinese loans has raised the spectre of strategic concessions should financial distress arise, as seen in other nations involved in the BRI (Stenberg 2024, 252).

The HSR project also underscores the importance of public diplomacy in managing foreign investments. For the Indonesian government, addressing public concerns about equity and transparency is essential for building trust. Effective public diplomacy requires not only communicating the tangible benefits of projects like the HSR but also ensuring meaningful engagement with local communities, labour groups, and civil society organisations. By aligning infrastructure initiatives with national and community interests, Jakarta can mitigate the social and political risks associated with high-profile foreign collaborations, especially amidst rising nationalist sentiment.

The broader implications of the HSR project extend beyond its immediate logistical goals. While Chinese investments are critical for bridging Indonesia's infrastructure gap, they also raise fundamental questions about sovereignty, dependency, and equitable development. For Indonesia, navigating this complex landscape requires a multifaceted strategy. Diversifying trade and investment partnerships with other global powers, such as Japan, South Korea, and India, can reduce overreliance on any single partner. Participation in multilateral frameworks like the Regional Comprehensive Economic

Partnership (RCEP) can further enhance economic opportunities while fostering a more balanced approach to foreign collaboration (Wu 2021, 159–163).

At the policy level, Indonesia must focus on negotiating better terms for future projects, increasing transparency in procurement processes, and strengthening regulatory oversight. These measures can address some of the structural issues that have plagued past collaborations. Additionally, prioritising capacity-building and local workforce development ensures that foreign investments contribute to sustainable and inclusive economic growth. Such initiatives are vital for improving public trust and maintaining the long-term viability of Indonesia's fiscal strategy (Yan 2023, 755–783).

The HSR project serves as both a cautionary tale and an opportunity for Indonesia. While it exemplifies the challenges of managing large-scale foreign investments, it also highlights the transformative potential of infrastructure modernisation when aligned with national priorities. For Jakarta, the key lies in balancing domestic needs with international partnerships, ensuring that investments are not only economically viable but also politically and socially equitable. By doing so, Indonesia can position itself as a regional leader capable of shaping the rules of engagement in the Indo-Pacific, navigating the complex interplay of domestic priorities and global collaboration (Yuliantoro 2022).

Trade and Energy Cooperation

Sino-Indonesian economic relations extend beyond infrastructure development into dynamic trade and energy partnerships, forming a vital axis in Southeast Asia's financial framework. Indonesia occupies a critical role as China's largest coal and palm oil supplier, fulfilling the latter's insatiable resource demands driven by its industrial expansion and agricultural needs. This relationship is emblematic of the natural complementarities between the two economies: Indonesia's abundant natural resources complement China's industrial and agricultural base, while China provides Indonesia with machinery, electronics, and industrial equipment essential for its developmental ambitions. The consistent growth in trade volumes, which exceeded \$124 billion in 2022, underscores the depth of their economic interdependence and solidifies China's position as Indonesia's largest trading partner (Stenberg 2024, 252).

Indonesia's coal exports to China illustrate the magnitude of this interdependence. In 2022, Indonesia supplied over 70 million tons of coal to China, a resource critical for powering China's energy-intensive industries and urbanisation projects (Vickers 2023, 78–92). Similarly, palm oil serves as another cornerstone of bilateral trade. China is a leading importer of Indonesian palm oil, extensively used in food processing and cosmetics. The revenues generated from these exports contribute significantly to Indonesia's GDP, creating employment opportunities and fostering rural economic development. However, this reliance on raw material exports exposes Indonesia to external risks, including global market fluctuations and China's evolving domestic policies to reduce carbon emissions and diversify energy sources. These vulnerabilities underscore the need for Jakarta to reassess its reliance on commodities and explore pathways for economic diversification (Tritto 2022).

Energy collaboration forms another cornerstone of Sino-Indonesian relations, specifically through Chinese investments in Indonesia's power generation sector. Over the past decade, China has financed and constructed numerous coal-fired power plants across Indonesia, addressing the country's chronic energy shortages and expanding electrification in remote areas (Yotes 2024, 436–448). These investments align with

China's broader Belt and Road Initiative (BRI) strategy, which aims to integrate Southeast Asia into its economic and energy supply chains. For Indonesia, these projects represent vital contributions to its national development agenda. However, the environmental costs of such coal-dependent projects have become increasingly apparent, drawing criticism from environmental groups and international observers for exacerbating deforestation, habitat destruction, and greenhouse gas emissions (Muas 2023, 24).

