

# Indonesia's trade diplomacy amid a chaotic global system

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John Maynard Keynes, a British representative at the Versailles Peace Conference after World War I, famously described an “extraordinary episode in the economic progress of man [...] which came to an end in August, 1914”, in that before the war “an inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth”. That is a vivid description of the prosperous first wave of globalization, which was unfortunately consumed by war and ideology.

For decades after World War II, we again enjoyed an extraordinary episode of globalization. The world operated on a consensus that freer trade and deeper economic integration were forces for mutual prosperity and stability.

That consensus has been shattered. A recent report from the World Trade Organization suggests a contraction of world trade, hit by a flurry of headline-making tariffs and elevated policy uncertainty. It has become clear that we are entering a new and far more dangerous era, defined not by the pursuit of shared prosperity but by the stark realities of great power competition. This was a shared concern among speakers and participants in the discussion held by the Indonesian Institute for Foreign Affairs (IIFA) at the Indonesian International Islamic University (UIII), last week.

The concern stems from recent United States trade policies. The US has launched the highest sustained tariffs since the early 20th century, averaging 20.1 percent in August 2025. Tariffs have hit more than 60 countries, spiking to 50 percent on exports from nations like Switzerland, Brazil and India. For Indonesia, a threatened 32 percent tariff evolved into a new deal, with a tariff set at 19 percent. We have no clear clues as to why certain countries were imposed with different tariffs. The conclusion is inescapable: Our post-war global order is dying. For a nation like Indonesia, which prospered under the post-war consensus, to ignore this change would be a strategic blunder. While a negotiated tariff offers temporary relief, it is no victory. These power-based deals undermine the predictable, rules-based system that fostered shared prosperity.

This shift is systemic, and the warning signs have been clear for years. The tariffs imposed by the administration of US President Donald Trump are not an aberration but a powerful symptom of more structural change. As some observers point out, the US has actively utilized economic strategies to manage geopolitics such as tariffs or export bans on critical inputs.

Yet looking at the global scale, this sentiment is not confined to Washington. Across the world, the number of new trade-restrictive measures has exploded since 2020, as documented by Global Trade Alert. Indonesia actually contributed to the rise as well. Trade restrictions are now more common and aimed at strengthening national security, addressing geopolitical concerns and pursuing strategic competitiveness. This is the new reality of geoeconomics, where the instruments of commerce are weaponized for strategic ends.

They are calculated moves in a global contest for technological supremacy, resource security and geopolitical influence. While it seems like a two-power struggle (the US and China), the reality is, in fact, a more multipolar competition where economic interdependence is being actively rewired along geopolitical lines. Thus, it makes the current global relationship more complex than the Cold War era. For Indonesia, a middle economic power, this new landscape could present both peril and opportunity.

The peril lies in being buffeted by the great powers, becoming a passive rule-taker in a system where the rules are being rewritten. Yet the opportunity lies in leveraging our strategic position, our demography and our critical resources to become a key part in the reconfigured global economy. To do so requires a coherent foreign and economic policy, a classic hedging strategy that keeps all options open while deepening our most critical alliances.

First, Indonesia, together with ASEAN countries should double down on ASEAN centrality. A unified ASEAN, representing a market of over 660 million people, can engage with major powers from a position of strength that no single member could command alone. The Regional Comprehensive Economic Partnership (RCEP) is a foundational element of this strategy. It is the world's largest free trade bloc, and it anchors Indonesia within a dynamic regional economic architecture. Our diplomatic priority must be to deepen the RCEP's implementation, expand its membership and ensure it evolves to address the challenges of the 21st century, from the green transition to the digital economy. ASEAN must be our platform to amplify our voice.

Second, we must aggressively pursue a diversified portfolio of bilateral partnerships. While ASEAN is our regional anchor, we cannot afford to be overly reliant on any single market. Our Comprehensive Economic Partnership Agreements (CEPAs) with Australia, South Korea and the United Arab Emirates are excellent examples of this strategy in action. The ongoing negotiations with the European Union are very important. These agreements are not just about lowering tariffs; they are about regulatory alignment, attracting investment and integrating Indonesian firms into more resilient and sophisticated global value chains. Again in the context of global power competition, our actions should not be about choosing sides. They should be about leveraging a web of relationships so dense and diverse that it gives us the resilience to withstand shocks from any direction.

Now, we need to admit that the era of predictable, rules-based globalization is behind us. So this is a time for pragmatic and assertive diplomacy. By reinforcing our regional base in ASEAN and building a diversified network of global partners, Indonesia can not only navigate the chaotic global trading system but also help shape the new order that emerges from it. Our future prosperity depends on it.

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