



Reimagining Indonesia's Economic Diplomacy in Southeast Asia:

President Joko Widodo's Pioneering Approach

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Abstract. The digital age's transformation of the global economic landscape necessitates countries to adapt their economic diplomacy strategies accordingly. As part of the ASEAN Economic Community (AEC), Indonesia is no exception in this regard. The economic integration of the Southeast Asian region has intensified competition among countries to capitalize on the burgeoning Asian market. This study seeks to examine Indonesia's approach to economic diplomacy in the context of the digital era within Southeast Asia. A qualitative methodology was employed, with data being gathered through in-depth interviews and extensive document analysis. The findings of this study reveal that Indonesian economic diplomacy efforts can be categorized into two primary objectives in the aftermath of the AEC's implementation. Indonesia strives to streamline the process for its domestic entrepreneurs to penetrate the Southeast Asian market. Indonesian businesses can enhance their competitiveness and expand their reach by providing support and facilitating access to this regional market. Secondly, the country aims to attract foreign investors to Indonesian enterprises. This fosters economic growth and enables the nation to further integrate into the regional economy. This study provides a comprehensive analysis of Indonesia's economic diplomacy strategy in the digital era as it pertains to the Southeast Asian context. By identifying two distinct yet interconnected goals, the research sheds light on how the country is working towards bolstering its position within the ASEAN Economic Community.

Keywords: ASEAN Economic Community · Economic Diplomacy · Start Up · Indonesia

1 Introduction

Indonesia plays a pivotal role in the economic integration of the Southeast Asian region. At the ASEAN summit in Bali in 2003, regional leaders agreed to foster a more cohesive and effective form of collaboration. This aspiration materialized through the planned economic integration of the ASEAN region, initially set to commence in 2020. The primary motivation behind this initiative was to prepare for global economic and trade challenges through the establishment of the ASEAN Free Trade Area (AFTA), while

addressing competition from global players such as China and India. The Bali Concord II agreement outlined three crucial objectives: the formation of the ASEAN Economic Community (AEC) as an integrated economic entity in Southeast Asia, the ASEAN Community Security (ASC), and the ASEAN Socio-Cultural Community (ASCC), all of which aim to ensure regional peace, stability, and shared prosperity.

In a 2007 meeting in the Philippines, ASEAN decided to expedite the creation of the AEC, targeting its inception in 2015. The AEC aims to bolster economic stability within the region and foster a robust economic zone among ASEAN nations. Additionally, the AEC promotes the development of a unified and open market area within ASEAN. As a result, member countries like Indonesia have had to adapt and devise strategies to navigate the ongoing economic liberalization process. The AEC's implementation must be viewed as an aspect of Indonesia's economic diplomacy in ASEAN. Economic diplomacy can be described as a country's strategic utilization of economic instruments to further its national interests. This domain can encompass a nation's international economic activities, including policies that impact exports, imports, investments, loans, and free trade agreements [1]. These activities are also evident in Indonesia's pursuit of its national interests within ASEAN.

In the digital era, Indonesia's economic diplomacy in ASEAN faces challenges stemming from shifts in governance and global economic paradigms. The worldwide transition towards a digital economy is also occurring in Southeast Asia, a region with promising prospects for digital economic growth. The digital economies of ASEAN countries have experienced significant expansion and hold the potential to boost the regional economy [2]. With its vast resources and market, Indonesia holds the most promise for digital economy development within the region. This potential has attracted numerous entrepreneurs seeking to capitalize on opportunities in this sector. This projection is supported by the success of several Indonesian digital enterprises, such as Gojek, Traveloka, and Tokopedia, which have extended their reach across Southeast Asia.

The shift towards a digital economy necessitates a distinct diplomatic approach from the Indonesian government in ASEAN. This article seeks to examine Indonesia's economic diplomacy strategy in the context of ASEAN within the Digital Age. While numerous studies have addressed Indonesia's foreign policy and diplomacy in ASEAN's economic domain, this research concentrates on identifying the determining factors and the government's role in the success of Indonesian businesses expanding into the Southeast Asian market. This study has pinpointed the factors that contribute to the success of Indonesian entrepreneurs as they extend their market reach in no specific research investigate these factors through both structural and act and actor approachesal standpoint, the determining factors are bifurcated into two categories: firstly, the economic integration of the Southeast Asian region via the AEC, and secondly, the regulatory framework and dynamics of the Indonesian economy. From an actor perspective, the key determinant is the adaptability of Indonesian entrepreneurs in discerning consumer trends in their target markets (Market-Driven) [3].

