



An Analysis of Indonesia's Foreign Policy under Prabowo

Managing Great Power Relations

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Executive Summary

This report explores Indonesia's foreign policy under President Prabowo Subianto in the context of the rise of multiple poles of power to challenge the predominant US-led world order and the ongoing great power rivalry between the United States and China.

As Indonesia aims to develop into a rising economic power, with a particular focus on growing its economy into the fifth largest in the world by 2045, it is unsurprising that much of Prabowo's diplomatic overtures have involved trade and investment deals. He is largely considered to be continuing his predecessor President Joko "Jokowi" Widodo's legacy of an economy-first foreign policy, with a focus on domestic development, albeit adopting a more personal and hands-on approach to international diplomacy compared to his predecessor.

The report analyses agreements that the Prabowo government has made with significant powers such as Russia, China and the United States. While such agreements are likely made with Indonesia's economic goals in mind, they risk threatening Indonesia's ability to maintain a neutral, non-aligned foreign policy. The report concludes that while Prabowo's diplomatic engagements involve both Western and non-Western powers, his government's recent deals with Russia and China have exposed the country to possible retaliatory actions from the United States and other Western countries in a world of increasing geopolitical competition.

Introduction

The Indonesian President Prabowo Subianto's presidency comes at a time of major geopolitical shifts and uncertainty. First, the world has been moving towards an increasingly multipolar world, with China and the Global South challenging the existing US-dominated world order and the US-China rivalry intensifying. Second, US President Donald Trump began his presidency earlier this year by announcing baseline and country-specific tariffs on nearly all countries, with Chinese goods initially slapped with tariffs of 145%. Although some of these tariffs have since been reduced with negotiations, they have nonetheless rattled many countries.¹

Compared to his predecessor Joko "Jokowi" Widodo – who preferred to focus on domestic affairs and left foreign policy to the Foreign Ministry² – Prabowo has expressed an active interest in directly shaping Indonesian foreign policy. He has conducted extensive foreign trips as both president-elect and president³ and chose as his foreign minister a loyalist – Sugiono – instead of a career diplomat,⁴ breaking a long-standing tradition.

In line with his hands-on approach to foreign policy, Prabowo has used diplomacy as an economic tool to secure foreign direct investments (FDI). This report argues that Prabowo's focus on steering Indonesia's economic growth comes at the expense of the country's traditional strategic hedging policy. At a time of increased geopolitical rivalry between the United States, on the one hand, and China and Russia, on the other hand, this approach could put Indonesia on a collision course with the United States.

Russia's Role in Achieving Indonesia's Economic Vision

President Prabowo has pledged that Indonesia will become the fifth – or sixth – largest economy in the world by 2045. One of his earliest initiatives as president was to confirm Indonesia's full membership of BRICS, a step his predecessor had been reluctant to take. Membership of BRICS opens up access to the New Development Bank (NDB) set up by the BRICS nations,⁵ potentially providing Indonesia with

¹ Tariffs on all countries were subsequently suspended to allow time for negotiation. Breuninger, Kevin, and Eamon Javers, "Trump Extends China Tariff Deadline by 90 Days", CNBC, 12 August 2025, <https://www.cnn.com/2025/08/11/trump-china-tariffs-deadline-extended.html>.

² For further analysis of Jokowi's foreign policy, see, for instance, Chris Lundry, "Assessing Indonesia's Foreign Policy under Jokowi", *Asia Policy* 13, No. 4 (2018): 30–35; and Adhi Priamarizki, "Understanding the Domestic Determinants of Indonesia's Hedging Policy towards the United States and China", *Contemporary Southeast Asia* 46, No. 1 (2024): 19–42.

³ Priamarizki, Adhi, "Prabowo's Post-Election Diplomacy: Domestic-Driven International Activism", IDSS Paper, S. Rajaratnam School of International Studies, 15 October 2024, <https://rsis.edu.sg/rsis-publication/idss/ip24084-prabowos-post-election-diplomacy-domestic-driven-international-activism/>.

