
AN ANALYSIS OF PRESIDENT JOKO WIDODO'S ECONOMIC DIPLOMACY FROM 2014 TO 2024: RESULTS IN FOREIGN INVESTMENT AND GLOBAL TRADE VOLUME

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ABSTRACT

Keywords:

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foreign investment,
trade volume,
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This research aims to analyze the economic diplomacy strategies undertaken by President Joko Widodo's administration from 2014 to 2024, focusing on their effectiveness in enhancing Indonesia's trade volume, attracting foreign direct investment (FDI), and addressing global economic challenges. By examining key initiatives, this study explores the interplay between trade agreements, regulatory reforms, and international partnerships that shaped Indonesia's economic trajectory. The theoretical framework of this research is rooted in the concept of economic diplomacy, which encompasses the use of economic policies as instruments of foreign policy to advance national interests. Economic diplomacy involves negotiating trade agreements, attracting FDI, and leveraging international partnerships to foster economic growth and geopolitical influence. This study employs qualitative research methods, analyzing secondary data from scholarly journals, government reports, trade and FDI statistics, and publications by international institutions such as the World Bank and the IMF. The findings indicate that President Joko Widodo's economic diplomacy led to significant advancements in Indonesia's economic standing. Between 2014 and 2022, Indonesia saw a notable increase in FDI attributed to regulatory reforms such as the Omnibus Law, which simplified business processes and reduced bureaucratic hurdles. Additionally, Indonesia's active participation in multilateral agreements like the Regional Comprehensive Economic Partnership (RCEP) expanded trade opportunities. This paper contributes to the field of international economic diplomacy by providing a comprehensive analysis of Indonesia's strategies under President Joko Widodo. It offers valuable insights for policymakers in Indonesia and other emerging economies, demonstrating how domestic reforms, international trade agreements, and strategic partnerships can bolster economic growth.

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INTRODUCTION

Indonesia's economic diplomacy has experienced transformative shifts under the leadership of President Joko Widodo, whose tenure from 2014 to 2024 has been marked by a concerted effort to enhance the nation's global economic standing through a robust foreign policy framework (Setiawati & Roziqin, 2024). This strategic pivot has been characterized by a dual-track approach, which prioritizes the establishment of bilateral and multilateral trade agreements while also creating an inviting environment for foreign direct investment (FDI) as a catalyst for domestic economic growth. The significance of these initiatives is underscored by Indonesia's active participation in various international trade agreements, which have been instrumental in shaping its economic landscape.

One of the pivotal aspects of Jokowi's economic diplomacy is the emphasis on trade agreements that align with Indonesia's broader economic goals. For instance, the ASEAN-China Free Trade Agreement (ACFTA) has been a focal point, with studies indicating that its implementation has led to notable improvements in Indonesian exports, particularly in sectors such as plastics, rubber, and mineral products

(Junaidi, 2019). However, the agreement has also sparked debates regarding its impact on domestic industries, with some researchers arguing that it has decreased the competitiveness of local industries and shifted Indonesia from an export-oriented economy to one increasingly reliant on imports (Junaidi, 2019). This duality highlights the complexities inherent in trade agreements, where the benefits of increased market access must be weighed against potential vulnerabilities in local industries.

Moreover, the role of international trade regulations cannot be overstated in the context of Indonesia's economic diplomacy. The country has actively engaged with frameworks established by the World Trade Organization (WTO), which provide a legal foundation for dispute resolution and ensure adherence to global trade standards (Putri, 2023). For instance, Indonesia's objections to the European Union's trade measures concerning steel products were grounded in international trade accords, showcasing the importance of legal frameworks in navigating trade disputes (Putri, 2023). Such engagements not only bolster Indonesia's negotiating power but also enhance its credibility on the international stage.