Criticism of Indonesia's dependence on coal-fired power plants has intensified amid mounting evidence of the long-term ecological and public health consequences. Mining activities to support these plants have caused widespread deforestation, water contamination, and air pollution, particularly in urban areas (Isabella 2024, 31–57). These concerns have amplified calls for Indonesia to transition toward renewable energy, leveraging its untapped geothermal, solar, and hydropower potential. Collaborative renewable energy initiatives with China could address these issues while maintaining the momentum of their energy partnership. By redirecting investment into sustainable energy projects, Indonesia could align its energy strategy with global climate goals while fostering innovation and reducing its reliance on environmentally harmful practices.

Despite the economic benefits of trade and energy cooperation, structural asymmetries in Sino-Indonesian relations remain a significant challenge. Indonesia's role as a raw-material exporter contrasts sharply with China's dominance in value-added manufacturing industries. This disparity limits Indonesia's ability to capture higher-value economic benefits and perpetuates its dependency on Chinese technology and expertise (Perwita and Hanggarini 2024, 263–280). In the palm oil sector, for example, Indonesian producers primarily export crude palm oil, which Chinese firms then process into higher-value consumer goods for global markets. This pattern mirrors a broader economic imbalance, in which Indonesia provides raw resources while China reaps the benefits of industrial and technological advancement.

The energy sector presents similar imbalances. While Indonesia exports substantial quantities of raw coal to China, Chinese companies often supply the technology and expertise required to build and operate power plants in Indonesia. This arrangement has raised concerns about inadequate local capacity building and limited knowledge transfer, undermining Indonesia's long-term aspirations for self-reliance and industrial development. Critics argue that such dependencies entrench Indonesia in an unequal relationship, highlighting the urgent need for Jakarta to prioritise downstream processing and invest in domestic industrial capabilities. By moving up the value chain, Indonesia can capture a larger share of economic benefits and reduce its reliance on external actors.

Recognising these challenges, the Indonesian government has implemented policies to address structural imbalances and foster economic resilience. A key focus has been on encouraging downstream processing in critical sectors, including nickel, palm oil, and bauxite (Vickers 2023, 78–92). Regulations requiring companies to process raw materials domestically before export are intended to stimulate higher-value industries and create employment opportunities. The nickel sector has been a notable success, with Chinese investments in smelting facilities in Sulawesi supporting the development of Indonesia's electric vehicle (EV) battery industry. This burgeoning sector positions Indonesia as a potential global hub for green energy technologies. However, these initiatives remain in their infancy and face significant obstacles, including robust infrastructure, clear regulatory frameworks, and alignment with international environmental standards.

Technological collaboration offers another avenue for strengthening Sino-Indonesian economic ties. China's advancements in renewable energy, digital infrastructure, and EV manufacturing provide opportunities for Indonesia to modernise its economy and reduce its reliance on extractive industries (Yan 2023, 755–783). Joint ventures, technology transfer agreements, and capacity-building programs could bridge Indonesia's technological gaps while supporting its transition to a knowledge-based economy. For example, partnerships in solar panel production and wind energy projects can accelerate Indonesia's renewable energy development, aligning its growth trajectory with global sustainability trends. Such collaborations will address Indonesia's environmental challenges and enhance its competitiveness in emerging industries.

The digital economy also holds significant potential for bilateral cooperation. China's expertise in e-commerce, fintech, and smart manufacturing serves as a model for Indonesia's digital transformation (Yan 2023, 755–783). Huawei's partnership with Indonesian telecom operators to expand 5G networks exemplifies this potential, enabling better connectivity and fostering innovation across various sectors. These initiatives strengthen bilateral economic ties and provide opportunities for Indonesian small and medium-sized enterprises (SMEs) to integrate into global value chains, promoting inclusive economic growth.

