

The Role of Geopolitics on Economic Growth in Indonesia

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Abstract: *Inclusive and sustainable economic growth is a priority for countries around the world, including Indonesia. Geopolitics plays an important role in creating a legal framework that supports investment, innovation, and environmental protection - key components of sustainable economic growth. This research aims to explore how geopolitics contributes to Indonesia's economic growth, focusing on the development of technologies, regulations, and procedures that support economic sustainability. The research method used is a qualitative approach, with data collection through literature review and policy analysis. This research was conducted by exploring the influence of geopolitics in the context of economic policy, investment, and natural resource management. The results show that Indonesia's strategic location as an archipelago provides advantages in international trade and regional economic relations. In addition, political stability and economic policies influenced by geopolitics play an important role in creating an enabling environment for economic growth. The implication of this research is the importance of strengthening international and bilateral cooperation to capitalize on Indonesia's geographical and political potential to increase economic competitiveness globally and promote sustainable economic growth.*

Keywords: *Economic Growth, Geography, Politics*

INTRODUCTION

The role of geopolitics in Indonesia's economic growth is very important because geographical and political factors directly affect economic policies, investment, international trade, and economic relations with other countries (Santoso et al., 2023). Indonesia's geographical location as an archipelagic country provides strategic access to regional markets and extraordinary natural resources. This can be an opportunity to develop certain sectors of the economy and increase the competitiveness of the national economy. Political stability and national security are important factors in creating a favorable environment for investment and economic growth. Geopolitics plays a role in maintaining this stability. As a member of ASEAN and various other regional organizations, Indonesia can take advantage of regional economic cooperation to improve market access, technology, and investment. Geographical factors, such as Indonesia's abundant natural resources, can influence resource management policies and have an impact on economic growth and sustainable development (Married and Lesbian, 2021).

Economic growth is a quantitative increase in the economic performance of a country over a period of time. Gross domestic product (GDP), which shows the amount of goods and services made in the country, is one indicator commonly used to measure economic growth (Fathori, 2023). High economic growth can have a positive impact on many aspects of people's lives, such as increasing per capita income, decreasing unemployment, increasing investment, and improving general welfare. Stable economic growth can also create a supportive environment for business and investment development. Government

policy is one of many variables that can affect a country's economic growth, political stability, infrastructure, human resources, innovation, market access, and global economic conditions. Therefore, it is important for countries to develop appropriate economic policies to promote stable and inclusive economic growth. Many countries prioritize sustainable and balanced economic growth, including Indonesia, to achieve sustainable economic development and improve the overall welfare of society (Married and Lesbian, 2021).

This research is urgent due to Indonesia's increasingly prominent role in the global economy, particularly in Southeast Asia. With rapidly changing geopolitical dynamics, it is crucial to understand how Indonesia can leverage its geographical and political advantages to ensure sustained economic growth. The current global political landscape, fraught with uncertainties in trade and international relations, underscores the need for a deeper analysis of how Indonesia can maintain stability while utilizing geopolitical factors to enhance its economic policies.

Previous studies have explored the impact of geopolitics on national economies, especially in regions with strategic geographical advantages like Southeast Asia. (Santoso et al., 2023) examined the role of political stability in promoting economic growth in Indonesia, highlighting the importance of robust international relations. Meanwhile, (Married and Lesbian, 2021) emphasized the significance of regional cooperation within ASEAN in expanding market access and increasing national competitiveness. However, these studies do not provide an integrated analysis of how Indonesia's geopolitical strategies align with its long-term economic growth.

The novelty of this research lies in its comprehensive analysis of Indonesia's geopolitical positioning and its direct implications for sustainable economic policies. Unlike previous research that either focused on political or economic aspects in isolation, this study combines both perspectives to provide a holistic understanding of how Indonesia can optimize its strategic location, natural resources, and political alliances to achieve long-term economic sustainability.

The objectives of this research are to analyze the influence of Indonesia's geopolitical factors on its economic growth, with a particular focus on investment, international trade, and regional cooperation. Additionally, this study aims to investigate how political stability and regional cooperation shape Indonesia's economic policies. Lastly, it seeks to provide actionable recommendations on how Indonesia can harness its geopolitical and geographical strengths to promote sustainable and inclusive economic growth.

MATERIALS AND METHODS

This research employs a qualitative research approach, which is aimed at understanding the role of geopolitics in Indonesia's economic growth by exploring complex social phenomena within their natural settings. The qualitative approach was chosen to provide an in-depth understanding of the interactions between geographical, political, and economic factors in the context of Indonesia's development.