Several studies have also examined the preparedness of the Indonesian government and business community in facing the AEC [4, 5]. Research exploring Indonesian economic diplomacy in both the pre- and post-disruption eras has been conducted by Margiansyah [6] and Sabaruddin [7]. Although these studies have delved into the implementation of Indonesia's economic diplomacy in the Digital Age, they have not specifically addressed the facilitation of start-up businesses, which are currently experiencing rapid growth in Indonesia. Moreover, there is a lack of targeted research that investigates the government's role in value chain analysis through economic diplomacy. Consequently, Indonesia's economic diplomacy can be perceived as a facilitative measure that adds value to Indonesian business ventures within the Southeast Asian region.

2 Research Methods

This study employs a qualitative approach, specifically descriptive social science research methods to interpret social phenomena, such as Indonesia's economic diplomacy. The research aims to gather comprehensive data and insights through written sources and interviews. Data analysis involves examining the context or social situation of the phenomenon to offer a thorough explanation and presentation of the information. Data for this study were obtained through two primary methods: interviews and document reviews. Interviews were conducted to gather in-depth information from parties relevant to the research topic. The Director of ASEAN Cooperation at the Ministry of Foreign Affairs was interviewed to obtain insights regarding Indonesia's diplomatic policy in ASEAN within the digital era context. Simultaneously, documents were collected from official government websites and related business institutions. Once the data were gathered, they were organized according to the research objectives. Subsequently, data analysis was conducted using the concepts of economic diplomacy and value chain analysis. The results of this analysis serve as the foundation for concluding.

3 Results and Discussion

Attaining national interests is a fundamental objective of diplomatic endeavors. Foreign policy consists of policy formulations and government actions abroad, aimed at realizing national interests. Diplomacy is an instrument of foreign policy, often regarded as a practice executed by the government. Consequently, studies of diplomacy, both theoretical and practical, consistently place the government at their core. Diplomacy, in this context, can be understood as a means for states to achieve their foreign policy objectives and foster relations with other global political entities through official representatives and peaceful methods [8].

However, this notion does not hold in the realm of economic diplomacy. Implementing economic diplomacy involves a diverse range of actors, including state and non-state actors [9]. Economic diplomacy addresses economic policy issues, such as the work of delegates at the World Trade Organization (WTO). Economic diplomats also observe, report on, and advise governments on foreign economic policy. Economic diplomacy represents a multifaceted approach to foreign economic policy, engaging a diverse array of

state actors, such as diplomats, government officials, civil servants, and non-state participants, including transnational corporations, non-governmental organizations (NGOs), and trade unions, and business lobbyists. This collaborative effort seeks to advance a nation's interests and objectives by leveraging its economic power and resources in the global arena.

Economic diplomacy can be further understood by examining its objectives, actors, and instruments. In terms of objectives, there are two primary aims: economic goals and political goals. The interplay between these goals constitutes the essence of economic diplomacy, wherein economic resources function as instruments for acquiring political power and vice versa. From an actor perspective, the classical approach to economic diplomacy is state-centered, with the Ministry of Foreign Affairs taking the lead. However, the contemporary viewpoint involves both state and non-state actors in an integrated manner (integrative diplomacy). State actors include diplomats from the Ministry of Foreign Affairs and other relevant ministries for achieving diplomatic objectives. Non-state actors encompass business institutions and civil society organizations. Instruments, on the other hand, involve choosing between bilateral or multilateral cooperation schemes.

