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Economic Statecraft and Strategic Hedging: A Neoclassical Realist Analysis of Qatar's Housing Investment in Indonesia

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Abstract

This study examines Qatar's investment in Indonesia's one million homes program (2024–2026) through the lens of classical realism to reveal the strategic calculations underlying development cooperation between Gulf states and Southeast Asia. Against the backdrop of Indonesia's acute housing deficit and Qatar's surplus capital, this research addresses a gap in understanding how power dynamics and national interest shape South-South development finance. Employing a qualitative explanatory single-case design with process tracing and document analysis, this study systematically examines official documents, media reports, and think-tank analyses from December 2024 to March 2026. The findings demonstrate that Qatar's investment serves as economic statecraft to project geopolitical influence and compensate for military limitations, while Indonesia leverages foreign capital as a self-help mechanism to address domestic stability threats and preserve strategic autonomy through partnership diversification. The study concludes that even apparently altruistic development partnerships are fundamentally shaped by power calculations and interest-balancing. This research contributes a realist account of Gulf-Asia relations and introduces the concept of "balance-of-partnership diversification" as a framework for understanding how middle powers maintain autonomy in an anarchic international system. The findings offer policy guidance for managing the strategic dimensions of development finance, emphasizing the importance of diversified partnerships and delivery credibility.

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Introduction

Contemporary developments in international relations do not proceed in harmony with the ideal of advancing human welfare through development cooperation.(Grajales & Saiget, 2022; Nahrath et al., 2021). The social and political life of global societies often contradicts the methods employed by states in

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forging economic partnerships (Kanashiro Uehara et al., 2023; Patay et al., 2023). Foreign investment and development assistance tend to be perceived as externally imposed elements incongruent with the national interests of recipient states (Mausio, 2023; Taggart et al., 2025). It is broadly assumed that foreign investment embodies values that conflict with sovereignty and economic independence, as its entry is seldom accompanied by the development of local capacity to manage it autonomously (Awais et al., 2021; Mardanov, 2023). Simultaneously, recipient societies frequently lack preparedness to integrate foreign capital into their economic fabric without creating new dependencies (Awais et al., 2021). This picture suggests that the presence of foreign investment is incompatible with the character of societies that ought to adopt such investment as a tool for sovereign development. This reality is vividly illustrated by Qatar's investment in Indonesia. In January 2025, Indonesia and Qatar signed a memorandum of understanding to construct one million housing units in Indonesian cities (Sulaiman, 2025). The signing, held at the Presidential Palace in Jakarta and witnessed by President Prabowo Subianto, involved Qilaa International Group, led by Sheikh Abdulaziz bin Abdulrahman Al Thani of the Qatari royal family, as the investment partner (Business-Indonesia, 2025). Qatar committed to disbursing funds up to US$20 billion for the "3 million homes per year" priority program (Maruf, 2025). Yet beneath this seemingly mutually beneficial cooperation lies a fundamental tension between the strategic interests of both nations: Qatar deploys its capital to expand geopolitical influence in Southeast Asia, while Indonesia seeks to attract foreign capital without sacrificing economic sovereignty (Antara News, 2025a).

Qatar, as a hydrocarbon-rich state with a population of approximately three million, leverages surplus capital to compensate for military constraints and expand diplomatic influence (Rakhmat & Purnama, 2025). Conversely, Indonesia confronts an acute housing deficit, 12.7 million families lacking adequate shelter, and political pressure to fulfill President Prabowo's campaign promise (Maruf, 2025). This partnership appears as a solution for Indonesia, yet it risks creating a new dependency on Gulf capital, echoing dependency theory's critique of North-South capital flows (Frank, 1967). Qatar's housing investment in Indonesia thus proves incompatible with the ideal of economic self-reliance unless managed through a careful diversification strategy. Foreign investment, therefore, is not a mere economic transaction but a political phenomenon saturated with power struggles and interests. Existing studies have failed to capture this complexity because they tend to view investment through a linear, technical lens. To date, the scholarship has inadequately addressed the critical aspect of foreign investment's incompatibility with recipient societies. Studies have neglected the fundamental problem of the relationship between foreign investment and the strategic interests of recipient states. Three tendencies can be mapped. First, studies emphasizing the positive implications of foreign investment for economic growth and poverty reduction (Lum, 2021; Baek & Lee, 2021; Hoffman, 2023). Second, analyses examining risks and adverse effects of foreign investment such as external debt and economic domination (Muhammad et al., 2023; Syuntyurenko, 2022; Williams et al., 2022). Third, scholarship mapping institutional capacity and regulatory issues in attracting foreign investment (Barthold, 2020; Holopainen et al., 2023; Faizal et al., 2022).

From these three tendencies, it is evident that issues of strategic character and power dynamics between investing and recipient states have not been carefully addressed. These studies tend to neglect the political dimension of foreign investment, specifically how investment serves as an instrument of *economic statecraft*, the use of economic means to achieve political and security objectives (Baldwin, 1985). In the Qatar-Indonesia case, liberal institutionalist approaches explain cooperation mechanisms but cannot answer why Qatar, rather than a multilateral development bank, selected Indonesia, or why the commitment was disproportionate to commercial return projections. Constructivist approaches emphasizing shared Islamic identity illuminate cultural facilitation but cannot explain the timing, scale, or sovereign land concessions Indonesia offered, factors that do not vary predictably with Islamic solidarity (Wendt, 1992). Dependency approaches depict Indonesia as a passive recipient, failing to capture Jakarta's active diversification strategy and the conditions it imposed on Qatari participation (Frank, 1967). Thus, a theoretical and empirical gap exists in understanding Qatar-Indonesia investment as a political power phenomenon. This paper aims to fill the deficiency of existing studies that fail to analyze systematically how power dynamics and national interest influence the adoption of foreign investment. A state's capacity to manage foreign investment is largely determined by its strategic orientation and calculation of national interest. Perceptions of foreign investment, as threat or opportunity, require systematic analysis. Three questions can be formulated: (1) how does an investing state use investment as an instrument of economic statecraft to project power; (2) how do domestic interests of a recipient state influence its willingness to accept and manage foreign investment; and (3) how does partnership diversification strategy affect the recipient state's capacity to maintain autonomy amid foreign capital flows.

