



# Beyond Commercialism: Reframing Indonesia's Economic Diplomacy as an Economic Security Strategy

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## **Beyond Commercialism: Reframing Indonesia's Economic Diplomacy as an Economic Security Strategy**

*By Arrizal Jaknanihan*

### **SYNOPSIS**

*Despite emerging geoeconomic risks, Indonesia's economic diplomacy remains anchored in an inward-looking and narrowly commercial paradigm. Indonesia must adopt a new strategic perspective that transforms economic diplomacy into a tool to harness economic security: one that promotes economic openness without compromising national security and resilience.*

### **COMMENTARY**

The global energy crisis, prompted by conflicts in the Middle East, has exposed the inseparable relationship between national security and the continuity of global commerce. This lesson is especially salient for Indonesia and other trade-dependent economies in Southeast Asia, as affirmed in their [joint statement](#) on 7 – 8 May 2026 at the 48th ASEAN Summit in Cebu.

Attending the summit, Indonesian President Prabowo Subianto highlighted the challenges that geopolitical rivalry poses to supply chain resilience – one of the 'megatrends' identified in the [ASEAN Economic Community Strategic Plan 2026-2030](#). However, Indonesia's existing economic diplomacy strategy still focuses narrowly on promoting commercial activities. Absent are strategic measures to ensure that Indonesia's pursuit of economic openness also strengthens national security and resilience.

## Commercial and Inward-Looking Paradigm

Economic diplomacy has long been the central theme of Indonesia's foreign policy. However, its success indicators – attracting foreign investment and expanding Indonesia's access to international markets – remain narrowly defined.

The dominance of this commercial paradigm was illustrated in the Annual Statement of the Indonesian Minister of Foreign Affairs on 8 January 2024. According to then-Foreign Minister Retno Marsudi, the [success of Indonesia's economic diplomacy](#) was evident by the Joko Widodo administration's (2014 – 2024) ability to secure 27 trade agreements, as well as achieve a trade surplus, increased investment inflows, and job creation.

Under Prabowo's government, security has emerged as [the new driving logic](#) of Indonesia's economic policies that heavily emphasise sovereignty, self-sufficiency, and state control over the economy. The government further demonstrated this policy direction on 1 June 2026 by implementing a plan to [centralise export trade regime of strategic natural resource commodities](#), including crude palm oil, coal, and ferroalloys, into a 'single window' through the state-owned enterprise Danantara Sumberdaya Indonesia.

Despite the prominence of security-driven economic policies, Indonesia's economic diplomacy remains anchored in an inward-looking and commercial paradigm. For instance, the [Strategic Plan](#) of the Ministry of Foreign Affairs of Indonesia for 2025–2029 stated that the Index of Effectiveness of Economic Diplomacy, which measures the success of economic diplomacy, is still based on the economic benefits accrued domestically, rather than on the projection of Indonesia's economic networks, power, and influence abroad.

This bifurcated policy orientation has resulted in a mismatch. While domestic economic policy is overly securitised, economic diplomacy lacks a coherent strategy that can leverage economic openness to advance not only development agenda but also national security and resilience.

## Adapting to the Geoeconomic Environment

Promoting commercial and developmental goals is indeed indispensable for developing economies. However, treating these as the sole objective of economic diplomacy risks overlooking emerging geoeconomic challenges.

Geopolitics increasingly competes with efficiency in determining the [flow of global commerce](#). In the emerging geoeconomic order, economic coercion has become a normalised instrument of statecraft. Likewise, investment screening, trade and export controls, and [industrial policy](#) are increasingly driven by security motives, rather than purely developmental objectives.

To address these risks, countries across the Indo-Pacific have incorporated economic security as a perspective guiding economic diplomacy. The US' economic statecraft has been premised on the notion that 'economic security is national

security' since the 2017 [National Security Strategy](#). Likewise, Japan introduced its [Economic Security Promotion Act](#) in 2022, aiming to bolster domestic industrial capacity while reducing reliance on external suppliers for strategic supply chains.

