

Indonesia–Pakistan Relations: A Geoeconomic Analysis

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ABSTRACT

Indonesia and Pakistan, two of the world's largest Muslim-majority countries, have maintained cordial relations shaped by anti-colonial solidarity, shared Islamic values, and post-independence diplomatic ties established in 1950. In the context of an evolving Indo-Pacific order marked by intensifying great-power competition, this study examines the following questions: How have Indonesia–Pakistan relations evolved since 2020 in terms of economic and strategic engagement? What economic opportunities and strategic constraints shape their cooperation within the ASEAN framework? Grounded in a geo-economic analytical framework, the article argues that contemporary Indonesia–Pakistan relations are increasingly pragmatic and interest-driven amid regional geopolitical shifts such as United States–China rivalry. The findings reveal that Indonesia, as ASEAN's key member, offers Pakistan pathways for market access and regional economic integration, while bilateral ties have been strengthened through high-level visits, preferential trade agreements, and defense cooperation. Nonetheless, these relations face constraints, including trade imbalances, domestic political vulnerabilities, and external pressures stemming from great-power competition. The study concludes that Pakistan could benefit from emulating India's multi-alignment strategy by balancing relations with Jakarta, Washington, and Beijing to mitigate overdependence on traditional partners and to capitalize on geoeconomic opportunities in a multipolar Asia.

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1. Introduction

Pakistan is geoeconomically located in a crucial part of Asia. Its foreign policy has traditionally been based on the alliances with the United States (US), China and the Gulf states such as Saudi Arabia. Nevertheless, in the context of emerging multipolarity, Pakistan has sought diversification in its foreign policy in terms of developing stronger relations with Southeast Asian countries especially including Indonesia—the largest Muslim-majority country in the world

demographically and a key actor in the ASEAN (Esti, 2026). This trend is also reflective of wider changes in the international system as the emerging economies are finding cooperative relations to reduce dependencies and increase their resilience (Khaliq, 2024).

Indonesia, having an archipelagic territory between the Indian and Pacific Oceans, is at the center of the Indo-Pacific, affecting maritime trade routes and security of the region (He, 2008; Hadiwinata, 2009). It is pursuing an active foreign policy in the post-Suharto period, which is

hinged on economic diplomacy and non-alignment. Indonesia's relations with Pakistan date back to the pre-partition period where the Indian Muslims supported the former's anti-Dutch fight in the 1940s (Fiaz, 2014). When Pakistan became a sovereign state in 1947, it established formal ties with Indonesia in 1950. The Bandung Conference of 1955, advocated decolonization and unity of the Third World, further enhanced bilateral relations (Gindarsah, 2012).

This study examines the contemporary dynamics of Indonesia-Pakistan relations within this historical background. Specifically, we will examine two significant questions: how have Indonesia-Pakistan relations developed since 2020 regarding economic and strategic engagement? What structural opportunities and strategic restrictions influence their collaboration inside the ASEAN framework? These questions are addressed in light of geoeconomic perspective that emphasize economic instruments in achieving strategic goals (Luttwak, 1990; Csurgai, 2018).

Importantly, Indonesia-Pakistan bilateral relations have progressed positively since 2020, influenced by global disruptions such as COVID-19 and geopolitical shifts within the Asian region. For example, in 2024, trade between Indonesia and Pakistan surged to USD 4.2 billion in 2024, predominantly driven by Indonesian palm oil exports, while preferential trade agreements such as the 2013 Indonesia-Pakistan

PTA (IP-PTA) have been progressively upgraded toward a Comprehensive Economic Partnership Agreement (CEPA), anticipated by 2027 (Esti, 2026; Khan, 2026). High-level diplomatic engagements, including Indonesian President Prabowo Subianto's visit to Islamabad in December 2025, resulted in memoranda of understanding (MoUs) across education, health, and defense sectors (Sharif, 2025; Subianto, 2025). Strategically, discussions concerning JF-17 fighter jets and unmanned aerial vehicles indicate an expansion of bilateral military cooperation (Sjamsoeddin & Sidhu, 2026; Haraj, 2026).