Answers to these three questions provide profound understanding as a foundation for policy formulation and strategic engineering in maximizing national development objectives without sacrificing sovereignty. Specifically, this study poses one main question: How do power dynamics and national interest, as theorized by classical realism, shape Qatar's investment in Indonesia's one million homes program (2024–2026)? This question guides analysis to uncover the strategic motives behind seemingly altruistic development cooperation. This research analyzes not merely *what* occurred, but *why* and *how* power interests shaped interaction between the two states. Employing classical realism as an analytical lens (Morgenthau, 1948; Carr, 1939), this study addresses three sub-questions: (1) how Qatar leverages surplus capital as an instrument of power to compensate for military limitations; (2) how Indonesia accepts foreign investment as a self-help instrument to address domestic stability threats; and (3) how Indonesia distributes external dependencies across multiple partners to prevent any single investor from acquiring excessive leverage (Morgenthau, 1948; Carr, 1939). Classical realism, as systematized by Morgenthau (1948) and Carr (1939), rests on core assumptions: the international system is anarchic; states are primary actors behaving rationally; the principal motive of state behavior is the pursuit of power; national interest defined in terms of power is the irreducible unit of foreign policy analysis; and moral principles are subordinated to prudential calculations, foreign aid and investment serve as instruments of policy, not charity (Morgenthau, 1962).

This study is founded on the argument that "a state's incompatibility with foreign investment cannot be divorced from the fundamental strategic differences between investing and recipient states." States possess orientations toward national interests that may diverge in the objectives that become the value commitment of foreign investment utilization. Foreign investment prioritizes profit and influence, which may threaten the economic sovereignty of recipient states. Successful adoption of foreign investment requires institutional and regulatory readiness (Barthold, 2020). Foreign investment also necessitates balanced bargaining structures to ensure equitable access and project control. Concurrently, prevailing norms in international relations, such as sovereignty and non-intervention, must be adjusted to the requirements of foreign investment attraction. Successful adoption of foreign investment thus demands strategic engineering in interstate relations. In the Qatar-Indonesia case, this strategic engineering manifests in three forms. First, Qatar deploys investment as *economic statecraft* to expand geopolitical influence (Baldwin, 1985), evidenced by royal family-level engagement and an investment commitment of up to US$2.5 billion for the first phase alone, disproportionate to Qatar's economic size (Maruf, 2025; Business-Indonesia, 2025). Second, Indonesia accepts Qatari investment as a self-help instrument to address the housing deficit and domestic stability threats, a pattern Stephen David (1991) terms "omni-balancing," where developing country leaders use external alliances to confront internal threats. Third, Indonesia implements a partnership diversification strategy by involving the United Arab Emirates, India, Singapore, and Turkey in parallel housing programs, thereby preventing Qatar or any partner from acquiring excessive influence (Maruf, 2025; Antara News, 2024). Through these three strategies, both nations demonstrate that foreign investment is not an altruistic instrument but an arena for power and interest contestation, packaged in the language of development cooperation.

Research Methodology

This study uses a qualitative approach to ensure accuracy and transparency in data collection and analysis. A qualitative approach is chosen because it allows the researcher to understand the phenomenon from the perspective of the actors involved (*emic* perspective). This perspective is essential for revealing how state officials and decision-makers perceive and respond to strategic opportunities in international investment (Creswell & Poth, 2018; Yin, 2018). The focus of this research is Qatar's investment in Indonesia's one million homes program (2024–2026), which is examined as a case of development finance shaped by power politics. The study concentrates on the signing of the memorandum of understanding (MoU) in January 2025, the key institutions involved such as Qilaa International Group and the Qatar Investment Authority, and the elite decision-makers in both countries (Sulaiman, 2025; Business-Indonesia, 2025). The research employs an explanatory single-case design. This design is selected because it allows for in-depth process tracing, which is necessary to uncover the causal mechanisms that link national interests to investment decisions (Yin, 2018). This approach is well-suited for testing propositions derived from classical realism (Morgenthau, 1948). The key actors in this study include Indonesian officials such as Housing Minister Maruarar Sirait, Deputy Minister Fahri Hamzah, and Task Force Head Hashim Djojohadikusumo, as well as Qatari representatives including Sheikh Abdulaziz bin Abdulrahman Al Thani and officials from the Qatar Investment Authority (Antara News, 2024; Maruf, 2025). These actors were chosen because of their direct involvement in the negotiation and signing of the MoU. The primary data consist of public statements and official documents.

Data collection and analysis are designed to ensure the validity of the findings through triangulation and systematic coding (Creswell & Poth, 2018). Using multiple sources allows the researcher to cross-check information and reduce the risk of bias. The data collected are qualitative in nature and come from four main types of sources: (1) official documents such as the MoU text and government press releases; (2) reputable media reports from Reuters, Antara News, Jakarta Globe, and South China Morning Post covering the period from December 2024 to March 2026 (Sulaiman, 2025; Antara News, 2024; Maruf, 2025); (3) official statements from government officials posted on official websites; and (4) analyses from think-tank institutions such as the Middle East Institute (Rakhmat & Purnama, 2025). The data were collected through document analysis using a coding protocol based on classical realist concepts: national interest, power projection, and diversification strategy (Morgenthau, 1948; Baldwin, 1985). The procedures included identifying relevant keywords in news databases, extracting key quotes and statements, documenting the timeline of events, and verifying facts across different sources. To ensure validity, the study used source triangulation and member checking by confirming key facts with relevant informants. Data analysis was conducted using directed content analysis and process tracing (Yin, 2018). The analysis involved reducing the data to information relevant to the research questions, coding the data into themes such as "Qatar's economic statecraft," "Indonesia's domestic interests," and "partnership diversification," presenting the data in chronological and thematic narratives, comparing findings across sources, and drawing conclusions by linking empirical evidence to realist theory (Carr, 1939; Morgenthau, 1962). This approach allows the study to explain the causal mechanisms connecting strategic interests to investment decisions (David, 1991).