Challenges and Opportunities

Sino-Indonesian economic relations have evolved into a cornerstone of Southeast Asia's regional economy, transcending infrastructure development to encompass robust trade and energy partnerships. Indonesia's strategic role as China's largest coal and palm oil supplier underscores the depth of their interdependence. These resources are critical for sustaining China's industrial expansion and energy security, while Indonesia benefits from the inflow of Chinese machinery, electronics, and industrial equipment, essential for its developmental goals. The rapid growth in trade volumes, which surpassed \$124 billion in 2022, highlights the intensifying economic linkages between the two nations. This dynamic reflects the complementary nature of their economic structures and positions Indonesia as a pivotal partner within China's Belt and Road Initiative (BRI) strategy to integrate Southeast Asia into its broader economic orbit (Vickers 2023, 78–92; Bing and Gao 2024, 38–55).

Indonesia's resource wealth is central to this economic relationship. Palm oil exports, a cornerstone of bilateral trade, contribute to the stabilisation of Indonesia's agricultural sector, fostering rural employment and generating significant GDP revenue. Similarly, coal exports to China—over 70 million tons in 2022 alone—underscore Indonesia's critical role in powering China's energy-intensive industries and urbanisation efforts. However, this reliance on raw material exports exposes Indonesia to economic vulnerabilities. The volatility of global commodity markets and Beijing's domestic policy shifts—particularly its commitment to achieving carbon neutrality by 2060—pose substantial risks. For instance, China's move to reduce coal consumption has sparked concerns in Jakarta about the long-term viability of Indonesia's coal exports, accelerating discussions on diversifying trade portfolios to enhance economic resilience (Isabella 2024, 31–57).

Energy cooperation forms another vital dimension of Sino-Indonesian relations, marked by extensive Chinese investments in Indonesia's power generation sector. Over the past decade, Chinese financing and construction of coal-fired power plants have addressed Indonesia's chronic energy deficits and expanded electrification in remote areas. While these projects signify progress toward Indonesia's economic development goals, they align with China's strategic ambition to secure energy supply chains within

Southeast Asia. However, the heavy reliance on coal has drawn criticism for its environmental and social costs. Widespread deforestation, soil degradation, and air pollution associated with coal mining and power generation have not only fueled ecological concerns but also intensified public health challenges, particularly in urban areas. This has led to mounting calls for Indonesia to pivot toward renewable energy sources, leveraging its significant geothermal, solar, and hydropower potential to create a more sustainable energy future (Vickers 2023, 78–92; Muas 2023, 24).

Despite widespread acknowledgment of Indonesia's renewable energy potential, progress has been hindered by regulatory inefficiencies, insufficient investment, and competing national priorities. Collaborative initiatives between Indonesia and China in renewable energy development present a promising avenue for addressing these challenges while strengthening bilateral ties. By channeling Chinese expertise and technological advancements into Indonesia's renewable energy sector, both nations can foster a forward-looking energy strategy that mitigates environmental damage and aligns with global sustainability goals. Moreover, such collaborations could position Indonesia as a regional leader in clean energy transitions, enhancing its economic competitiveness and global standing (Stenberg 2024, 252).

While the economic benefits of Sino-Indonesian trade and energy partnerships are evident, they also expose structural asymmetries in the relationship. Indonesia's reliance on raw material exports contrasts sharply with China's dominance in value-added manufacturing industries, perpetuating an economic imbalance that limits Indonesia's ability to capture higher-value benefits. This disparity is particularly evident in the palm oil sector, where Indonesian producers primarily export crude palm oil, which Chinese firms refine into consumer goods for domestic and global markets. A similar pattern exists in the coal industry, where Indonesia supplies raw coal while Chinese firms provide the advanced technology needed to build and operate power plants. This arrangement underscores Indonesia's dependency on Chinese technology and expertise, undermining its long-term aspirations for self-reliance and industrial growth (Perwita and Hanggarini 2024, 263–280).

Addressing these structural imbalances requires Indonesia to adopt a multifaceted approach. First, fostering downstream processing industries, particularly in sectors like palm oil, nickel, and coal, can help Indonesia capture greater economic value from its natural resources. For instance, the success of Chinese investments in Indonesia's nickel smelting industry—integral to the development of electric vehicle (EV) batteries—demonstrates the potential of value-added production to stimulate industrial growth and reduce reliance on raw material exports. However, replicating this success across other sectors will necessitate robust infrastructure, clear regulatory frameworks, and alignment with international environmental standards (Tritto 2022).