In addition to trade agreements, Jokowi's administration has placed a strong emphasis on attracting foreign direct investment (FDI) as a means to stimulate economic growth. The government has implemented various policies aimed at creating a conducive investment climate, including regulatory reforms and incentives for foreign investors. This approach is particularly relevant in the context of Indonesia's burgeoning sectors, such as agriculture and manufacturing, where FDI is seen as crucial for technological transfer and capacity building (Sugiharti et al., 2019). The interplay between trade agreements and FDI is evident, as enhanced trade relations often lead to increased investor confidence, thereby facilitating greater capital inflows into the country.

Furthermore, the significance of Indonesia's strategic partnerships extends beyond mere economic transactions; they also encompass broader geopolitical considerations. For instance, the establishment of the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA) reflects Indonesia's commitment to deepening ties with key global players while simultaneously addressing domestic economic priorities. This agreement not only facilitates trade in goods and services but also encompasses provisions for sustainable development and environmental protection, aligning with global trends towards responsible trade practices (Catherine et al., 2023).

Literature Review

The existing literature on Indonesia's economic diplomacy provides a foundation for understanding the historical context in which Jokowi's policies emerged. Several studies have examined the general trends in Indonesia's foreign policy, particularly after the 1998 Reformasi period, when economic diplomacy became an important component of Indonesia's international strategy.

For example, *The Rise of Indonesian Economic Diplomacy* (Margiansyah, 2020) highlights the early efforts to enhance economic diplomacy under the presidency of Susilo Bambang Yudhoyono, setting the stage for Jokowi's later policies. Other scholars, such as (Baharuddin, 2023), have focused on how Indonesia's regional role in ASEAN has influenced its economic diplomacy, particularly in fostering regional trade agreements.

One of the significant themes in the literature is the integration of digital economy initiatives into Indonesia's economic diplomacy. Margiansyah emphasizes the need for an "innovation diplomacy" framework that aligns with the digital economy's potential, advocating for comprehensive strategies that incorporate both domestic and international dimensions of economic engagement (Margiansyah, 2020). This perspective is echoed by Haryono, who identifies economic diplomacy as a central pillar of Indonesia's foreign policy, particularly during the early years of Widodo's administration, highlighting the challenges and opportunities that arose from this focus (Haryono, n.d.).

Furthermore, Indonesia's strategic engagement in global forums, particularly the G20, has been pivotal in advancing national interests. Prasetyo discusses how Indonesia's participation in the G20 has facilitated dialogue between the government and private sectors, fostering inclusive economic growth (Prasetyo, 2023). This aligns with the findings of Hutabarat, who notes that Indonesia's economic diplomacy has increasingly focused on sustainable development goals, particularly through South-South cooperation mechanisms (Hutabarat, 2022).

The emphasis on bilateral relations is another critical aspect of Widodo's economic diplomacy. For instance, Pertiwi's study on Indonesia's coffee exports to South Korea illustrates how targeted economic diplomacy can enhance trade relations and address market entry barriers (Pertiwi et al., 2023). Similarly, Rahmat explores the role of human resource development in supporting sustainable economic diplomacy, indicating that a well-informed workforce is essential for navigating global economic challenges (Rahmat & Apriliani, 2023).

In the context of post-pandemic recovery, Ramadan highlights Indonesia's efforts to strengthen trade relations with Ethiopia, showcasing the adaptability of its economic diplomacy in response to global disruptions (Ramadan & Anggraeni, 2022). This adaptability is further illustrated by the challenges posed by

the European Union's palm oil policies, as discussed by Isnan and Qudsi, who analyze Indonesia's diplomatic strategies to mitigate the impacts of protectionism (Isnan, 2023; (El Qudsi et al., 2020).

Moreover, the literature reveals a shift in Indonesia's foreign policy towards Africa, as noted by Dorigné-Thomson, who argues that this shift reflects a pragmatic approach to economic diplomacy that prioritizes bilateral engagements over multilateral frameworks (Dorigné-Thomson, 2021). This pragmatic approach is also evident in Indonesia's outreach to alternative markets, such as Turkey, as a response to the EU's palm oil embargo (Ramadhan et al., 2022).