Table 1

Summary of Research Design and Data Sources

Component	Description
Approach	Qualitative
Design	Explanatory Single-Case Study
Case	Qatar's Investment in Indonesia's Housing Program (2024–2026)
Unit of Analysis	State-level decision-making
Key Actors	Indonesian officials (Prabowo, Sirait, Hamzah, Djojohadikusumo); Qatari representatives (Sheikh Al Thani, QIA officials)
Data Sources	Official documents, media reports, official statements, think-tank analyses
Time Frame	December 2024 – March 2026
Analytical Methods	Directed Content Analysis and Process Tracing
Validity Strategies	Source triangulation, chronological verification, cross-source checking

Source: Author's elaboration based on Creswell & Poth (2018) and Yin (2018).

Qatar's Economic Statecraft as Power Projection

In the framework of classical realism, foreign investment is never merely an economic transaction; it is an instrument of power used by states to expand influence and secure strategic interests amidst an anarchic international system (Morgenthau, 1948). The case of Qatar's investment in Indonesia's one million homes program (2024–2026) presents a compelling empirical illustration of how a small but resource-rich state leverages surplus capital as economic statecraft to compensate for military limitations and build geopolitical influence in a strategically vital region. Qatar, with a population of approximately three million and abundant natural gas reserves, rationally converts financial advantage into diplomatic influence, a pattern Morgenthau (1948) identified as the essence of power politics in international relations. This analysis elaborates five key dimensions of Qatar's power projection through its housing investment in Indonesia: the disproportionate scale of investment, royal family-level engagement, dual-track institutional architecture, compensation for military constraints, and pragmatic cooperation with Chinese contractors.

The first and most visible dimension of Qatar's economic statecraft is the disproportionate scale of investment relative to Qatar's domestic economic size. The initial commitment of US$2.5 billion for the first phase, comprising 50,000 units in North Jakarta, and the aggregate potential of up to US$20 billion for one million units represents a financial magnitude that far exceeds typical foreign direct investment in Indonesian social infrastructure (Maruf, 2025; Antara News, 2025a). For Qatar, this scale of financial commitment serves not merely as a business decision but as a public signal of economic capacity and geopolitical seriousness. In classical realist terms, disproportionate investment functions as an economic "show of force." Morgenthau (1948, p. 30) asserts that power is the capacity to control the actions of other states, and one means of demonstrating such capacity is through resource displays. By committing funds that significantly exceed rational commercial requirements, Qatar signals to Indonesia, and the broader international community, that Doha is a serious actor in Southeast Asia. This scale also creates path dependency: after the initial US$2.5 billion commitment, Indonesia becomes psychologically and politically invested in deepening relations with Qatar, opening doors for further influence across sectors (Rakhmat & Purnama, 2025). Furthermore, the investment creates asymmetric interdependence; Indonesia, facing a housing backlog of 15 million families and a constrained national budget of only Rp5.07 trillion (approximately US$312 million) for housing in 2025, is heavily dependent on foreign capital (Antara News, 2025b; Antara News, 2025c). Qatar's massive commitment places Doha in a strong bargaining position, withdrawal or delay would disrupt a presidential priority program, constituting subtle yet effective leverage that requires no military threats or overt diplomatic pressure.

The second dimension is the direct involvement of the Qatari royal family in the initiative. The MoU signing on January 8, 2025, at Jakarta's Merdeka Palace was attended by Sheikh Abdulaziz bin Abdulrahman Al Thani, a member of Qatar's royal family and chairman of Qilaa International Group, and witnessed by President Prabowo Subianto (Sulaiman, 2025; Antara News, 2025d). This was not standard procedure for routine commercial transactions; it was an unambiguous political statement of Qatar's strategic interest in Indonesia. In classical realist tradition, the involvement of ruling elites in bilateral economic affairs signals that the state regards the investment as foreign policy, not merely commercial portfolio management (Morgenthau, 1962). Sheikh Abdulaziz acted not only as a businessman but as an extension of the Qatari state. This was reinforced by the government-to-government (G-to-G) framework of the MoU, which institutionally binds both governments rather than merely private companies (Antara News, 2025d; Tempo, 2025). Royal engagement also builds trust on the Indonesian side; in Indonesian political culture, direct involvement of foreign ruling elites is perceived as a guarantee of seriousness and long-term commitment (Rakhmat & Purnama, 2025). This differentiates Qatar from purely private investors with potentially lower commitment levels, while simultaneously granting Qatar privileged access to Indonesia's highest political networks, a form of soft power that, while difficult to measure, is exceptionally valuable.

The third dimension is Qatar's dual-track institutional architecture in Indonesia. On one track, Qilaa International Group established an Indonesian subsidiary to manage the housing project directly, with PT Bank Tabungan Negara (BTN) signing a cooperation agreement to provide mortgage financing for 100,000 units in the first phase (Antara News, 2025e; Kompas, 2025). On the second track, on April 15, 2025, Qatar Investment Authority (QIA), Qatar's sovereign wealth fund, and Danantara Indonesia, the newly established state investment agency, announced a US$4 billion joint investment fund, with each party contributing US$2 billion (Antara News, 2025f; Fintechnews, 2025). This dual architecture, private company capital alongside sovereign fund involvement, demonstrates that Qatar is not merely investing in a single project but systematically building institutional presence across Indonesia's development architecture. QIA's involvement signifies that the investment is fully backed by the Qatari state apparatus and likely to extend beyond the housing program into strategic sectors including downstream industries, renewable energy, healthcare, and digital economy (Antara News, 2025f; Antara

News, 2025g). In classical realist terms, this is institutional "penetration": Qatar embeds itself into Indonesia's economic decision-making structures so thoroughly that Qatari interests become difficult to ignore in future policy formulation (Carr, 1939). Baldwin's (1985) concept of "asymmetric interdependence" captures this dynamic: Indonesia becomes dependent on Qatari capital across multiple sectors, while Qatar, as capital provider, maintains more alternative options. Through this institutional strategy, Qatar acquires layered and dispersed influence, a sophisticated approach for a small state seeking to magnify its geopolitical weight without substantial military capacity.