⁴ Priyandita, Gatra, and Fitriani, "The Outlook for Prabowo's Defence and Foreign Policy – and His Choice for Ministers", *The Strategist*, Australian Strategic Policy Institute, 30 September 2024, <https://www.aspi.org.au/the-outlook-for-prabowos-defence-and-foreign-policy-and-his-choice-of-ministers/>.

⁵ The NDB was established in 2014 by BRICS members with the aim of mobilising resources for infrastructure and sustainable development projects in emerging markets and developing countries.

additional funding for its developmental and infrastructural needs. That the new multilateral development bank carries fewer political conditions than Western-led alternatives such as the World Bank and International Monetary Fund (IMF) makes the NDB an attractive option for Indonesia to achieve its goal of developing its economy.

However, joining BRICS does not come without geopolitical risks. Despite arguments that Indonesia's membership of BRICS is part of Indonesia's "free and active" foreign policy, Jokowi concluded that there was no urgency for Indonesia to pursue membership during his presidency.⁶ Since he was regularly advised by the Indonesian Foreign Ministry prior to making key foreign policy decisions,⁷ Jokowi was likely to have recognised that Western powers such as the United States could interpret Indonesia's membership of BRICS as a sign that the country was shifting its foreign policy approach from its long-standing posture nonalignment⁸ to a more revisionist one.⁹ Joining BRICS might complicate Indonesia's relationship with the West, given the widespread perception that it was established as an alternative to the liberal international order.¹⁰ This consideration may have been the reason behind Jokowi's decision not to pursue BRICS membership.

Apart from joining BRICS, Indonesia under Prabowo has increased its economic engagement with Russia. It recently concluded negotiations with the Eurasian Economic Union (EAEU), a Russia-led economic union of five former Soviet Eurasian states. The result was the establishment of the Indonesia-EAEU Free Trade Agreement).¹¹ Prabowo has also visited Russia twice, once as president-elect in September 2024 and another time as president in June 2025. His two visits indicate his willingness to foster closer cooperation with Russia.¹²

Furthermore, Prabowo skipped a G-7 Summit in Canada to attend the St. Petersburg International Economic Forum in June, a move that analysts cautioned could be interpreted as leaning too visibly towards Moscow and potentially endangering Indonesia's free and active foreign policy principle.¹³ During this Russia

⁶ Raditio, Klaus Heinrich, "Understanding Indonesia's Decision to (Eventually) Join BRICS", *The Interpreter*, Lowy Institute, 1 November 2024, <https://www.lowyinstitute.org/the-interpreter/understanding-indonesia-s-decision-eventually-join-brics>.

⁷ Dannhauer, Pia, "Elite Role Conceptions and Indonesia's Agency in the ASEAN Outlook on the Indo-Pacific: Reclaiming Leadership", *The Pacific Review* 37, No. 1 (2024): 30–55.

⁸ Nonalignment in the Indonesian context refers to the country's "free and active" foreign policy, which was established in 1949, just after independence, and has been upheld by successive Indonesian governments. For further details, see Evan Laksmana and Lina Alexandra (eds.), *Hatta and Indonesia's Independent and Active Foreign Policy* (Jakarta: Centre for Strategic and International Studies, 2022).

⁹ Gozali, Ghufroon and M. Habib Pashya, "Joining BRICS+ is Not in Indonesia's Interests", *The Interpreter*, Lowy Institute, 26 November 2024, <https://www.lowyinstitute.org/the-interpreter/joining-brics-not-indonesia-s-interests>.

¹⁰ Nach, Marida, "BRICS as a Strategic Challenge to the Liberal International Order", Australian Institute of International Affairs, 19 August 2025, <https://www.internationalaffairs.org.au/australianoutlook/brics-as-a-strategic-challenge-to-the-liberal-international-order/>.

¹¹ Saputra, Bayu, and Uyu Liman, "Indonesia, Eurasian Economic Union Wrap up Free Trade Talks", Antara News, 20 June 2025, <https://en.antaranews.com/news/360809/indonesia-eurasian-economic-union-wrap-up-free-trade-talks>.