Second, leveraging technological collaborations with China offers an opportunity to modernise Indonesia's economy and reduce dependency on extractive industries. Joint ventures in renewable energy development, digital infrastructure, and advanced manufacturing can bridge technological gaps and foster innovation. For example, partnerships in solar panel production and wind energy projects could accelerate Indonesia's green energy transition, addressing both environmental concerns and its position within the global value chain.

Finally, diversifying trade and investment partnerships beyond China is critical for Indonesia to reduce economic dependency and enhance its strategic autonomy. Strengthening ties with other major economies, such as Japan, South Korea, and India,

and engaging actively in multilateral frameworks like the Regional Comprehensive Economic Partnership (RCEP) can provide Jakarta with the flexibility to navigate external pressures while advancing its national interests.

Sino-Indonesian economic relations thus represent a blend of opportunity and challenge. While trade and energy cooperation have driven significant growth, structural vulnerabilities and environmental concerns necessitate a re-evaluation of this partnership's long-term trajectory. By prioritising sustainable development, fostering local capacity-building, and diversifying economic engagements, Indonesia can ensure that its economic relationship with China evolves toward greater equity and mutual benefit. Such measures will not only enhance Indonesia's resilience but also position it as a key player in shaping a more balanced and sustainable economic order in Southeast Asia (Wu 2021, 159–163).

Recognising these challenges, the Indonesian government has prioritised efforts to foster domestic industrial development and expand downstream processing capabilities. Policies mandating the domestic processing of key commodities such as palm oil, nickel, and bauxite aim to create value-added industries, generate employment, and reduce reliance on raw material exports (Yan 2023, 755–783). Notable progress has been made in the nickel sector, where Chinese investments in smelting facilities in Sulawesi have facilitated the growth of Indonesia's electric vehicle (EV) battery industry. This burgeoning sector holds promise as a driver of industrial competitiveness and economic diversification. However, to realise its full potential and meet global standards, Indonesia will require significant infrastructure investments, regulatory reforms, and capacity-building initiatives to support domestic industries.

Technology and innovation represent another avenue for enhancing Sino-Indonesian economic cooperation. China's advancements in renewable energy, digital infrastructure, and EV manufacturing offer opportunities for Indonesia to modernise its economy and reduce its dependence on extractive industries. Collaborative initiatives such as technology transfer agreements and joint ventures can bridge the technological gap, supporting Indonesia's transition to a knowledge-based economy (Yani, Machmudi, and Rofii 2023, 373–398). For instance, Huawei's partnership with Indonesian telecom operators to expand 5G networks exemplifies the potential for mutually beneficial collaboration in the digital economy. By strengthening digital connectivity, such projects lay the groundwork for emerging sectors like fintech, e-commerce, and smart manufacturing, positioning Indonesia as a hub for technological innovation in Southeast Asia.

The economic relationship between China and Indonesia deepens and carries significant geopolitical implications. Indonesia's role as a key supplier of strategic resources and its growing trade surplus with China have provided Jakarta with increased leverage in bilateral negotiations (Yotes 2024, 436–448). However, concerns about overdependence on China have prompted Indonesia to pursue a more diversified foreign policy. By strengthening economic ties with other major powers such as the United States, Japan, and India, Indonesia seeks to mitigate the risks associated with reliance on a single partner. Participation in multilateral frameworks like the Regional Comprehensive Economic Partnership (RCEP) and the G20 demonstrates Indonesia's commitment to maintaining an open and balanced economic strategy. These platforms provide Jakarta with additional avenues to advance its trade and investment interests while ensuring greater resilience against external financial shocks.