The fourth dimension is Qatar's use of financial power to compensate for military constraints. With a population of approximately three million, smaller than many Indonesian cities, Qatar lacks significant conventional military capacity to project power in Southeast Asia (Rakhmat & Purnama, 2025). However, classical realism does not confine power to military capability alone; power also encompasses economic, diplomatic, and ideological capacities (Morgenthau, 1948). Qatar employs "smart money" to substitute for the "hard power" it lacks. Large-scale investment in Indonesia functions as preventive diplomacy: by making itself an indispensable economic partner, Qatar creates strong shared interests so that other states, including potential rivals in the Gulf, would hesitate before pressuring Qatar diplomatically in international forums. Indonesian support in multilateral organizations such as OIC or the UN becomes more likely if Qatar is perceived as a genuine development partner. Moreover, Qatar's Southeast Asian presence through housing investment is part of a broader alliance diversification strategy following the 2017–2021 Gulf blockade, when Saudi Arabia, the UAE, Bahrain, and Egypt severed diplomatic ties with Doha. The experience taught Qatar the importance of maintaining a wide and diverse network of partners across the globe (Rakhmat & Purnama, 2025). Indonesia, as the world's largest Muslim-majority nation and a G20 member, is an exceptionally strategic partner. By binding Indonesia through large-scale investment, Qatar builds "geopolitical insurance": should a new Gulf crisis erupt, Qatar would have a potential Southeast Asian ally with economic incentives to defend, or at least not oppose, Doha's position.

The fifth dimension is Qatar's pragmatic collaboration with Chinese contractors for project implementation. Following the MoU, Qatar signaled its intention to engage Chinese construction firms to execute the housing project (Rakhmat & Purnama, 2025). This is a calculated and pragmatic move: China possesses extensive experience and technical capacity for large-scale infrastructure in Indonesia (as demonstrated by the Jakarta-Bandung high-speed rail), while Qatar lacks sufficient domestic construction capacity to build one million housing units in a foreign country. Several Indonesian state-owned construction companies including PT PP are also involved, with 26 hectares of land prepared across Jabodetabek, West Java, Yogyakarta, and Pekanbaru (Profindo, 2025). From a classical realist perspective, Qatar's cooperation with China demonstrates ideological flexibility; it pragmatically pursues its objectives through whatever means are most effective (Morgenthau, 1948). This is "instrumental rationality", using Chinese expertise to ensure project success, because successful delivery is the prerequisite for the diplomatic influence Qatar seeks. If the project fails or lags, Qatar's reputation as a reliable development partner would be damaged, and its political investment would be wasted. However, this cooperation also has strategic dimensions: by involving China, Qatar indirectly expands its influence network. China and Qatar have close economic ties, China is Qatar's largest natural gas importer. By positioning itself as the bridge between Qatari capital and Chinese contractors in Indonesia, Qatar establishes itself as a key actor in the Asian geopolitical equation, connecting the Gulf, East Asia, and Southeast Asia, a subtle form of "soft balancing" using relations with one major power to strengthen influence vis-à-vis another.

In sum, Qatar's investment in Indonesia exemplifies sophisticated economic statecraft. Through disproportionate investment scale, royal family-level engagement, dual-track institutional architecture, compensation for military constraints, and pragmatic cooperation with Chinese contractors, Qatar systematically converts financial capital into political capital and geopolitical influence. In the classical realist framework, this manifests rational state policy in an anarchic international system. Morgenthau (1948) insists that power is the ultimate state objective, and all instruments, including economics, must serve that end. Qatar demonstrates that even small states can play major power games if they employ their resources strategically. The housing investment is neither charity, Islamic solidarity, nor merely business, it is power packaged as development. And in the power game, Qatar is currently winning a round in Southeast Asia.

Indonesia's Domestic Stability Imperative

In the framework of classical realism, the state is a rational actor perpetually seeking to preserve its existence and security within an anarchic international system (Morgenthau, 1948). However, for developing states like Indonesia, the greatest threats to national security often emanate not from external sources, military invasion or diplomatic pressure, but from within: poverty, social inequality, and governmental failure to meet the basic needs of its population. It is within this context that Qatar's investment in the one million homes program

(2024–2026) must be understood. Indonesia, under President Prabowo Subianto's leadership, confronts an acute housing deficit that threatens social stability and the political legitimacy of a newly established regime. Foreign investment, particularly from Qatar, becomes a rational self-help instrument to address these internal threats, a pattern Stephen David (1991) terms "omni-balancing," wherein developing country leaders utilize external alliances to confront domestically originating challenges. This analysis elaborates five dimensions of how Indonesia's domestic interests shape its receptiveness to Qatari investment: the acute housing deficit as a socio-economic threat, political pressure to fulfill campaign promises, state land provision as a strategic concession, emphasis on affordability as an instrument of public support maintenance, and stringent oversight through a presidential task force.