In the context of Indonesia's economic diplomacy in Southeast Asia, the implementation of economic diplomacy can be grounded in the president's instructions at the Indonesian Representatives Working Meeting on January 9, 2020. At this meeting, President Jokowi directed that all Indonesian Representatives should focus on economic diplomacy, allocating 70–80% of existing resources towards this purpose. This direction aligns with the definition of economic diplomacy outlined in the Ministry of Foreign Affairs Strategic Plan 2015–2019, where economic diplomacy is defined as “the utilization of international political tools to achieve economic goals through various collaborations such as development (including health, education, and agriculture), energy, environment, finance, and food” [10].

In implementing Indonesia's Ministry of Foreign Affairs role including the Ministry of Trade, Ministry of Foreign Affairs, Investment Coordinating Board, Ministry of Industry, Coordinating Ministry for Maritime Affairs and Investment, Ministry of Tourism and Creative Economy, and official representatives of Indonesia in different countries. Indonesian economic diplomacy's execution to support and facilitate Indonesian entrepreneurs in accessing the Southeast Asian market following the ASEAN Economic Community's establishment can be categorized into two forms. Firstly, it aims to enable Indonesian entrepreneurs to access the Southeast Asian market. Secondly, it seeks to assist Indonesian entrepreneurs in attracting foreign investors.

The first aspect is evident through the role assumed by the Ministry of Foreign Affairs' Southeast Asia Directorate, which can provide data on market potential and competitor mapping in targeted countries within the Southeast Asia region. The Ministry of Foreign Affairs has initiated programs such as the ASEAN Creativity Business Forum 2021 and the ASEAN Start-Up Challenge 2021. Secondly, economic diplomacy activities carried out by the Indonesian Ministry of Foreign Affairs also involve parties from the business sector in Indonesia and partner countries in the Southeast Asian region. This is demonstrated through the facilitation of Indonesian start-ups in obtaining foreign investment, exemplified by the “Ministry of Foreign Affairs for Start-Up” agenda [11].

The two governmental initiatives can be categorized as efforts to enhance the value chain for Indonesian start-up entrepreneurs. A value chain refers to the complete set of activities needed to bring a product or service from its initial conception, through every stage of the production process, and ultimately to the consumer, determining its final value. Thorough preparation of a value chain analysis involves Market Mapping, which examines the interrelationships among three key components. These components comprise the actors within the value chain, the influential environment (which encompasses the institutions, policies, and processes that shape the market dynamics), and service supervisors (who include other businesses or services that facilitate the implementation of the value chain from start to finish). In the context of this research, the regulations and policies enacted by the government function as essential instruments for elevating the value of Indonesian start-up business units. By strategically implementing these regulatory measures and policies, the government encourages innovation and collaboration and fosters a supportive environment that enables start-ups to thrive. This approach ultimately contributes to Indonesia's start-up ecosystem's overall growth and competitiveness in the Southeast Asian region.

Through this comprehensive understanding of the value chain and its components, this study highlights the critical role of government initiatives in fostering the success and expansion of Indonesian start-ups in the competitive Southeast Asian market. The research emphasizes the importance of adaptability and collaboration among various stakeholders to ensure that the value chain remains dynamic and responsive to the ever-evolving digital economy landscape.

The discussion above indicates that the implementation of Indonesia's economic diplomacy has shifted from a state-centered approach to a more integrative diplomacy. The government promotes innovation by engaging in various activities and employing strategic instruments aimed at reaping mutual benefits from international partnerships and economic cooperation, ultimately enhancing national innovation capabilities. Efforts include developing mechanisms that encourage and facilitate collaboration among stakeholders, offering incentives for joint research and development partnerships, engaging in diverse policy dialogues, improving access to information and resources, emphasizing national innovation priorities with targeted partners, and addressing global innovation challenges.

4 Conclusion

This research reveals that the execution of Indonesian Economic Diplomacy, aimed at supporting and assisting Indonesian entrepreneurs in accessing the Southeast Asian market following the establishment of the ASEAN Economic Community, can be divided into two primary objectives. Firstly, it seeks to enable Indonesian entrepreneurs to penetrate the Southeast Asian market. Secondly, it aims to aid Indonesian entrepreneurs in attracting foreign investment. The government's regulations and policies serve as instruments for enhancing value within Indonesian start-up business units.

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