Despite the structural and geopolitical challenges, the future of Sino-Indonesian economic relations remains promising. The complementary strengths of their economies, with strategic management, offer immense potential for driving regional growth and stability (Isabella 2024, 31–57). For Indonesia, the key lies in adopting policies that maximise the benefits of Chinese investments while addressing domestic concerns about equity and sustainability. Strengthening regulatory oversight, improving transparency in trade and investment agreements, and fostering local capacity-building will be essential in achieving these goals. Additionally, aligning economic development with global sustainability trends—specifically through investments in renewable energy and technology-driven industries—will enable Indonesia to enhance its resilience and competitiveness in an increasingly interconnected global economy.

The growing interdependence between Indonesia and China underscores the need for a more equitable and sustainable partnership. As Jakarta navigates its complex relationship with Beijing, the lessons learned from past collaborations will be critical in shaping future policies. Addressing structural imbalances and fostering mutual benefits will enhance Indonesia's economic resilience and reinforce its position as a regional leader capable of balancing the competing interests of global powers while advancing its development priorities. This pragmatic approach to Sino-Indonesian relations reflects Indonesia's broader vision of asserting its role as a pivotal player in Southeast Asia, contributing to a more inclusive and stable regional order (Ahmad, Salleh, and Ladiqi 2021, 235–247).

Geo-Economic Opportunities

Sino-Indonesian economic relations have evolved into a cornerstone of Southeast Asia's regional economy, transcending infrastructure development to encompass robust trade and energy partnerships. Indonesia's strategic role as China's largest coal and palm oil supplier underscores the depth of their interdependence. These resources are critical for sustaining China's industrial expansion and energy security, while Indonesia benefits from the inflow of Chinese machinery, electronics, and industrial equipment, essential for its developmental goals. The rapid growth in trade volumes, which surpassed \$124 billion in 2022, highlights the intensifying economic linkages between the two nations. This dynamic reflects the complementary nature of their economic structures and positions Indonesia as a pivotal partner within China's Belt and Road Initiative (BRI) strategy to integrate Southeast Asia into its broader economic orbit (Vickers 2023, 78–92; Bing and Gao 2024, 38–55).

Indonesia's resource wealth is central to this economic relationship. Palm oil exports, a cornerstone of bilateral trade, contribute to the stabilisation of Indonesia's agricultural sector, fostering rural employment and generating significant GDP revenue. Similarly, coal exports to China—over 70 million tons in 2022 alone—underscore Indonesia's critical role in powering China's energy-intensive industries and urbanisation efforts. However, this reliance on raw material exports exposes Indonesia to economic vulnerabilities. The volatility of global commodity markets and Beijing's domestic policy shifts—particularly its commitment to achieving carbon neutrality by 2060—pose substantial risks. For instance, China's move to reduce coal consumption has sparked concerns in Jakarta about the long-term viability of Indonesia's coal exports, accelerating discussions on diversifying trade portfolios to enhance economic resilience (Isabella 2024, 31–57).

Energy cooperation forms another vital dimension of Sino-Indonesian relations, marked by extensive Chinese investments in Indonesia's power generation sector. Over

the past decade, Chinese financing and construction of coal-fired power plants have addressed Indonesia's chronic energy deficits and expanded electrification in remote areas. While these projects signify progress toward Indonesia's economic development goals, they align with China's strategic ambition to secure energy supply chains within Southeast Asia. However, the heavy reliance on coal has drawn criticism for its environmental and social costs. Widespread deforestation, soil degradation, and air pollution associated with coal mining and power generation have not only fueled ecological concerns but also intensified public health challenges, particularly in urban areas. This has led to mounting calls for Indonesia to pivot toward renewable energy sources, leveraging its significant geothermal, solar, and hydropower potential to create a more sustainable energy future (Vickers 2023, 78–92; Muas 2023, 24).

Despite widespread acknowledgment of Indonesia's renewable energy potential, progress has been hindered by regulatory inefficiencies, insufficient investment, and competing national priorities. Collaborative initiatives between Indonesia and China in renewable energy development present a promising avenue for addressing these challenges while strengthening bilateral ties. By channeling Chinese expertise and technological advancements into Indonesia's renewable energy sector, both nations can foster a forward-looking energy strategy that mitigates environmental damage and aligns with global sustainability goals. Moreover, such collaborations could position Indonesia as a regional leader in clean energy transitions, enhancing its economic competitiveness and global standing (Stenberg 2024, 252).