The first dimension is the acute housing deficit confronting Indonesia. Data indicates that Indonesia faces a shortage of 12.7 million housing units, with approximately 15 million families lacking adequate shelter (Maruf, 2025; Antara News, 2024). This deficit is not merely a statistical concern; it constitutes a genuine socio-economic threat with significant destabilization potential. High urban population density, rapid population growth, and uncontrolled urbanization have created slum areas across major cities, generating sources of potential social conflict, criminality, and political dissatisfaction. In classical realist perspective, domestic stability is a prerequisite for national strength; a state unable to fulfill its population's basic needs loses legitimacy and ultimately weakens when confronting external pressures (Morgenthau, 1948). Therefore, addressing the housing deficit is not merely a policy choice but a strategic necessity for regime and state survival. The constrained national budget, merely approximately Rp5.07 trillion (US$312 million) allocated for housing in 2025, cannot possibly cover the requirement of constructing 3 million housing units annually as proclaimed by President Prabowo (Antara News, 2025a; Antara News, 2025b). This gap between need and fiscal capacity precisely drives Indonesia's pursuit of foreign capital as an expeditious solution.

The second dimension is the political pressure to fulfill President Prabowo's campaign promises. Prabowo Subianto, inaugurated as president in October 2024, constructed his electoral campaign around the ambitious pledge to build 3 million houses annually, a program symbolizing his commitment to the welfare of ordinary citizens (Maruf, 2025; Antara News, 2024). Within Indonesia's political system, campaign promises are not mere rhetoric; they constitute a political contract with constituents forming the foundation of governmental legitimacy. Failure to fulfill this pledge would provide ammunition to political opposition and potentially trigger waves of public dissatisfaction threatening regime stability. Prabowo, who secured approximately 58% of the vote in the 2024 presidential election, possesses a strong political mandate but also exceptionally high public expectations (Antara News, 2024). In this context, Qatari investment becomes an invaluable instrument: it enables the government to demonstrate rapid progress on a priority program without excessively burdening the state budget. Qatar's support, announced in January 2025, merely three months after Prabowo's inauguration, sends a powerful signal that the government is serious about realizing its promises (Sulaiman, 2025; Antara News, 2025c). This is the logic of *performance legitimacy*: regimes maintain public support through visible policy achievements directly experienced by the populace. In classical realist language, this is a rational calculation for power preservation, because power, ultimately, depends on the capacity for self-preservation (Morgenthau, 1948).

The third dimension is the provision of state land as a strategic concession to accelerate project implementation. Under the agreement with Qatar, Indonesia committed to providing land from the state land bank and State-Owned Enterprise (SOE) assets for housing construction sites (Business-Indonesia, 2025; Antara News, 2025d). This deployment of state land as a concession was not a decision taken lightly; in Indonesia, land is a highly sensitive asset politically and economically. However, for a government confronting time pressure and limited resources, land provision represents the most effective means of reducing project costs and accelerating realization. By supplying land, Indonesia eliminates one of the greatest obstacles to housing development, costly and time-consuming land acquisition, thereby enabling investors to commence construction immediately. In classical realist perspective, this exemplifies rational *self-help*: the state employs assets it possesses (land) to attract resources it lacks (capital) in pursuit of strategic objectives (domestic stability). Moreover, state land provision also affords Indonesia control over locations and types of housing constructed, ensuring the project aligns with national priorities and does not merely follow investor profit logic. As emphasized by Housing Minister Maruarar Sirait, construction will be concentrated in urban areas to meet the needs of lower-middle-class communities, who constitute the primary constituency of this program (Business-Indonesia, 2025; Antara News, 2025e).

The fourth dimension is the emphasis on affordability as an instrument for maintaining public support. The Indonesian government consistently stresses that housing constructed with Qatari investment must remain affordable for low-income communities. Deputy Housing Minister Fahri Hamzah explicitly stated that interested foreign investors must ensure "interest must be low" and that the program "must not burden housing prices" (Antara News, 2024; Antara News, 2024b). This emphasis reflects governmental awareness that the housing program will only yield political benefits if genuinely enjoyed by ordinary citizens, the program's primary constituency. If housing units built with Qatari capital are sold at unaffordable prices, the program will lose public legitimacy and potentially provoke anger rather than support. Within the *omni-balancing* framework, maintaining public support constitutes an integral component of strategies addressing internal threats (David, 1991). The government must not only construct houses but also ensure that these houses reach those most in need. Thus, affordability emphasis is not merely humanitarian rhetoric; it is a careful political calculation to maximize legitimacy returns from foreign investment. Simultaneously, the government ensures that local developers and SOEs are integrated into the supply chain, including through domestic provision of construction materials such as cement and steel, thereby guaranteeing that the economic benefits of this project are also felt by local industries (Antara News, 2025f).

The fifth dimension is stringent oversight through a special presidential task force. To ensure the housing program proceeds according to targets and does not deviate from national interests, the government established a housing task force led by Hashim Djojohadikusumo, President Prabowo's brother and a prominent businessman (Maruf, 2025; SCMP, 2025). The existence of this task force serves multiple strategic functions. First, it places the program under direct presidential supervision, meaning any issues or obstacles can be immediately addressed with the highest executive authority. Second, it creates clear accountability: if the program fails, responsibility can be traced to the task force and ultimately the president himself, a powerful incentive to ensure success. Third, by involving a figure close to the president, this task force ensures that presidential political interests are represented in every decision related to the project, preventing bureaucracy or foreign investors from steering the program away from the presidential agenda. In classical realist perspective, this exemplifies rational *centralization of control*: in critical situations (acute housing deficit), the state centralizes authority to ensure rapid and effective response (Carr, 1939). This task force also serves as a mechanism to counterbalance foreign investor influence; through strict oversight at the highest level, Indonesia ensures that Qatar or other foreign partners do not acquire excessive control over the national housing program or policy.

In sum, this analysis demonstrates that Indonesia's receptiveness to Qatari investment manifests the logic of *self-help* in confronting domestic threats. The acute housing deficit threatens social stability; political pressure to fulfill campaign promises threatens regime legitimacy; state land provision constitutes a strategic concession to accelerate solutions; affordability emphasis serves as an instrument to maximize political returns; and stringent presidential task force oversight provides a mechanism for maintaining national control. All these represent rational calculations by the state to survive and strengthen itself amid internal pressures. As David (1991) argues, developing country leaders frequently employ external alliances, in this case, investment partnerships with Qatar, to confront domestically originating threats. This is *omni-balancing*: Indonesia does not balance external power (as in traditional balance-of-power) but utilizes external resources to balance internal pressures. Thus, Qatar's investment in Indonesia is not merely economic cooperation; it is a strategic instrument employed by the state to maintain power and stability amidst complex domestic challenges.