Nevertheless, these opportunities are tempered by structural constraints. Within ASEAN, Pakistan's status as a Sectoral Dialogue Partner (SDP) since 1993 provides market access but precludes full integration due to economic asymmetries and broader geopolitical considerations (Wilkins, 2023; Koga, 2023). Intensifying great-power competition, particularly between the US

and China, further complicates the bilateral relationship. Domestically, Pakistan's economic vulnerabilities and Indonesia's evolving bio-diesel policies pose additional risks to sustainable engagement (Glosserman, 2023; Boon, 2023). This recalibration underscores Pakistan's imperative to diversify its economic opportunities, while Indonesia seeks to expand access to South Asian markets in pursuit of its G20 economic ambitions (Quilop, 2023; Pongsudhirak, 2023). Leveraging geo-economic tools can facilitate mutual gains, as shall be analyzed later in details. However, bureaucratic and institutional hurdles remain salient (Thompson, 2023; Eun, 2022).

Last but not least, before addressing the proposed research questions, it is pertinent to review key studies on Indonesia-Pakistan relations. The underlying aim is to identify missing links in the literature and determine the scope for this study to contribute, both theoretically and empirically, to existing scholarship by analyzing the evolving geoeconomic and strategic dimensions of bilateral cooperation.

2. Survey of Key Studies

The literature on Indonesia-Pakistan relations, spanning historical, political, and economic dimensions, provides a foundational understanding of their bilateral ties, though it remains relatively sparse compared to studies on larger regional dynamics. Early works trace the roots to anti-colonial solidarity, with Anwar (1994) detailing pre-independence support from Indian Muslims for Indonesia's independence struggle, framing it as a precursor to formal diplomatic relations in 1950. Similarly, Fiaz (2014) analyzed the ideological affinities during the Bandung Conference, arguing that shared non-aligned principles fostered early cooperation amid Cold War bipolarity (Anwar, 1994; Fiaz, 2014).

Importantly, the studies produced in the Post-Cold War period highlight shifts toward pragmatic engagement. For example, Hadiwinata (2009) examined Indonesia's democratization post-1998, comparing it with Pakistan's military-dominated politics, positing that divergent governance models limited deeper ties between the two sides despite religious affinities. Khaliq (2024) builds on this by analyzing state-religion

relations, observing how Islamic identity has facilitated the intra-Muslim world collaboration especially through the Organization of Islamic Cooperation (OIC). However, this constrained secular foreign policy pursuits cross-regionally (Hadiwinata, 2009; Khaliq, 2024). From a Pakistani perspective, Rizvi (1993), in particular, highlighted Islamabad's efforts to balance relations with Jakarta amid U.S.–Soviet rivalries, while Zaidi and Saud (2021) emphasize post-9/11 counterterrorism cooperation, including joint military exercises (Rizvi, 1993; Zaidi & Saud, 2021).

Moreover, while referring to the ASEAN framework of mutual cooperation, some studies have underscored trade and investment opportunities while also indicating various barriers. For example, Thompson (2023) argued that Pakistan's sectoral dialogue partner (SDP) status offers institutional pathways but the former's economic weaknesses delay its full dialogue partner (FDP) prospects. In addition, Pongsudhirak (2023) also investigated great power competition and growing influence in the Indo-Pacific region (Thompson, 2023; Pongsudhirak, 2023). Besides, domestic constraints are analyzed by Glosserman (2023), who links Pakistan's fiscal stress to its persistent trade imbalances, and by Boon (2023), who analyzes how Indonesia's biodiesel policies have shaped its export outcomes (Glosserman, 2023; Boon, 2023).

Besides, comparative analyses have provided broader insights on the subject. Xue (2023), for instance, compared Indonesia–Pakistan relations with India–ASEAN ties, indicating multi-alignment strategies for Islamabad. Quilop (2023) also focused on the untapped potential in halal trade and agritech (Xue, 2023; Quilop, 2023). Nonetheless, the literature underemphasizes post-2020 geopolitical shifts such as US–China trade war and its repercussions for bilateral energy and defense cooperation. This study addresses this gap through a geo-economic lens, while analyzing empirical data on trade trends and Indonesia–Pakistan recent trade agreements amid regional realignments (Eun, 2022; Rüländ, 2018).