While the economic benefits of Sino-Indonesian trade and energy partnerships are evident, they also expose structural asymmetries in the relationship. Indonesia's reliance on raw material exports contrasts sharply with China's dominance in value-added manufacturing industries, perpetuating an economic imbalance that limits Indonesia's ability to capture higher-value benefits. This disparity is particularly evident in the palm oil sector, where Indonesian producers primarily export crude palm oil, which Chinese firms refine into consumer goods for domestic and global markets. A similar pattern exists in the coal industry, where Indonesia supplies raw coal while Chinese firms provide the advanced technology needed to build and operate power plants. This arrangement underscores Indonesia's dependency on Chinese technology and expertise, undermining its long-term aspirations for self-reliance and industrial growth (Perwita and Hanggarini 2024, 263–280).

Addressing these structural imbalances requires Indonesia to adopt a multifaceted approach. First, fostering downstream processing industries, particularly in sectors like palm oil, nickel, and coal, can help Indonesia capture greater economic value from its natural resources. For instance, the success of Chinese investments in Indonesia's nickel smelting industry—integral to the development of electric vehicle (EV) batteries—demonstrates the potential of value-added production to stimulate industrial growth and reduce reliance on raw material exports. However, replicating this success across other sectors will necessitate robust infrastructure, clear regulatory frameworks, and alignment with international environmental standards (Tritto 2022).

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Finally, diversifying trade and investment partnerships beyond China is critical for Indonesia to reduce economic dependency and enhance its strategic autonomy. Strengthening ties with other major economies, such as Japan, South Korea, and India, and engaging actively in multilateral frameworks like the Regional Comprehensive Economic Partnership (RCEP) can provide Jakarta with the flexibility to navigate external pressures while advancing its national interests.

Sino-Indonesian economic relations thus represent a blend of opportunity and challenge. While trade and energy cooperation have driven significant growth, structural vulnerabilities and environmental concerns necessitate a re-evaluation of this partnership's long-term trajectory. By prioritising sustainable development, fostering local capacity-building, and diversifying economic engagements, Indonesia can ensure that its economic relationship with China evolves toward greater equity and mutual benefit. Such measures will not only enhance Indonesia's resilience but also position it as a key player in shaping a more balanced and sustainable economic order in Southeast Asia (Wu 2021, 159–163).

ASEAN's role as a platform for addressing the South China Sea dispute has been both an asset and a limitation for Indonesia (Perwita and Hanggarini 2024, 263–280). On one hand, ASEAN-led initiatives such as the East Asia Summit and the ASEAN Regional Forum provide valuable opportunities for multilateral dialogue and confidence-building measures. On the other hand, ASEAN's inability to present a unified front has undermined its effectiveness in addressing the root causes of regional tensions. Diverging interests among ASEAN member states, many of which have substantial economic dependencies on China, have made it challenging to achieve collective action. As a result, Indonesia has often been left to navigate the South China Sea dispute mainly on its own, relying on bilateral diplomacy and unilateral measures to assert its interests.

Economic interdependence with China further complicates Indonesia's strategic positioning. Over the past decade, Sino-Indonesian economic ties have deepened significantly, with China emerging as Indonesia's largest trading partner and a fundamental source of investment. High-profile projects such as the Jakarta-Bandung High-Speed Rail, a flagship BRI collaboration, underscore the importance of Chinese funding in advancing Indonesia's infrastructure modernisation efforts. However, these economic ties have also heightened concerns about dependency and the erosion of sovereignty (Muas, 2023, 24). Critics argue that Indonesia's reliance on Chinese capital and technology limits its ability to assert its interests in contentious areas such as the South China Sea. This tension is exemplified by Chinese fishing incursions in the Natuna Islands, which many Indonesians perceive as a direct challenge to their country's territorial integrity.

In response to these multifaceted challenges, Indonesia has adopted a nuanced and comprehensive strategy to preserve its strategic autonomy while addressing immediate security concerns. On the security front, Indonesia has bolstered its military presence in the Natuna Islands, deploying additional naval forces and upgrading its defence infrastructure. Regular naval patrols and joint operations with the Maritime Security Agency (Bakamla) intend to deter further Chinese incursions and signal Jakarta's resolve to defend its maritime sovereignty. These efforts are complemented by diplomatic initiatives emphasising the peaceful resolution of disputes through dialogue and adherence to international law, particularly the United Nations Convention on the Law of the Sea (UNCLOS).