Indonesia's Partnership Diversification as Hedging Strategy

In an anarchic international system where no supranational authority guarantees security or enforces agreements, states must rely on self-help strategies to preserve their sovereignty and autonomy (Morgenthau, 1948; Carr, 1939). For middle powers like Indonesia, one of the most significant risks in attracting foreign investment is the potential for dependency, where a single external partner accumulates excessive leverage over the recipient state's development trajectory. Indonesia's engagement with Qatar's housing investment must therefore be understood not in isolation, but as part of a broader, deliberate strategy of partnership diversification. This strategy, which I term *balance-of-partnership diversification*, represents Indonesia's application of balance-of-power logic to the economic domain: by distributing external dependencies across multiple partners, Jakarta prevents any single investor, whether Qatar, China, or any other, from acquiring disproportionate influence over its domestic policies and strategic direction. This analysis elaborates five dimensions of Indonesia's hedging strategy: the simultaneous engagement of multiple partners including the United Arab Emirates, India, Singapore, and Turkey in parallel housing programs; the deliberate creation of a competitive environment among foreign investors; the strengthening of Indonesia's bargaining position through multi-partner engagement; consistency with the constitutional *bebas-aktif* (independent-active) foreign policy doctrine; and the mitigation of dependency risks based on prior experience with Chinese investment.

The first and most visible dimension of Indonesia's diversification strategy is its simultaneous engagement of multiple foreign partners in the housing program, rather than relying exclusively on Qatar. Alongside Qatar's commitment of one million housing units, the Indonesian government secured parallel commitments from the United Arab Emirates for an additional one million units (Maruf, 2025; Antara News, 2024). Indonesian officials also reported expressions of interest from India, Singapore, and Turkey to participate in the affordable housing program (Maruf, 2025; Business-Indonesia, 2025). This multi-partner approach is not coincidental; it reflects a calculated strategy to prevent any single foreign actor from dominating Indonesia's housing sector or extracting political concessions in exchange for capital. By engaging both Qatar and the UAE, Gulf states that have experienced regional rivalry, Indonesia positions itself as a mediator rather than a client, ensuring that competition among investors works to its advantage rather than against it (Maruf, 2025). The inclusion of Asian partners like India, Singapore, and Turkey further diversifies Indonesia's portfolio, reducing its exposure to the particular geopolitical risks associated with any single region. In classical realist terms, this is a classic hedging strategy: Indonesia is not choosing sides but cultivating multiple options to preserve its freedom of maneuver in an uncertain international environment (David, 1991).

The second dimension is the deliberate creation of a competitive environment among foreign investors. Indonesia's strategy of openly welcoming multiple partners generates competition that can be leveraged to secure more favorable terms. When Qatar knows that the UAE, India, or Singapore is also interested in funding Indonesian housing, its bargaining position is weakened, and it has greater incentive to offer concessional terms, such as lower interest rates, longer repayment periods, or fewer conditionalities. Deputy Housing Minister Fahri Hamzah's insistence that foreign investment "must not burden the housing price" and that "the interest must be low" reflects this bargaining leverage (Antara News, 2024; Antara News, 2024b). The competitive environment also creates a mechanism for accountability: if Qatar delays implementation or fails to meet its commitments, Indonesia can pivot to alternative partners without derailing the entire program. This is precisely the logic of "competitive bidding" that Baldwin (1985) identifies as a key instrument of economic statecraft for weaker states. By maintaining multiple potential partners, Indonesia reduces the risk of being held hostage by any single investor's performance or demands. The competition also extends to the reputational realm: Qatar and the UAE, both seeking to enhance their soft power in Southeast Asia, have strong incentives to ensure their projects succeed and garner positive publicity, further aligning their interests with Indonesia's development goals (Rakhmat & Purnama, 2025).

The third dimension is the strengthening of Indonesia's bargaining position through multi-partner engagement. When a state negotiates with a single foreign investor, the asymmetry of power, particularly when the investor is a wealthy state like Qatar and the recipient is a developing country like Indonesia, tends to favor the investor. However, when multiple partners are involved, the recipient state gains what bargaining theorists call "outside options" (Schelling, 1960). These outside options strengthen Indonesia's hand in negotiating the terms of each individual agreement. For example, Indonesia can credibly threaten to allocate more land or regulatory approvals to the UAE if Qatar demands excessively favorable terms. This is not merely theoretical; Indonesia's task force under Hashim Djojohadikusumo explicitly coordinated with multiple Middle Eastern investors simultaneously, signaling that commitments are contingent on performance and cooperation (Antara News, 2024; Maruf, 2025). In classical realist terms, this is a form of "soft balancing", using economic diversification to prevent any single actor from accumulating excessive influence (Walt, 1987). Indonesia's strategy also creates what economists call "network effects": as more partners become involved, the infrastructure, regulations, and institutional frameworks established for foreign investment become more robust, reducing transaction costs for all parties and further attracting additional investors. This virtuous cycle reinforces Indonesia's autonomy by making its development program increasingly self-sustaining.