¹² *Jakarta Post*, "Prabowo Touts Growing Russia Ties after Talks with Putin - Asia & Pacific", 20 June 2025, <https://www.thejakartapost.com/world/2025/06/20/prabowo-touts-growing-russia-ties-after-talks-with-putin.html>.

¹³ Arshad, Arlina, "Sign of Sovereignty: Prabowo Skips G-7 for Russia, Drawing Scrutiny over Indonesia's Neutrality", *The Straits Times*, 21 June 2025, <https://www.straitstimes.com/asia/se-asia/sign-of-sovereignty-prabowo-skips-g-7-for-russia-drawing-scrutiny-over-indonesias-neutrality>.

visit, Indonesia's sovereign wealth fund Danantara and its Russian counterpart, Russian Direct Investment Fund (RDIF), announced that they would set up a joint investment platform worth US\$2.3 billion.¹⁴

Indonesia's deal with Russia does not come without risks: US President Donald Trump has imposed an additional 25% tariff on India for its purchase of Russian oil, bringing US tariffs on India to 50%.¹⁵ He has also threatened potential penalties on other countries directly or indirectly importing oil from Russia.¹⁶ Analysts have raised concerns that Indonesia faces the threat of additional tariffs from Washington amid the increasing strategic competition between the United States and Russia.¹⁷

Indonesia's engagements with Russia – although justified as an expression of its free and active foreign policy¹⁸ – could create friction with the West if not carefully managed. Despite Trump's threats of imposing additional tariffs being mostly empty rhetoric thus far, his disapproval of BRICS membership and Indonesia's economic ties with Russia still portend a potential increase in tensions between Indonesia and the United States.

Indonesia–China Economic Ties under Prabowo

As Indonesia's top trading partner since 2013,¹⁹ as well as its third largest source of FDI behind Singapore and Hong Kong,²⁰ China is crucial to achieving Indonesia's vision of becoming a developed country by 2045.

Chinese investment in Indonesia's mineral sector has grown exponentially since 2013, far exceeding that of Japan, previously Indonesia's largest source of FDI. Significantly, China has played a key role in the growth of Indonesia's nickel-processing industry: China's electric vehicle (EV) expansion has driven demand for Indonesia's processed nickel, with China being the destination for more than 90% of Indonesia's nickel exports.²¹

¹⁴ Shofa, Jayanty, "Danantara, Russia's RDIF to Launch \$2.3 Billion Investment Platform", *The Jakarta Globe*, 20 June 2025, <https://jakartaglobe.id/business/danantara-russias-rdif-to-launch-23-billion-investment-platform>.

¹⁵ Jones, Callum, and Penelope McRae, "Trump Imposes 50% Tariff on India as Punishment for Buying Russian Oil", *The Guardian*, 27 August 2025, <https://www.theguardian.com/us-news/2025/aug/27/trump-tariff-india-russian-oil-purchase>.

¹⁶ Channel News Asia, "Trump Orders Extra 25% Tariff on Indian Goods, Straining Trade Ties Further", 6 August 2025, <https://www.channelnewsasia.com/world/trump-orders-extra-25-tariff-indian-goods-straining-trade-ties-further-5280786>.

¹⁷ Aswicahyono, Haryo (@Aswicahyono), "Beli minyak Rusia = Untung krn dpt discount dr Rusia \$13/barel lebih murah dibanding harga internasional - Risiko: kena secondary sanction oleh Trump spt India", Twitter post, 9 August 2025, <https://x.com/Aswicahyono/status/1954273378086645763>.

¹⁸ Antara News, "In Russia, Prabowo Reaffirms Indonesia's Non-aligned Stance", 21 June 2025, <https://en.antaranews.com/news/360813/in-russia-prabowo-reaffirms-indonesias-non-aligned-stance>.

¹⁹ Zhou, Qian, "China-Indonesia Economic Partnership: A Closer Look", *China Briefing News*, 9 April 2025, <https://www.china-briefing.com/news/china-indonesia-trade-and-investment-profile-opportunities/>.

²⁰ Statistics Indonesia (BPS), "Investment Realization: Foreign Investment by Country - Statistical Data", 27 March 2025, <https://www.bps.go.id/en/statistics-table/2/MTgOMyMy/investment-realization-foreign-investment-by-country.html>.