Last but not least, despite the analytical contributions of the above-mentioned accounts, there are several limitations in the literature on Indonesia–Pakistan relations. First, the literature remains relatively sparse and fragmented and has largely leaned toward historical and

ideological affinities, rather than engaging with contemporary geoeconomic processes. Resultantly, there is a noticeable gap in analyses of post-2020 developments, particularly in relation to US–China competition (Khaliq, 2024). Second, most studies adopt a bilateral perspective without sufficiently incorporating regional institutions such as ASEAN, thereby demoting the role of institutional constraints and economic opportunities for multilateral engagement (Thompson, 2023; Pongsudhirak, 2023). Third, comparative analyses largely remain confined to India–ASEAN relations and did not offer insight into how Pakistan might pursue multi-alignment strategies within a multipolar Asia (Xue, 2023; Quilop, 2023). Lastly, empirical data on trade imbalances and defense cooperation are often outdated, hence underscoring the need for more rigorous and theory-guided empirical analysis as this study conducts in the following (Eun, 2022).

3. Theoretical Framework

To begin with, non-rationalist theories such as social constructivism are primarily concerned with understanding power relations in terms of ideas, identities, and socially constructed discourses that shape the worldview of actors, whether states or corporations (Wendt, 2012). This contrasts with mainstream IR theories, which place central emphasis on rational states and their role in managing geopolitics (Waltz, 1979). While these theoretical approaches have informed the existing literature reviewed above, the present study adopts a geoeconomic framework to analyze Indonesia–Pakistan economic cooperation within the contemporary international environment.

According to Edward Luttwak (1990), geoeconomics refers to the use of economic tools, tactics, and policies to accomplish geopolitical goals or to influence the behavior of other actors at the international level. It entails the use and manipulation of economic power, including trade, investment, sanctions, tariffs, and other economic instruments, with the objective of achieving geopolitical benefits and strategic advantages. In other words, the geoeconomic approach serves as a prism through which states are viewed not merely as military entities but as multifaceted economic actors oriented toward

securing economic gains, technological development, and the well-being of their citizens. Although this shift does not render military power irrelevant, it underscores the growing significance of economic instruments in state behavior and international relations since the end of World War II (Luttwak, 1990; Csurgai, 2018).

Gyula Csurgai (2018) offered another important contribution by analyzing the evolving role of geoeconomics in global politics, with particular focus on the increasing prominence of non-market forces. Similarly, Antto Vihma (2018) investigated the concept of geoeconomics in international relations and emphasized its re-emergence as a central force underpinning the relationship between commerce and political strategy. Importantly, Vihma provides a more nuanced extension of Luttwak's original argument by highlighting the expanding role of economic resources in international affairs and examining how domestic politics and ideology influence the geoeconomic policies of various countries. The literature also critiques constructivist interpretations and reflects broader shifts in international relations scholarship toward mid-level theories that move beyond rigid paradigm debates (Vihma, 2018; Scholvin & Wigell, 2018). In this regard, Søren Scholvin and Mikael Wigell (2018) further conceptualize geoeconomics as both a foreign policy approach and an analytical framework for understanding state behavior.

In view of the foregoing, it can be posited that the geoeconomic perspective offers a useful analytical lens for analyzing how economic instruments are deployed to achieve economic and strategic goals amid the complexities of contemporary international relations. In this context, Pakistan's first-ever National Security Policy (2022–2026) represents a significant shift in the country's security paradigm, placing economic security at its core. The policy emphasizes both traditional and non-traditional dimensions of security, including health, education, and climate resilience.

In addition, the said policy underscores national integration, economic security, and territorial integrity within an increasingly assertive foreign policy framework (National Security Division, 2022; Luttwak, 1990). This orientation is also relevant to Indonesia–Pakistan relations, which are increasingly shaped by mutual intentions to expand commercial and defense

cooperation in the contemporary strategic environment. From this perspective, the geo-economic framework possesses strong explanatory capacity and, as elaborated later in this article, can be employed to theoretically assess the empirical realities of bilateral cooperation in trade, defense projects, and prospective investment. These areas represent key economic instruments through which both countries seek enhanced market connectivity within an evolving geopolitical landscape, particularly in the Indo-Pacific region (Csurgai, 2018; Vihma, 2018).