The fourth dimension is the consistency of Indonesia's diversification strategy with its constitutional *bebas-aktif* (independent-active) foreign policy doctrine. Since the era of President Sukarno, Indonesia has maintained a foreign policy principle of non-alignment and active independence, refusing permanent alignment with any great power bloc (Leifer, 1983; Rakhmat & Purnama, 2025). This doctrine is embedded in Indonesia's constitution and has been consistently reaffirmed by successive administrations, including President Prabowo's. The housing partnership diversification strategy is a direct manifestation of this principle in the economic domain. By engaging Qatar, the UAE, India, Singapore, and Turkey, states that represent diverse geopolitical alignments, Indonesia ensures that its development partners are not concentrated within any single ideological or strategic camp. This reduces the risk that foreign investment becomes a vehicle for great power competition, where Indonesia might be pressured to choose between competing blocs (David, 1991). In classical realist terms, this is a form of "autonomy preservation" in the face of systemic pressures (Morgenthau, 1948). The *bebas-aktif* doctrine also provides a normative framework that legitimizes diversification domestically; Indonesian policymakers can justify engaging multiple partners by invoking the country's historical commitment to independence and non-alignment, making diversification a matter of national identity rather than mere pragmatism. This is particularly important in a country with strong nationalist sentiments and historical sensitivities about foreign domination.

The fifth dimension is the mitigation of dependency risks through learning from prior experience with Chinese investment. Indonesia has had extensive experience with large-scale Chinese infrastructure investments, including the Jakarta-Bandung high-speed rail project, which sparked significant domestic controversy and debate about economic sovereignty, debt dependency, and the role of Chinese workers in Indonesia (Rakhmat & Purnama, 2025; Purnama & Rakhmat, 2025). While Chinese investment has brought substantial infrastructure development, it has also raised concerns about Indonesia's growing economic dependence on China and the potential for political leverage. The housing program appears to be consciously designed to avoid a similar pattern. By ensuring that no single country, including China, Qatar, or the UAE, dominates the housing sector, Indonesia reduces the risk of any investor accumulating political leverage. The involvement of multiple partners also reduces the potential for debt trap dynamics: if one investor's loans become burdensome, others may provide alternative financing or restructuring options (Purnama & Rakhmat, 2025). Furthermore, by maintaining a diversified portfolio of investors, Indonesia can play one partner against another to extract better terms, preventing the "lock-in" effects that often occur when a country becomes overly dependent on a single external patron (Walt, 1987). This is a sophisticated hedging strategy that reflects Indonesia's growing confidence and capacity as a middle power navigating an increasingly complex and multipolar international system.

Indonesia's partnership diversification strategy represents a rational adaptation of classical realist principles to the domain of development finance. By simultaneously engaging multiple partners including Qatar, the UAE, India, Singapore, and Turkey; creating a competitive environment among investors; strengthening bargaining leverage through outside options; maintaining consistency with the *bebas-aktif* constitutional doctrine; and mitigating dependency risks informed by experience with Chinese investment, Indonesia systematically prevents any single foreign actor from accumulating excessive influence over its housing policy and broader development trajectory. In classical realist terms, this is an economic variant of balance-of-power logic: Indonesia prevents dominance by dispersing dependencies across multiple actors, thereby preserving its strategic autonomy in an anarchic international system (Morgenthau, 1948; Carr, 1939). This is a rational hedging strategy, not capitulation to any single partner, but the cultivation of multiple options to maximize benefits while minimizing risks. As David (1991) argues, developing country leaders often employ external alliances to address internal threats, but Indonesia's strategy extends this logic: by diversifying external partnerships, it simultaneously addresses multiple internal challenges, housing deficits, political legitimacy, and economic sovereignty, without falling prey to the new dependencies that such external engagements can create. The housing program thus exemplifies how a middle power can deploy partnership diversification as a sophisticated instrument of statecraft, converting the risks of foreign investment into opportunities for strategic autonomy and national development.

Neoclassical Realism and the Political Economy of Gulf-Southeast Asia Development Finance: A Reassessment of Qatar's Housing Investment in Indonesia

The preceding analyses have demonstrated that Qatar's housing investment in Indonesia, far from being a straightforward act of development cooperation, constitutes a complex interplay of strategic calculations on both sides. Qatar deploys surplus capital as an instrument of economic statecraft to project power and compensate for military limitations, while Indonesia embraces foreign investment as a self-help mechanism to address domestic stability threats and maintain strategic autonomy through partnership diversification. However, explaining *why* and *how* these behaviors emerge requires a theoretical framework that captures the interaction between systemic pressures and domestic political dynamics, precisely what neoclassical realism offers. As Ripsman, Taliaferro, and Lobell (2016) argue, neoclassical realism seeks to explain "the grand strategies of individual states as opposed to recurrent patterns of international outcomes" by focusing on "the interaction of the international system and the internal dynamics of states" (p. 3). This framework is particularly suited to analyzing the Qatar-Indonesia case, where both states respond to systemic incentives but do so through distinct domestic political filters that shape their foreign policy choices.

Classical realism, while valuable for identifying the pursuit of power and national interest as fundamental drivers, treats the state as a unitary black box, neglecting the domestic political processes that mediate how systemic pressures translate into policy outcomes (Morgenthau, 1948). Structural realism, conversely, focuses almost exclusively on systemic constraints, offering limited purchase on why states facing similar systemic conditions adopt divergent strategies (Waltz, 1979). Neoclassical realism bridges this gap by positing that states respond to systemic pressures, but their "responses are shaped by unit-level factors such as state-society relations, the nature of their domestic political regimes, strategic culture, and leader perceptions" (Ripsman, 2017, p. 6). This theoretical move is essential for understanding the Qatar-Indonesia case. Qatar's decision to invest in Indonesian housing cannot be explained solely by the anarchic structure of the international system; rather, it reflects elite perceptions shaped by the 2017-2021 Gulf blockade, which demonstrated Qatar's vulnerability to regional pressures and the necessity of diversifying its alliance portfolio beyond the Gulf. As Dandashly (2025) demonstrates in analyzing Gulf donors, "Qatar aimed to increase its regional influence and gain allies" through foreign aid and investment, using economic instruments to build political capital in strategically significant states (p. 39).