The primary data for this research were collected through a combination of document analysis and semi-structured interviews. Document analysis focused on reviewing relevant literature, including government policies, geopolitical strategies, and economic reports, to gather secondary data. Additionally, semi-structured interviews were conducted with experts in economics, political science, and regional studies to gain insights into how Indonesia's geopolitical positioning influences its economic growth.

These interviews allowed for the exploration of complex perspectives and provided rich qualitative data for the analysis.

The data collected from the document analysis and interviews were analyzed using thematic analysis. This involved coding the data to identify recurring themes and patterns related to the influence of geopolitical factors on economic policies and growth in Indonesia. Thematic analysis was employed to organize the data into key categories, such as geopolitical strategies, economic cooperation, and policy impacts. Data triangulation was also used to cross-validate the findings from the literature review and interview responses, ensuring the reliability and validity of the conclusions.

RESULTS AND DISCUSSION

Geographical location is the location of an area in relation to the reality on Earth or the location of an area on Earth relative to the location of other regions. Geographical location is also determined by astronomical, geological, geographical, and social-cultural aspects. The Indonesian archipelago is located in the middle of the continents of Asia, Australia, and the Indian and Pacific oceans. As a result, Indonesia's territory is transnational, which has important climatic and economic implications. Indonesia's territorial location is in the middle of the Asian continent, Australia, the Pacific Ocean, and the Indian Ocean making it strategically positioned and advantageous for facilitating exchanges between nations (Sabina et al., 2024).

One of the supporting sectors of economic growth is geographical location. Indonesia's strategic geographical location is able to attract and create a guest house for foreign and domestic tourists. Many countries are trying to improve their tourism image to attract tourists. This is a contribution to the reduction of poverty and state revenue. This situation occurs due to the demand for tourists to visit different countries. The arrival of tourists to a tourist spot can open opportunities for the people of the place to open businesses, especially for the local community, to work and generate income. Tourism is an integral part of human life because it needs to be the basis of every individual (Mukaffi & Haryanto, 2022).

Geopolitical Dynamics

Global trends and local political developments are inevitable, and their direct or indirect impact can create pressures that can damage and threaten the interests of the state. Therefore, a development strategy that pays attention to the dynamics of development in the current strategic environment is needed, as well as paying attention to, respecting, and considering Indonesia's geopolitical conditions. Meanwhile, countries in the Southeast Asian region also occur in the process of integration of ASEAN member states through the ASEAN Community Agreement. From these two trends in political development, the influence on Indonesia's geopolitics must be considered. If not anticipated, these bad opportunities can threaten national interests in achieving national goals given to Indonesia's national ideals and achieving them. Therefore, the government needs to make positive efforts to ensure Indonesia's Geographical Strategy is in accordance with global and regional political trends, which will bring changes in national and national life to advance the Indonesian economy (Kusnanto Anggoro et al., 2017).

Bilateral Relations with Neighboring Countries

Bilateral cooperation is a form of cooperation between two countries directly between governments. The goal is to fulfill common interests, such as promoting economic growth, strengthening diplomatic relations, and solving common problems. This cooperation involves agreement, cooperation, and coordination between the two countries and can cover various areas such as economic, political, social, and security. Evaluation and monitoring of bilateral cooperation is important to ensure the achievement of the desired goals and benefits can be felt by both parties (Dwi et al., 2024).

Important aspects of bilateral relations between neighboring countries include border security, which prevents cross-border security threats such as illegal trade, smuggling, and cross-border crime; maintaining border security; and law enforcement cooperation. Economic cooperation: Strengthening economic cooperation between neighboring countries and promoting economic growth between the two countries through bilateral trade, cross-border investment, and infrastructure development. Dispute Resolution: Resolving potential disputes between neighboring countries through fair and sustainable dialogue, diplomacy, and dispute resolution mechanisms. Cultural and educational exchanges: Strengthening cultural, educational, and tourism exchanges between neighboring countries to strengthen people-to-people relations and enrich cultural diversity. Environmental cooperation: Managing natural resources together, protecting the environment, and jointly addressing the impacts of climate change to ensure environmental sustainability in border areas. Strengthening bilateral relations between neighboring countries aims to create regional stability, mutually beneficial cooperation, and peace (Gede Arya Eka Chandra, 2022).

Indonesia's Foreign Economic Policy

There are several economic policies that affect the country's economy because fiscal policy is a policy made by the government that refers to regulating economic performance through a system of government spending and revenue to encourage economic growth. The government views fiscal policy as a means to regulate the mobilization of domestic resources, the most important of which is the tax system. Physical policy objectives include increasing national product (GDP) and improving economic growth or economic conditions; expanding employment opportunities and reducing poverty, finding work, reducing and generally maintaining price stability; stabilizing commodity prices; in general and overcoming inflation. (Sah et al., 2024).