4. Indonesia–Pakistan Geoeconomic Cooperation

Indonesia–Pakistan relations have historically been friendly, but since 2020, bilateral ties have strengthened as both countries seek to leverage economic instruments to achieve strategic advantages. Using the geoeconomic framework—a perspective that views trade, investment, and sectoral agreements as tools of geopolitical strategy—recent trends in trade, defense cooperation, and high-level official visits are examined in the following sub-sections as means of advancing national interests in a competitive Indo-Pacific region (Luttwak, 1990; Csurgai, 2018).

Trade

Geoeconomic pragmatism to diversify partnerships has led to a rapid increase in bilateral trade since 2020. Confined to USD 2.6 billion in 2020, the volumes then climbed to USD 4.2 billion in 2024, with January–September volumes of USD 2.92 billion in the first three quarters of 2025 (Esti, 2026; Pudji, 2025). Indonesia dominates palm oil exports (USD 2.77 billion in 2024), while Pakistan is also a palm oil producer as well as a textile and rice exporter, which creates a long-term trade deficit for Islamabad (Budi, 2025). This disequilibrium highlights Pakistan's energy-dependent economy, which seeks cheaper imports, consistent with the geoeconomic aim of reducing reliance on Gulf suppliers (Kamal, 2026; Sharif, 2025).

The 2013 IP-PTA is central to this, as it has doubled trade since its enactment, with recent changes in 2019 allowing zero-tariff access for Pakistan on 20 lines (Dyah, 2026; Esti, 2026).

After 2020, both countries advocated expanding it to a CEPA by 2027, including services and investment, to overcome barriers such as freight costs and non-tariff measures (Jam, 2026; Dyah, 2026). Geoeconomically, this framework is useful for Indonesia to achieve export diversification and for Pakistan to access markets amid increasing economic instability (Vihma, 2018; Scholvin & Wigell, 2018).

Recent statistics for 2025 indicate that bilateral trade has exceeded USD 3.6 billion, with Indonesian exports accounting for most of this total between January and November, generating a surplus of USD 3.2 billion for Jakarta (Esti, 2026; Budi, 2025). In response, the two countries signed an MoU in January 2026 to establish a Joint Trade Committee (JTC), which aims to reduce imbalances and facilitate dialogue on non-tariff barriers (Kamal, 2026; Putri, 2026). This formal committee highlights sectors such as halal products, agriculture, and IT, where Pakistan’s exports of rice and mangoes can gain momentum (Putri, 2026; Kamal, 2026). Moreover, the operationalization of the D-8 PTA by Indonesia since January 2025 has been positively received by Pakistan, with plans to expand it into a CEPA during Indonesia’s D-8 chairmanship in 2026–2027 (Esti, 2026; Sharif, 2025).

Geoeconomically, these measures allow Pakistan to mitigate vulnerabilities from global supply chain disruptions, such as those in 2022–2023, by securing stable palm oil imports critical for its food and biodiesel industries (Vihma, 2018). Indonesia, meanwhile, uses trade surpluses to fund infrastructure investments, reinforcing its role as ASEAN’s economic anchor (Csurgai, 2018; Scholvin & Wigell, 2018).

Table 1 illustrates bilateral trade trends:

Year	Total Trade (US\$ Billion)	Indonesia Exports to Pakistan	Pakistan Exports to Indonesia	Trade Balance for Pakistan
2020	2.6	2.3	0.3	-2.0
2021	3.1	2.7	0.4	-2.3
2022	3.5	3.0	0.5	-2.5
2023	3.8	3.2	0.6	-2.6
2024	4.2	3.6	0.6	-3.0
2025 (Jan-Nov)	3.6	3.2	0.4	-2.8

(Source: Pudji, 2025; OEC, 2025; Putri, 2026)

High-Level Visits

Since 2020, high-level interactions have enabled collaboration, which constitutes geo-economic diplomacy. The groundwork was laid during President Widodo’s visit in 2018, but momentum accelerated in December 2025 when Prabowo visited, and seven MoUs were signed in education, health, and trade (Subianto, 2025; Sharif, 2025). Earlier, the 2026 meeting of Defense Minister Sjamsoeddin facilitated discussions on JF-17 fighter jets (Sjamsoeddin & Sidhu, 2026; Haraj, 2026). Such visits were accompanied by Pakistani delegations, emphasizing the creation of trust amid domestic challenges.