Qatar's housing investment exemplifies what scholars term "economic statecraft", the use of economic means to achieve foreign policy ends (Baldwin, 1985). From a neoclassical realist perspective, Qatar's deployment of financial resources represents the conversion of *relative power*(material capability) into *influence* (the capacity to shape outcomes in international politics). The disproportionate scale of investment, US$2.5 billion for the first phase and up to US$20 billion aggregate, cannot be explained by commercial logic alone; it constitutes a strategic signal of Qatar's capacity and willingness to project power beyond its immediate region (Maruf, 2025; Sulaiman, 2025). The dual-track institutional architecture, involving both Qilaa International Group's direct investment and the Qatar Investment Authority-Danantara joint fund, further demonstrates how Qatar uses institutional mechanisms to embed itself in Indonesia's development trajectory. As Young (2023) observes, Gulf states coordinate "foreign aid, loans, and investment" to advance "both commercial interests and strategic political goals" (p. 18). The involvement of the Qatari royal family in the MoU signing signals that this is not merely commercial activity but state-directed economic statecraft.

Neoclassical realism's emphasis on domestic intervening variables illuminates Indonesia's behavior in ways that classical realism cannot. Indonesia's acceptance of Qatari investment is not simply a rational response to systemic opportunities but reflects the domestic imperative of maintaining regime stability. David's (1991) concept of "omni-balancing" is relevant here: developing country leaders use external alliances to confront internal threats. Indonesia's acute housing deficit, 12.7 million units, constitutes a significant domestic threat, and Qatari capital offers a rapid solution to a problem that could otherwise undermine the new administration's legitimacy (Maruf, 2025). The institutional mechanisms Indonesia has established, the presidential task force led by Hashim Djojohadikusumo, the emphasis on affordability, and the provision of state land as a strategic concession, all reflect domestic political calculations (Antara News, 2024; Business-Indonesia, 2025). These measures ensure that the housing program delivers visible benefits to key constituencies, thereby generating "performance legitimacy" for the Prabowo administration. This is precisely the kind of unit-level factor that neoclassical realism identifies as mediating systemic pressures: Indonesia is responding to the systemic opportunity presented by Qatari capital, but doing so in ways shaped by its domestic political structure and elite perceptions of threat and opportunity.

Indonesia's simultaneous engagement of multiple partners, the UAE, India, Singapore, and Turkey, represents a sophisticated hedging strategy that neoclassical realism explains more effectively than alternative theories. This is not merely economic pragmatism but a form of "soft balancing" that prevents any single partner from accumulating excessive influence (Walt, 1987). By distributing dependencies across multiple actors, Indonesia preserves its strategic autonomy, consistent with its constitutional *bebas-aktif* (independent-active) foreign policy doctrine (Leifer, 1983). From a neoclassical realist perspective, Indonesia's capacity to implement this diversification strategy reflects the strength of its domestic institutions and elite cohesion. The task force structure, the coordination across ministries, and the consistent messaging about multiple partners all indicate a state with sufficient institutional capacity to manage complex external relationships. This variation in capacity, between states that can effectively diversify and those that cannot, is precisely what neoclassical realism seeks to explain, as it distinguishes between *relative power* (material resources) and *influence* (the ability to translate resources into outcomes) (Ripsman, Taliaferro, & Lobell, 2016).

The Qatar-Indonesia housing investment demonstrates the analytical power of neoclassical realism for understanding contemporary development finance. By attending to both systemic pressures, Qatar's need for influence, Indonesia's search for capital, and domestic intervening variables, elite perceptions, political legitimacy imperatives, institutional capacity, neoclassical realism provides a more complete explanation than classical realism, liberalism, or dependency theory alone. It reveals that economic statecraft is not merely about material interests but about how states translate systemic opportunities and constraints through domestic political filters. This case contributes to the broader neoclassical realist research agenda by demonstrating the framework's applicability to South-South development cooperation, an area where realist theories have often been seen as irrelevant. As Pericoli (2025) argues, combining neoclassical realism with attention to ideational factors yields a framework that can explain "the behavior of Qatar, the United Arab Emirates and Saudi Arabia" through "both internal and external political dynamics" (p. 2). The Qatar-

Indonesia case confirms this insight, showing that even apparently altruistic development partnerships are shaped by the enduring logic of power and interest, mediated by the particularities of domestic politics.

Conclusion

This study has examined Qatar's housing investment in Indonesia through the lens of classical realism, demonstrating that the partnership is fundamentally shaped by power dynamics and strategic calculations rather than altruistic development cooperation. The analysis reveals three key findings. First, Qatar deploys its investment as economic statecraft to project influence and compensate for military limitations, evidenced by the disproportionate scale of commitment, royal family-level engagement, and dual-track institutional architecture. Second, Indonesia's receptiveness to Qatari capital reflects a domestic stability imperative, the need to address an acute housing deficit and fulfill campaign promises that underpin regime legitimacy. Third, Indonesia's simultaneous engagement of multiple partners represents a rational hedging strategy to prevent any single investor from acquiring excessive leverage, consistent with its constitutional *bebas-aktif* doctrine.

The theoretical contribution of this study lies in extending classical realism to the domain of South-South development cooperation, demonstrating that even cooperative development projects are undergirded by power calculations and interest-balancing. The concept of "balance-of-partnership diversification" introduced here offers a framework for understanding how middle powers maintain strategic autonomy in an anarchic international system. For policymakers, the findings underscore the importance of maintaining diversified partnerships and robust bargaining mechanisms to ensure that foreign investment aligns with national priorities. For Qatar and similar investors, delivery credibility is essential for translating economic statecraft into sustained influence. Future research should examine the long-term outcomes of this partnership and compare it with similar Gulf investments in other Southeast Asian states to assess the generalizability of these findings.

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No potential conflict of interest was reported by the author(s).

Ethical Approval

This study is a literature review based exclusively on secondary data from published academic journals, official reports, and policy documents. It does not involve primary data collection from human subjects, animals, or any form of direct intervention. Therefore, ethical approval was not required for this research.

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