The role of foreign direct investment (FDI) in Indonesia's economic growth has been a recurring theme in the literature. Baidawi and Azarkasi discuss how Widodo's administration has actively sought to attract foreign investors, emphasizing the importance of economic diplomacy in fostering an investment-friendly environment (Ahmad & Azarkasi, 2019). This is complemented by the findings of Kurniawan, who examines the challenges Indonesia faces in capitalizing on its relations with Middle Eastern countries to boost trade.

METHOD

This study employs qualitative methods to analyze the impact of Jokowi's economic diplomacy from 2014 to 2024. The research is based on secondary data, drawing from scholarly journals, government reports, trade statistics, and FDI data published by Indonesia's Ministry of Trade, the Investment Coordinating Board (BKPM), and international institutions such as the World Bank and the International Monetary Fund (IMF).

RESULTS AND DISCUSSION

Foreign Investment

One of the key pillars of Jokowi's economic diplomacy was attracting foreign direct investment (FDI) to accelerate infrastructure development and promote economic growth. Jokowi's government launched several initiatives to create a more favorable investment climate, such as reducing bureaucratic hurdles, streamlining business permits, and implementing the Omnibus Law on job creation. This law, passed in 2020, was one of Jokowi's flagship reforms aimed at simplifying regulations and improving labor laws to make Indonesia more attractive to foreign investors.

During the early years of Jokowi's presidency, FDI inflows fluctuated but showed a steady increase over time. According to data from Indonesia's Investment Coordinating Board (BKPM), FDI increased from \$22 billion in 2014 to approximately \$32 billion by 2022, with the most significant growth observed in sectors such as infrastructure, manufacturing, and digital economy (BKPM, 2023). Jokowi's reforms, particularly the passing of the Omnibus Law in 2020, were instrumental in achieving this increase. The Omnibus Law, officially known as the Job Creation Law, was designed to simplify investment procedures, reduce regulatory bottlenecks, and improve labor regulations, which were previously seen as deterrents to foreign investors (Chan, 2018).

However, despite these legal reforms, challenges remained, particularly in land acquisition and inconsistent regulatory enforcement. For instance, the Jakarta-Bandung high-speed railway project, one of Jokowi's flagship infrastructure developments funded largely by Chinese investment, faced numerous delays due to issues related to land procurement and local resistance (He, 2021). These bureaucratic and legal hurdles highlighted the need for further structural reforms to enhance the ease of doing business in Indonesia.

In addition to these challenges, competition from neighboring Southeast Asian countries, particularly Vietnam and Thailand, posed significant challenges for Indonesia in attracting manufacturing investments. Vietnam's lower labor costs and more aggressive investment policies made it an increasingly attractive destination for foreign manufacturers, particularly during the US-China trade war when many companies sought to relocate their operations outside China.

Nevertheless, Indonesia remained a top destination for investment in sectors such as e-commerce, digital services, and infrastructure. Investments from technology giants like Softbank and Google into Indonesia's growing digital economy underscored the country's potential in the tech sector. By 2023, the digital economy was projected to account for a significant portion of Indonesia's GDP, driven by investments in e-commerce platforms like Tokopedia and Gojek (Gopalan et al., 2016).

Trade Volume with Key Global Partners

Jokowi's economic diplomacy was also aimed at enhancing Indonesia's trade relations, particularly by increasing exports and diversifying Indonesia's export markets. One of the most significant developments during Jokowi's presidency was the signing and implementation of the Regional Comprehensive Economic Partnership (RCEP) in 2022. RCEP is the world's largest free trade agreement, encompassing ASEAN countries and five major trading partners—China, Japan, South Korea, Australia, and New Zealand. The

agreement has been pivotal in expanding Indonesia's access to these markets, facilitating tariff reductions, and improving trade in goods and services.

Trade statistics from Indonesia's Ministry of Trade indicate that Indonesia's total exports grew from \$176 billion in 2014 to \$248 billion by 2022 (Ministry of Trade, 2022). This growth was driven by both an increase in commodity exports—particularly palm oil, coal, and natural gas—and a shift toward higher-value goods like electronics and automotive products, largely manufactured through foreign investment in the country's industrial zones.