In January 2026, Indonesian Vice Minister of Trade Putri visited Islamabad to sign the 8th PEOC, resulting in the JTC MoU and a renewal of CEPA ambitions (Putri, 2026; Kamal, 2026). This followed Prabowo’s historic visit in December 2025, the first in seven years, during which leaders pledged to strengthen ties by investing in CPEC-related projects (Subianto, 2025; Shehbaz, 2025). Such diplomacy, conducted under the pressure of great powers, is geo-economic in nature, and Indonesia’s non-alignment complements Pakistan’s diversification strategy (Csurgai, 2018; Scholvin & Wigell, 2018).

Sectoral Agreements

Geoeconomic synergies are evident in sectoral pacts, particularly in the defense and energy sectors. The 2010 defense agreement evolved into discussions on 40 JF-17 jets and drones in 2025–2026, involving multi-billion-dollar deals, which enhanced Indonesia’s air capabilities and increased Pakistan’s exports (Sjamsoeddin & Sidhu, 2026; Haraj, 2026). Energy relations focus on palm oil, with Indonesia guaranteeing stable supplies regardless of biodiesel demand (Pudji, 2025; Budi, 2025).

Building on Prabowo’s visit, agreements were made on halal certification and agriculture to expand Pakistan’s market for Indonesian processed foods, while joint ventures in IT and renewable energy were proposed (Shehbaz, 2025; Putri, 2026). These agreements help cushion Pakistan’s economic insecurities through economic measures aimed at strategic resilience (Luttwak, 1990). Additionally, discussions on CPEC integration may coordinate Indonesia’s

Belt and Road Initiative (BRI) investments with Pakistan's corridors to enhance regional connectivity (Kamal, 2026; Esti, 2026).

Besides, in agriculture, a recently signed MoU focuses on collaborating on rice farms, leveraging Pakistan's expertise to improve Indonesian production in response to climate challenges (Sharif, 2025). Geo-economically, these initiatives extend beyond trade to technology transfer, aligning with the diversification policies of both countries (Vihma, 2018; Scholvin & Wigell, 2018).

5. Economic Opportunities and Strategic Constraints

Within the ASEAN, Indonesia–Pakistan cooperation offers economic opportunities via institutional pathways, yet faces strategic constraints from trade architecture, great power competition, and domestic factors (Wilkins, 2023). In this section, we analyze the opportunities and constraints in Indonesia–Pakistan cooperation.

Opportunities through ASEAN

To begin with, the SDP situation in Pakistan since 1993 offers such avenues as the AP-JSCC to conduct a trade and investment dialogue (ASEAN Secretariat, 2025; Thompson, 2023). This is enabled by Indonesia which leads the ASEAN, and the 2024–2028 PCA focuses on practical cooperation (ASEAN Secretariat, 2025). The opportunities encompass market access to the 3.3 trillion economy of ASEAN that might be accessible through FTAs (Pongsudhirak, 2023; Xue, 2023).

Nevertheless, progress is constrained by Pakistan's pending FDP bid due to limited economic strength and geopolitical concerns (Wilkins, 2023). During the 2025 ASEAN chairmanship of Malaysia, support was provided, but no breakthrough was achieved because of institutional barriers, such as the requirement for consensus. In February 2025, the 8th AP-JSCC renewed bilateral relations, with a particular focus on the digital economy and renewable energy; however, progress has been slow as Pakistan remains unable to fully implement the initiatives (ASEAN Secretariat, 2025; Quilop, 2023).