²¹ Stevenson-Yang, Lucy, "Nickel Nexus: Indonesia's China-Backed Nickel-to-Battery Ambition", *The China-Global South Project*, 3 October 2024, <https://chinaglobalsouth.com/analysis/nickel-nexus-indonesias-china-backed-nickel-to-battery-ambition/>.

Indonesia's *hilirisasi*²² (downstreaming) legislation mandates that international companies process the country's raw minerals into value-added products before exporting them. In line with the *hilirisasi* framework, China has invested heavily in Indonesia's nickel-processing industry, with Chinese firms such as Tsingshan Holding Group, Zhejiang Huayou Cobalt and Contemporary Amperex Technology Co. Ltd. (CATL) controlling over 75% of Indonesia's nickel refining capacity.²³ Chinese investment in nickel-processing facilities allows Indonesia to tap into its large reserves of nickel and supply 40% of the world's demand for the metal,²⁴ giving it a larger global role. The nickel industry also drives domestic economic growth: it has attracted US\$47.36 billion in new investments, created 180,600 new jobs and netted US\$34.1 billion in exports.²⁵

China's dominance of the nickel-processing landscape has largely crowded out other countries in nickel processing or EV battery projects in Indonesia. Moreover, Chinese firms have an edge over their competitors owing to their willingness to comply with Indonesia's *hilirisasi* policy, their ability to scale their projects, and lack of environmental, social and governance (ESG) requirements. While American electric automaker Tesla has declined Indonesia's offer to open an EV battery plant citing the country's reliance on fossil-fuel-generated electricity,²⁶ Indonesia's *hilirisasi* policy seems to have disincentivised other countries from investing in its nickel sector. China's existing dominance also renders making a profit difficult for non-Chinese companies.²⁷ It may be for these reasons that in 2024 French miner Eramet and German's BASF cancelled a US\$2.6 billion joint investment project in a nickel-cobalt refining complex in Indonesia's Weda Bay²⁸ while in 2025 South Korea's LG Energy Solution withdrew from an EV battery project and was in turn replaced by China's Zhejiang Huayou Cobalt.²⁹ Indonesia hence has limited room to diversify its investment partnerships, leaving it reliant on China for its nickel-driven economic growth.

Relying too closely on China can have adverse strategic implications for Indonesia: it reduces Indonesia's room for manoeuvre and hedging. This could be seen in Prabowo's willingness to sign a joint agreement with China on developing the maritime economy in the South China Sea in November 2024 that included China's

²² Indonesia's downstreaming policy is based on Law No. 4 of 2009, which was amended by Law No. 3 of 2020 (Minerba Law). Under this law, those who have obtained Mining Business Permits (IUP) and Special Mining Business Permits (IUPK) are required to purify nickel domestically.

²³ Miller, Eli, "Refining Power." C4ADS, 5 March 2025, <https://c4ads.org/commentary/refining-power/>.

²⁴ Pettitt, Jeniece, and Lisa Setyon, "How the EV Boom Led Chinese Companies to Take over Indonesia's Nickel Industry", CNBC, 27 July 2024, <https://www.cnbc.com/2024/07/27/chinese-dominance-in-indonesias-nickel-industry-during-ev-boom.html>.

²⁵ Andriyanto, Heru, "How Nickel Industrialization Is Transforming Indonesia's Economy", *The Jakarta Globe*, 30 January 2025, <https://jakartaglobe.id/business/how-nickel-industrialization-is-transforming-indonesias-economy>.

²⁶ Muthiariny, Dewi. "Tesla Holds Off Investment in Indonesia Due to Coal Energy, Says Minister." *Tempo*, 4 September 2024, <https://en.tempo.co/read/1912279/tesla-holds-off-investment-in-indonesia-due-to-coal-energy-says-minister>.

²⁷ Lakshmi, A. Anantha, "Western Miner Eramet Sees No Profits in Nickel Processing without Chinese Partners", *Financial Times*, 24 November 2024, <https://www.ft.com/content/e42d5e3e-30ff-4698-8348-d0e6731f2271>.