While the 'gloeconomic turn' in the global economy presents risks, Indonesia must avoid the dangerous march toward the securitisation of all economic interactions. Weaponisation of economic policies incurs [disproportionate economic costs](#) for developing and trade-dependent economies in Southeast Asia, including Indonesia.

As the [ASEAN Geoeconomics Report](#) also suggested, overly securitising economic interdependence will paradoxically undermine Southeast Asia's regional security environment, which is built on an interlocking network of global production and economic cooperation involving both regional and extra-regional partners.

The indispensability of an interdependent global economy to Indonesia makes the underlying logic of Prabowo's policies, which increasingly equate economic security with autarky, unfit to guide economic diplomacy. Instead, Indonesia's economic diplomacy should follow ASEAN's pathway to [economic security](#), where economic cooperation not only enhances national prosperity but also builds political relations with multiple partners, thereby maximising the space to exercise agency and hedge against geoeconomic risks.

### **Incorporating Strategic Measures**

To transform economic diplomacy into a tool for promoting economic security, the Indonesian government must adopt policy documents that explicitly subscribe to the notion that national security comes from safeguarding economic openness through international cooperation, rather than simply reducing exposure to the global economy. With this new strategic perspective, Indonesia's aim to diversify economic partners will not only promote economic openness but also increase the country's ability to withstand external disruption.

The risks of supply chain disruption loom high for Indonesia, a developing country with trade relations heavily concentrated with a few partners. Studies by the Jakarta-based [Centre for Strategic and International Studies](#) found that over half of Indonesia's export values are concentrated in just five countries, with China's market alone generating a quarter of those values. Moreover, 34.7 per cent of Indonesia's imported product categories were sourced mostly from a single partner, with 75 per cent of each product type supplied by one country.

Diversifying economic cooperation beyond traditional partners can help Indonesia blunt the impact of external disruption. Abundant access to multiple foreign markets enables Indonesia to switch to alternative trade partners when disruptions occur, thereby minimising the direct and second-order impacts of supply chain disruptions, particularly on strategic commodities.

Under Prabowo, Indonesia has expanded its options to hedge against external shocks through the groundbreaking Comprehensive Economic Partnership Agreement with the [European Union](#) and [Canada](#) to mitigate the impact of the US'

'Liberation Day Tariffs' imposed in 2025. Future economic agreements and potential upgrades to existing ones must explicitly consider how they can promote not only commercial gains but also supply chain resilience and [strategic diversification](#).

Ultimately, the goal of economic diplomacy is to anchor Indonesia's economic security within an open, rules-based economic order. A functioning multilateral economic institution provides a platform for settling disputes between trading nations. This mechanism serves as a 'cool-down system' that prevents economic disputes from escalating into political tension, thereby discouraging countries from weaponising their economic relations as policy options.

To strengthen global economic governance, Indonesia should follow the example of Singapore, Vietnam, the Philippines, and Malaysia to join the WTO Multi-Party Interim Appeal Arbitration Arrangement ([MPIA](#)). The MPIA effectively serves as a functioning plurilateral mechanism for settling international trade disputes, replacing the currently defunct WTO Appellate Body.

Complementing this measure, Indonesia must also fast-track policy reforms related to the Regional Comprehensive Economic Partnership (RCEP), including expediting tariff reduction schedules and establishing a functioning secretariat. Full [RCEP implementation](#) will further increase the predictability and upholding of trade rules among RCEP parties through its unified rules of origin and dispute settlement mechanisms.

## **Conclusion**

The new geoeconomic environment requires Indonesia to adapt. Promotion of commercial activities abroad must go hand in hand with maximising strategic autonomy and national resilience as the guiding objectives of economic diplomacy. Without framing economic diplomacy as part of economic security strategy, the economic openness that Indonesia pursues will risk becoming a source of strategic vulnerability rather than a driver of prosperity.

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