Prospects in Regional Trade

The trade systems found in ASEAN, such as the Regional Comprehensive Economic Partnership (RCEP), have significant integration potential for Pakistan; however, due to its non-member status, it must rely on bilateral relationships with Indonesia (Khaliq, 2024). The IP-PTA, enacted in 2013 and revised in 2019, has provided zero-tariff access for key Pakistani exports such as textiles and rice, resulting in trade volumes increasing from USD 2.6 billion in 2020 to over USD 3.6 billion by November 2025 (Esti, 2026; OEC, 2025). Nevertheless, ongoing imbalances—whereby Indonesian exports generated a USD 3.2 billion surplus by 2025—persist due to high logistics costs, non-tariff barriers, and competition in overlapping sectors such as agriculture (Putri, 2026). These arrangements allow Pakistan to diversify beyond traditional partners by leveraging Indonesia's ASEAN leadership to enter the market indirectly, though further connectivity programs, such as CPEC integration, are needed to reduce dependence on freight (Scholvin & Wigell, 2018; Vihma, 2018).

Attempts to establish a free trade agreement (FTA) between ASEAN and Pakistan have faced opposition due to tariff differences, as ASEAN employs lower average tariffs than Pakistan (which maintains an average of 13.9 percent), increasing competition in the textile and halal product markets (Pongsudhirak, 2023). These challenges are being addressed through the operationalization of the D-8 PTA in 2025 and CEPA expansion plans in 2027, which aim to include services and investments to boost Pakistan's exports in IT and agritech (Esti, 2026; Sharif, 2025). However, socioeconomic limitations remain, as ASEAN prioritizes intra-bloc stability and resilience to external shocks, and external integration is constrained until Pakistan demonstrates economic stability and compliance with requirements, such as palm oil sustainability (Csurgai, 2018). This underscores the need for specific reforms to align Pakistan with the ASEAN trade architecture for mutual benefit.

Great Power Competition

In the Indo-Pacific, strategic possibilities are constrained by US–China rivalry, wherein Indonesia pursues a balancing approach, while Pakistan's alignment through CPEC has exposed it to potential risks of American sanctions

(Thompson, 2023; Pongsudhirak, 2023). This also impacts the defense deals such as JF-17, which gained primacy in the context of India-Pakistan limited war, fought in May 2025 (Haraj, 2026; Sjamsoeddin and Sidhu, 2026). The same year, the US monitored the JF-17 suggested to Indonesia by Pakistan, which also raised the issue of technology transfer, which may trigger CAATSA. Moreover, the BRI investment in the two countries by China creates synergies yet generates concerns of debt traps, thus, making it difficult to adopt a neutral position (Haraj, 2026; Acharya, 2025).

Contrary to ASEAN, however, great power competition provide Indonesia-Pakistan with prospects of cooperation by taking advantage of multilateral forums to balance the US-China rivalry. For example, the non-alignment of Indonesia in ASEAN enables Pakistan to participate in such forums as the ASEAN Regional Forum (ARF) where Indo-Pacific strategies that exclude alliances such as the Quad can be advocated (Acharya, 2025). As an example, joint involvement in ARF deliberations about maritime security may allow the implementation of common actions regarding counterterrorism and response to disasters as well as geoeconomic robustness through diversified alliances (Thompson, 2023; Quilop, 2023). Indonesia as an ally of Pakistan provides avenues of access to ASEAN with its 3.3 trillion economy, which can be subject to RCEP observer status that would allow Pakistan to avoid the risks of American sanctions and focus more on economic diplomacy than military alliances (Pongsudhirak, 2023).

Additionally, the synergies of the BRI can be employed as an opportunity for the Global Maritime Fulcrum in Indonesia is compatible with the CPEC in Pakistan, which is opening the possibilities to connectivity projects such as collaborative infrastructure in the Indian Ocean region (Xue, 2023). This would offset the Quad role of India by advancing other economic corridors, and Indonesia would encourage Pakistan to be fully integrated in the ASEAN (Esti, 2026; Sharif, 2025). These dynamics enable both countries to exploit the ASEAN region to act as a buffer as they seek to rake in investments and technology transfers without having to be too reliant on any given major power, geoeconomically (Luttwak, 1990; Vihma, 2018).