²⁸ Baskoro, Faisal, "BASF and Eramet Withdraw from \$2.6 Billion Nickel Smelter Project in Weda Bay", *The Jakarta Globe*, 27 June 2024, https://jakartaglobe.id/business/basf-and-eramet-withdraw-from-26-billion-nickel-smelter-project-in-weda-bay#goog_rewarded.

²⁹ Isaac, Julian, "President Approves Huayou as New Lead in EV Battery Project, Replaces LG Energy Solution", *Indonesia Business Post*, 22 May 2025, <https://indonesiabusinesspost.com/4358/corporate-affairs/president-approves-huayou-as-new-lead-in-ev-battery-project-replaces-lg-energy-solution#:~:text=Chinese%20battery%20manufacturer%20Huayou%20has,as%20the%20new%20strategic%20partner>.

contention that there the two countries had areas of “overlapping claims”.³⁰ This statement goes against Indonesia’s long-held stance of aligning with the exclusive economic zone (EEZ) boundaries defined by UNCLOS (UN Convention on the Law of the Sea) and could be perceived as a tacit recognition of China’s so-called nine-dash line claim in the South China Sea.³¹

Some suggest that signing the joint agreement may have simply been a mistake on Prabowo’s part,³² given his relative inexperience at that time and, in fact, the Indonesian Ministry of Foreign Affairs (*Kemlu*) issued a statement soon afterwards, clarifying that it did not recognise China’s claims in the South China Sea.³³ However, given that Prabowo signed a US\$10 billion deal with President Xi Jinping,³⁴ his willingness to sign the agreement could also be attributed to his desire to earn China’s favour and secure more Chinese investments. In any event, the statement could potentially undermine Indonesia’s territorial interests in the North Natuna Sea.

The agreement could also hold serious implications for Indonesia’s relations with ASEAN. There is speculation that it is China’s influence that has contributed to Indonesia’s failure thus far to ratify an agreement with Vietnam demarcating their respective EEZs, which includes sea space within China’s nine-dash line claim.³⁵ If so, such influence from Beijing risks destabilising Indonesia’s relations with ASEAN: being unable to ratify the EEZ demarcation with another Southeast Asian neighbour will have affected Indonesia’s credibility as a leader and a promoter of peace and stability within ASEAN.

Trump–Prabowo Trade Deal and Potential Response from Trading Partners

Despite the tariffs that President Trump imposed on his so-called Liberation Day, Indonesia has managed to reach a deal to lower its tariff rates from 32% to 19%. As part of the negotiations to reach the deal, Indonesia agreed to eliminate tariffs on nearly all US goods and remove all non-tariff barriers facing American firms, such as local content requirements and export restrictions on industrial commodities, including

³⁰ Basudoro, Alfin, “Indonesia-China Agreement and Jakarta’s Inconsistency on the South China Sea Issue”, RSIS Commentary, 10 January 2025, <https://rsis.edu.sg/rsis-publication/rsis/indonesia-china-agreement-and-jakartas-inconsistency-on-the-south-china-sea-issue/>.

³¹ Basudoro, “Indonesia-China Agreement”.

³² Bradford, John, and Aristyo Darmawan, “Prabowo’s International Tour: Economic Gains and Maritime Controversy”, IDSS Paper, S. Rajaratnam School of International Studies, 2 December 2024, <https://rsis.edu.sg/rsis-publication/idss/ip24101-prabowos-international-tour-economic-gains-and-maritime-controversy/>.

³³ Da Costa, Gusty, “FM: Indonesia Does Not Recognize China’s Nine Dash Line Claim over South China Sea”, *Indonesia Business Post*, 3 December 2024, <https://indonesiabusinesspost.com/3267/national-resilience/fm-indonesia-does-not-recognize-china-s-nine-dash-line-claim-over-south-china-sea>.

³⁴ Reuters, “China, Indonesia Seal \$10 Billion in Deals Focused on Green Energy and Tech”, Reuters, 10 November 2024, <https://www.reuters.com/world/asia-pacific/china-indonesia-enhance-ties-with-key-deals-lithium-green-energy-tourism-2024-11-10/>.