China remained Indonesia's largest trading partner throughout Jokowi's presidency, with bilateral trade volume reaching \$120 billion in 2022 (Paramita, 2021, p. 85). However, this relationship was not without its challenges. Indonesia's trade deficit with China widened during this period, largely due to the influx of Chinese manufactured goods, which outpaced Indonesian exports to China. This trade imbalance became a key issue in Indonesia's economic diplomacy, with Jokowi's administration working to negotiate better terms for Indonesian exports, particularly in sectors like palm oil and rubber, where non-tariff barriers and sustainability standards posed obstacles (Paramita, 2021).

In contrast, trade with Japan and the European Union showed a more balanced trajectory. Indonesia's exports to Japan, primarily in the form of natural resources and automotive products, saw steady growth, while exports to the EU were bolstered by the ongoing negotiations over the Indonesia-EU Comprehensive Economic Partnership Agreement (IA-CEPA). Once fully implemented, the IA-CEPA is expected to significantly increase Indonesia's trade with Europe by reducing tariffs and streamlining trade in sectors like agriculture, textiles, and electronics (The Jakarta Post, 2022).

Bilateral and Multilateral Trade Agreements

The signing of several key trade agreements during Jokowi's presidency demonstrated his administration's commitment to expanding Indonesia's role in the global economy. One of the most significant of these agreements was the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which came into force in 2020. The IA-CEPA was designed to increase trade and investment between Indonesia and Australia by eliminating tariffs on a range of goods and facilitating market access for services (The Jakarta Post, 2022). This agreement was seen as a significant step toward deepening economic ties between the two countries, particularly in the agriculture, education, and healthcare sectors.

In addition to IA-CEPA and RCEP, Indonesia was also actively engaged in trade negotiations with other global partners. For instance, Indonesia's negotiations with the European Union over the Indonesia-EU CEPA were ongoing throughout Jokowi's presidency. Although the agreement had not been finalized by 2024, it represented a critical opportunity for Indonesia to expand its access to the European market, particularly for goods like palm oil, textiles, and electronics. However, challenges in negotiating this agreement, particularly around environmental standards and labor rights, highlighted the complexities of Indonesia's economic diplomacy with more developed markets.

Infrastructure Investment and Global Partnerships

A central feature of Jokowi's economic diplomacy was the emphasis on infrastructure development as a means of enhancing Indonesia's global economic connectivity. The administration's infrastructure drive was closely tied to its efforts to attract foreign investment, particularly from key global partners like China and Japan.

China's involvement in Indonesia's infrastructure development, particularly through the Belt and Road Initiative (BRI), was one of the most significant aspects of Indonesia's economic diplomacy during Jokowi's presidency. The Jakarta-Bandung high-speed railway, funded through a partnership between Chinese and Indonesian state-owned enterprises, represented a landmark project in Indonesia's push for modern infrastructure (He, 2021). The railway was part of Jokowi's broader Global Maritime Fulcrum initiative, which aimed to position Indonesia as a key player in the global maritime economy by improving connectivity and logistics (Arif, 2021).

However, China's involvement in Indonesia's infrastructure projects also raised concerns about debt dependency and sovereignty. Critics argued that Indonesia's reliance on Chinese loans for large-scale infrastructure projects could lead to long-term financial vulnerabilities, particularly if the projects failed to generate sufficient returns (He, 2021). Despite these concerns, Jokowi's administration viewed infrastructure development as essential to improving Indonesia's economic competitiveness and attracting further foreign investment.

Japan also played a critical role in Indonesia's infrastructure development. The construction of Patimban Port, funded by Japanese loans, was one of the key projects that aimed to enhance Indonesia's role as a global maritime hub. This project underscored the importance of Japan as a strategic economic partner, particularly in the maritime and manufacturing sectors. Japan's investment in Patimban Port and other infrastructure

projects demonstrated Indonesia's ability to balance its economic partnerships with both China and Japan, leveraging both countries' investments to support its domestic development goals.