Indonesia has sought to diversify its trade and investment relationships to reduce its economic dependence on China. By strengthening economic ties with Japan, South Korea, India, and other major economies, Indonesia aims to build a more balanced portfolio of international partnerships. Participation in multilateral frameworks such as the Regional Comprehensive Economic Partnership (RCEP) provides additional opportunities for Indonesia to expand its economic networks and reduce reliance on any single partner. Domestically, Indonesia has prioritised policies that foster economic resilience, including promoting industrial diversification and enhancing key sectors' competitiveness (Muas, 2023, 24).

Indonesia's ability to navigate the South China Sea dispute and manage its relationships with China and the United States will ultimately depend on its capacity to balance competing priorities. Reinforcing its maritime defences and maintaining a proactive diplomatic stance is essential to asserting sovereignty and deterring external threats. At the same time, Jakarta must continue to uphold its commitment to multilateralism, leveraging ASEAN's platforms to advocate for regional stability and collective solutions. Diversifying economic partnerships and fostering domestic resilience will further enhance Indonesia's ability to maintain its strategic autonomy in an increasingly polarised geopolitical environment.

Looking ahead, the stakes for Indonesia in the South China Sea dispute extend beyond questions of territorial integrity and economic pragmatism. The outcome of Jakarta's balancing act will shape its role as a regional leader and its ability to influence the broader trajectory of Southeast Asia's geopolitical landscape. By adopting a principled yet pragmatic approach, Indonesia can navigate the complexities of its relationships with China and the United States while safeguarding its sovereignty and advancing its long-term national interests. This strategy will require a delicate equilibrium of diplomacy, defence, and development—a challenge for Indonesia to resolve, thus securing its position as a pivotal player in regional and global affairs (Yan 2023, 755–783).

Conclusion

The evolving dynamics of Sino-Indonesian relations serve as a microcosm of the broader contestations shaping the Southeast Asian future. Economically, China's Belt and Road Initiative provides Indonesia with critical infrastructure investment, exemplified by projects including the Jakarta-Bandung High-Speed Rail. However, these initiatives come with inherent risks: debt dependency, domestic backlash, and questions of sovereignty. While these projects showcase the transformative potential of Sino-Indonesian cooperation, they also expose structural asymmetries that Jakarta must navigate to safeguard its strategic autonomy.

Geopolitically, the South China Sea disputes underscore the fragility of regional stability. Indonesian defensive measures in the Natuna Islands highlight its resolve to protect maritime sovereignty against China's assertive tactics. However, the interplay of domestic nationalism, ASEAN's fragmented response, and external influences like the U.S. Indo-Pacific strategy complicate Jakarta's efforts to maintain a balanced, non-aligned foreign policy (Stenberg 2024, 252). The challenge lies in crafting a scheme that deters external aggression while fostering constructive economic and diplomatic engagement.

Forging ahead, Indonesia's ability to maintain its strategic autonomy will depend on diversifying its economic partnerships, enhancing regulatory transparency, and investing

in local capacities to offset its reliance on foreign investments. Multilateral platforms like ASEAN and the Regional Comprehensive Economic Partnership (RCEP) offer Jakarta critical avenues for addressing geopolitical tensions while promoting collective regional stability (Yan 2023, 755–783). Concurrently, leveraging emerging sectors such as renewable energy, digital innovation, and advanced manufacturing will be key to reshaping the terms of more sustainable bilateral relationships.

In summary, Sino-Indonesian relations reflect the promise and peril of navigating a rapidly shifting regional order. Trust-building, pragmatic collaboration, and strategic foresight will be essential for Indonesia to position itself not just as a beneficiary of global power shifts but as a sovereign actor capable of shaping the rules and future of Southeast Asia. Through balanced diplomacy and resilient domestic policies, Jakarta can transform its challenges into opportunities, ensuring its trajectory as a leading regional power amidst global realignments.

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