³⁵ Darmawan, Aristyo, “Problematic Stall: Indonesia-Vietnam EEZ Maritime Delimitation Agreement”, IDSS Paper, S. Rajaratnam School of International Studies, 4 July 2025, <https://rsis.edu.sg/rsis-publication/idss/ip25070-problematic-stall-indonesia-vietnam-eez-maritime-delimitation-agreement/>.

critical minerals.³⁶ Additionally, it has committed to a purchase of US\$15 billion in energy and US\$4.5 billion in agricultural products,³⁷ as well as 50 Boeing jets.³⁸

Despite such significant concessions to the United States, Indonesia seems to have reaped benefits: the agreements made with Trump are not legally binding, allowing Indonesia more room to negotiate over the details of the deal. Former Indonesian Trade Minister Mari Pangestu has told *Nikkei Asia* that the deal could take a long time to finalise,³⁹ suggesting that Indonesia is under no pressure to commit to such promises. This seems to be a diplomatic win for Indonesia as it has walked away with a significantly lowered tariff rate, with no immediate deals to commit to. Additionally, the United States has granted Indonesia zero tariffs on copper, while Investment Minister Rosan Roeslani has stated that Jakarta is trying to negotiate for tariffs “much lower” than 19% for nickel and other commodities.⁴⁰

However, Indonesia’s agreement to eliminate tariffs and non-tariff barriers directly contradicts its *hilirisasi* policy. The removal of non-tariff barriers risks undermining domestic efforts to develop value-added industries to reduce Indonesia’s dependence on raw material exports. Should Indonesia follow through with its agreements with the United States, it would be placed in a difficult position of having to choose between its domestic interests – where downstreaming contributes to significant economic growth and FDI – and its relations with the United States.

More significantly, the normative potential of Indonesia’s promise to remove most of its tariffs and non-tariff barriers on American goods and services should not be ignored as it might encourage other countries to seek similar agreements with Indonesia. In particular, the European Union has consistently opposed Indonesia’s *hilirisasi* policy: it had previously initiated a dispute with the World Trade Organisation (WTO) over Indonesia’s ban on nickel ore exports.⁴¹ Thus, Indonesia’s removal of its protectionist trade policies as part of negotiations with the United States may set the precedent for other countries to demand the same of Indonesia, putting it at risk of having to choose between its domestic policies and maintaining harmonious trade relations.

Additionally, China could perceive the deal as a geopolitical lean towards the United States despite the fact that the agreements between Prabowo and Trump are not legally binding. The agreements include Indonesia’s assent to imposing up to 40%

³⁶ The White House, “Fact Sheet: The United States and Indonesia Reach Historic Trade Deal”, 22 July 2025, <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-the-united-states-and-indonesia-reach-historic-trade-deal/>.

³⁷ Andriyanto, Heru, “What’s in the New US-Indonesia Trade Agreement?”, *The Jakarta Globe*, 23 July 2025, <https://jakartaglobe.id/business/whats-in-the-new-usindonesia-trade-agreement>.

³⁸ *The Guardian*, “Trump Says Indonesia to Pay 19% Tariffs, Buy 50 Boeing Jets under Trade Deal”, 16 July 2025, <https://www.theguardian.com/us-news/2025/jul/16/trump-says-indonesia-to-pay-19-tariffs-buy-50-boeing-jets-under-trade-deal>.

³⁹ Rachman, Joseph, “Indonesian Tariff Negotiator Says US Deal Far from Finalized”, *Nikkei Asia*, 30 July 2025, <https://asia.nikkei.com/economy/trade-war/trump-tariffs/indonesian-tariff-negotiator-says-us-deal-far-from-finalized>.

⁴⁰ Shofa, Jayanty, “US Agrees to Grant 0% Tariff on Indonesian Copper: Minister”, *The Jakarta Globe*, 6 August 2025, <https://jakartaglobe.id/business/us-agrees-to-grant-0-tariff-on-indonesian-copper-minister>.