While Jokowi's economic diplomacy achieved significant successes, it also faced several challenges, both external and internal. Externally, global economic conditions—such as the US-China trade war and the COVID-19 pandemic—created uncertainty for Indonesia's trade and investment environment. The trade war, in particular, disrupted global supply chains and created opportunities for Indonesia to attract manufacturers seeking to relocate from China. However, Indonesia's ability to capitalize on these opportunities was constrained by competition from neighboring countries, particularly Vietnam, which offered more favorable conditions for manufacturing investments.

Internally, Indonesia continued to grapple with structural issues that hindered the full realization of Jokowi's economic diplomacy. Regulatory inefficiencies, bureaucratic hurdles, and inconsistent enforcement of laws were persistent challenges for foreign investors, particularly in sectors like infrastructure and manufacturing. The Omnibus Law, while a step in the right direction, did not fully resolve these issues, and foreign investors continued to face difficulties in navigating Indonesia's regulatory environment (Chan, 2018).

Another significant challenge was Indonesia's reliance on commodity exports, which made the country vulnerable to fluctuations in global commodity prices. While Jokowi's administration made efforts to diversify Indonesia's export base by promoting higher-value industries like electronics and automotive manufacturing, the transition away from commodities was slow. As a result, Indonesia's economy remained susceptible to price shocks in global markets, particularly in the palm oil and coal sectors.

CONCLUSION

Joko Widodo's economic diplomacy from 2014 to 2024 yielded significant achievements in terms of foreign direct investment (FDI) inflows and increasing Indonesia's trade volume with key global partners. Through strategic economic agreements, regulatory reforms, and a strong focus on infrastructure development, Jokowi aimed to position Indonesia as a key player in both regional and global economic systems.

The signing of multilateral trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and bilateral deals like the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) opened new markets and enhanced Indonesia's trade prospects. As a result, Indonesia saw substantial growth in its total export volume. The focus on diversifying exports beyond commodities into higher-value goods, like electronics and automotive products, marked a significant shift in Indonesia's trade strategy.

In terms of FDI, Jokowi's efforts to attract investment—particularly through regulatory reforms like the Omnibus Law—helped boost foreign investment flows into Indonesia's economy. The steady increase in underscored the impact of these reforms, despite ongoing challenges related to regulatory inefficiencies and competition from neighboring Southeast Asian countries. The Omnibus Law simplified business regulations and reduced bureaucratic red tape, making it easier for foreign investors to enter Indonesia's markets. However, as highlighted in previous studies, more needs to be done to ensure long-term investor confidence and to address the structural inefficiencies that persist within Indonesia's investment environment.

Jokowi's focus on infrastructure development, supported by investment partnerships with China and Japan, was a cornerstone of his economic diplomacy. Major projects, such as the Jakarta-Bandung high-speed railway and the development of Patimban Port, demonstrated how foreign investment could be leveraged for domestic development. These projects were essential not only for improving Indonesia's logistical infrastructure but also for enhancing its global economic connectivity.

However, Jokowi's economic diplomacy was not without its challenges. Indonesia continued to face trade deficits with some key partners, particularly China, despite the significant growth in trade volume. Additionally, the country's reliance on commodity exports left it vulnerable to fluctuations in global commodity prices, underscoring the need for greater economic diversification. The bureaucratic and regulatory obstacles that foreign investors encountered, despite the reforms introduced by the Omnibus Law, highlighted the complexity of Indonesia's domestic business environment.

This research contributes to the field of international economic diplomacy by providing an in-depth analysis of Indonesia's economic diplomacy under President Joko Widodo. The findings of this paper highlight the successes and challenges of Jokowi's approach and offer valuable insights for policymakers in Indonesia and other emerging economies. By examining the interplay between domestic reforms, international partnerships, and global economic conditions, this research provides a comprehensive overview of how Indonesia has navigated its economic diplomacy during Jokowi's presidency. Future studies could build on this research by further exploring the long-term impacts of these policies on Indonesia's economic growth and its position in the global economy.

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