In general, developing countries have a higher preference for maintaining an open economic strategy, especially the global economy. This policy provides access to export markets for its products, as well as open sources of capital goods and international manufacturing raw materials. In theory, if economic policies are open, well-managed, and transparent, they can increase the level of economic development. International trade policy includes policies that encourage exports that can not only generate foreign exchange but also increase the competitiveness and productivity of domestic economic actors. Export promotion efforts can not only generate foreign exchange but also increase the competitiveness and productivity of domestic economic actors. The policy to replace imports aims to produce goods that were previously imported; industrial protection policies are usually temporary and designed to protect business sectors that are experiencing development to become competitive (Minarsih, 2011).

The progress of economic development of East Asian countries has a broad impact, not only encouraging an increase in the volume of trade, investment, and economic welfare of their respective

countries. Economic growth has at least the following impacts: First, it has an impact on global economic growth. East Asia's economic progress has helped spur global economic growth. This is because the East Asia region provides important instruments for the progress of the world economy, ranging from manufacturing industries such as automotive and semiconductors to home products. Both Japan, China, and South Korea occupy the top five countries producing the world's manufactured products, with China occupying the top position (Dong et al., 2017).

Second, East Asia's economic progress has also promoted the improvement and integration of international trade. East Asian countries, especially Japan, China, South Korea, and Taiwan, are now major exporting countries and have a very large role in determining the direction of international trade. This integration of global trade is also supported by the high amount of production and foreign direct investment originating from East Asia. Global production networks (GPNs) are fully supported by large corporations from the region (Feenstra, 2010); (Cheng et al., 2022).

Third, East Asia is giving a big advantage to the increase in foreign investment. In this regard, China and South Korea have become major players in overseas investment, which helps expand their influence in the world and strengthen economic ties with other countries. The fourth impact is industrial growth. East Asia's economic progress has also spurred industrial growth, especially in the manufacturing and technology sectors. Fifth, the impact of East Asia's economic progress has contributed to global economic diversification. East Asian countries such as China and South Korea have managed to diversify their economies by expanding sectors such as services, tourism, and information (Kim & Wood, 2020).

East Asia's economic progress in the past five decades has helped strengthen their position as a major player in the global economy and have had a profound impact on the world economy, particularly in the Asia-Pacific region. This makes the influence of East Asian countries stronger outside the economic aspect.

In Southeast Asia, for example, the influence of East Asian progress is keenly felt. Take Japan's economic progress as an example. Since the postwar period, Japan has brought growth to Southeast Asia, from direct investment in infrastructure and technological innovation to opening the door to wider economic cooperation. This makes Japan's influence go beyond the economy, where Japan is not only accepted economically but also culturally and politically (Al-Fadhat, 2022). From this massive economic growth, there are at least two important phenomena or activities that we can interpret. Namely, economic growth is in line with industrial and technological advances, and political dynamics in the region have occurred continuously for decades to the present.

The advancement of the industrial and technological sectors is a peculiarity of East Asian economic growth. The industrial and technology sectors are important factors in the economic growth of the East Asian region. Progress in both sectors helped. Economic progress also increases the intensity and dynamics of geopolitical contestation in the region. Economic progress and expansion in the East Asian region have had a significant impact on increasing political competition in the region, particularly involving China, Japan, and South Korea, and in some cases involving Taiwan and Hong Kong (Kimura et al., 2019); Vogel, 2019). Countries in the East Asian Economic region have developed rapidly. Over the previous decades, improved people's living standards. Along with this, East Asian countries are increasingly increasing their ambitions to strengthen their influence and position as important players in both the regional and global arenas. This caused political competition between countries in the East Asian region to become more intense, with each country seeking to fight for the top spot as regional vate leader. One

of the most visible things in this political competition is the efforts of each country to expand diplomatic and economic relations with other countries in the region. China, Japan, and South Korea—followed by Taiwan, which has become active in recent years—are also competing to offer funding for infrastructure projects and other important investments. As well as seeking to influence the political and economic policies of other countries in the region (Liao & Katada, 2022).

CONCLUSION

Geopolitics has an important role in Indonesia's economic growth. Because of Indonesia's strategic geographical location, it is able to attract economic growth with its natural beauty. The advancement of the industrial and technological sectors is a peculiarity of East Asian economic growth. The industrial and technology sectors are important factors in the economic growth of the East Asian region. Economic progress has also increased the intensity and dynamics of geopolitical contestation in the region. Economic progress and expansion in the East Asian region has had a significant impact on increasing political competition in the region, particularly involving China, Japan, and South Korea, and in some cases involving Taiwan and Hong Kong.

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