⁴¹ In this case, the WTO has ruled against Indonesia, which in December 2022 lodged an appeal with the WTO’s Appellate Body. However, the dispute remains unresolved due to the non-functioning state of the Appellate Body. Rohmah, Ainur, “Indonesia Defies WTO in EU Nickel Dispute”, *Asia Sentinel*, 6 October 2024, <https://www.asiasentinel.com/p/indonesia-defies-wto-eu-nickel-dispute>.

tariffs on transhipped goods, aimed largely at goods of Chinese origin seeking US markets. Such a move could cost Chinese firms their competitive edge. China might also perceive Indonesia as aligning with America's trade priorities amid the greater US-China geopolitical trade war. If China feels that its own interests and strategic standing in Indonesia's economy are threatened by the current state of the deal or by any of Indonesia's future attempts to negotiate the details of the deal with the United States, it could possibly retaliate by reducing future investments in Indonesia, which could in turn hurt Indonesia's economy.

As such, Indonesia's trade agreement with the United States risks setting a precedent that compels it to accommodate the demands of other major powers, potentially at the expense of its own national interests.

Conclusion and Policy Recommendations

It is commendable that Indonesia is trying to maintain its free and active foreign policy by pragmatically engaging with different poles of power. However, at a time of increasing great power competition, Indonesia could find it difficult to maintain a neutral foreign policy stance in view of some of the agreements it has struck recently with Russia and China.⁴²

Given the above situation, policymakers may wish to consider the following strategic moves:

1. **Strengthen Indonesia's free and active foreign policy principle.** Indonesia should ensure that deepening economic engagements with non-Western states is complemented by deepening engagements with the United States and other Western nations and institutions. In doing so, it can avoid being perceived as tilting towards non-Western powers and trying to develop an alternative to the existing international order. For example, Indonesia could prioritise meeting the necessary requirements for its accession to the Organisation for Economic Co-operation and Development (OECD). It should also make greater efforts to diversify its nickel-processing industry, for example, by securing more investments from the European Union, so that it does not rely solely on China.
2. **Adopt a consistent foreign policy.** While foreign policy should largely be driven by domestic consideration, it should also be informed by international law and norms. For example, although there are no UN sanctions against Russia, Indonesia should be cognisant that Russia's invasion of Ukraine has been condemned by the UN General Assembly. Indonesia could therefore reduce its oil imports from Russia, opting instead to purchase oil from other oil producers. Indonesia should also avoid a foreign policy aimed at pleasing any one great power. At the same time, when striking trade agreements that benefit its

⁴² This report's main findings accord with recent studies which indicate that Indonesia – and some Southeast Asian countries – are increasingly aligning themselves with China instead of the United States. See, for instance, Khong Yuen Foong and Joseph Chinyong Liow, "Southeast Asia is Starting to Choose: Why the Region is Leaning towards China", *Foreign Affairs*, July/August 2025.

economy, Indonesia should keep in mind the geopolitical implications of such agreements, where extensive deals with one power may be perceived as signs of alignment with that power. While making economic decisions on the basis of geopolitics may involve some trade-offs in economic benefits, it will help Indonesia avoid the perception of favouring one power too heavily, thereby preserving its strategic hedging policy.

3. **Strengthen cooperation with ASEAN.** As ASEAN lies in Indonesia's immediate outer ring in the Javanese concept of *mandala*, its security is closely linked to Indonesia's own security. Presenting a unified front as a regional bloc would not only allow Indonesia to reclaim its leadership but also promote trade and investment liberalisation within the region amid escalating trade tensions between the great powers. ASEAN's commitment to a multilateral trading system allows it to weather the uncertainties in global trade, offering Indonesia a regional buffer to maintain its non-aligned stance.
4. **Resist one-sided external pressures in bilateral and multilateral agreements with major powers.** Indonesia's domestic interests should be its first priority, particularly in negotiations regarding the economic deal with the United States. This is especially so regarding its globally controversial *hilirisasi* policy, which other countries might try to negotiate around. While agreeing to some demands of foreign leaders might score Indonesia political points, Indonesia should adopt a consistent, non-aligned approach in engaging foreign powers and abide by international law. Not doing so would compromise its strategic interests, complicating its efforts to maintain a free and active foreign policy.

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