Domestic Challenges

The fiscal instability and political unrest in Pakistan make it difficult to implement agreements, whereas Indonesia's domestic policies, such as biodiesel requirements, affect the stability of palm oil exports, one of the pillars of bilateral trade (Quilop, 2023; Xue, 2023). In 2025, Pakistan's economic crisis—with inflation reaching 25% and external debt exerting pressure—slowed the progress of the PTA and investment outflows, preventing participation in joint ventures with other countries. Domestically, political instability, including government changes and security challenges, further undermines investor confidence, limiting Pakistan's geoeconomic diversification in Southeast Asia (Khaliq, 2024). This is compounded by a lack of practical know-how in ASEAN markets and insufficient expertise in regional standards such as halal certification and digital trade, which hampers deeper integration (Thompson, 2023; Pongsudhirak, 2023).

In view on the above, we posit that Indonesia-Pakistan relations offer various geoeconomic opportunities through ASEAN engagement, trade agreements, and connectivity initiatives such as CPEC and the BRI, with Indonesia facilitating market access and non-alignment diplomacy, yet these opportunities are constrained by Pakistan's domestic economic and political instability, institutional limitations, and Indonesia's policy restrictions, such as biodiesel requirements, alongside exposure to great power competition.

Conclusion

This study employed a geoeconomic framework to analyze Indonesia-Pakistan relations since 2020, demonstrating a clear shift from ideology-driven engagement toward pragmatic, interest-based cooperation. In the context of Indo-Pacific power reconfiguration, global supply-chain disruptions, and post-pandemic economic adjustment, bilateral relations have increasingly been shaped by material considerations, particularly trade expansion, institutional engagement, and selective defense cooperation. The steady rise in bilateral trade—reaching USD 4.2 billion in 2024 and exceeding USD 3.6 billion by November 2025—illustrates that economic pragmatism now constitutes the primary anchor of

the relationship, with Indonesian palm oil and Pakistani textiles and rice forming its commercial core.

At the institutional level, the Indonesia–Pakistan Preferential Trade Agreement and its anticipated upgrade to a Comprehensive Economic Partnership Agreement reflect an effort to move beyond tariff-based trade toward deeper cooperation in services, investment, halal industries, and the digital economy. The establishment of the Joint Trade Committee further signals a commitment to managing structural trade imbalances and non-tariff barriers through sustained policy dialogue. High-level diplomatic exchanges—most notably President Prabowo Subianto’s visit to Islamabad in 2025—and the signing of multiple memoranda of understanding across economic, social, and defense sectors underscore the growing salience of economic diplomacy. Concurrently, defense cooperation, including discussions on JF-17 fighter jets and unmanned systems, complements this geoeconomic trajectory by linking export diversification with strategic signaling.

Despite these advances, several constraints continue to shape bilateral engagement. Pakistan’s limited economic capacity, political volatility, and weak integration into ASEAN’s institutional architecture constrain its ability to fully leverage regional opportunities. Indonesia’s domestic policy priorities, particularly biodiesel mandates affecting palm oil exports, introduce additional uncertainties into the economic relationship. Moreover, intensifying US–China competition in the Indo-Pacific complicates the strategic environment for both countries. Pakistan seeks to balance relations with Beijing and Washington amid domestic economic fragility, while Indonesia endeavors to maintain its non-aligned posture without undermining ASEAN cohesion. These factors demonstrate that geoeconomic opportunities remain closely mediated by domestic vulnerabilities, institutional readiness, and regional power politics.

Within this broader setting, Indonesia’s leadership role in ASEAN offers Pakistan indirect access to Southeast Asia’s expanding market, even as Islamabad remains confined to Sectoral Dialogue Partner status. The findings suggest that Pakistan could benefit from a calibrated multi-alignment approach—drawing lessons from India—by balancing relations with Jakarta, Washington, and Beijing to avoid

overdependence and enhance strategic flexibility in a multipolar Asia.

To translate existing potential into durable outcomes, this study advances five policy recommendations: first, the creation of a bilateral task force to reduce bureaucratic bottlenecks, improve connectivity, and strengthen people-to-people exchanges; second, targeted capacity-building for Pakistani firms to meet ASEAN standards, particularly in halal trade and digital services; third, coordinated engagement in ASEAN-led forums to mitigate great-power pressures through inclusive economic corridors linking CPEC and the BRI; fourth, alignment of Indonesia’s palm oil sustainability and biodiesel policies with Pakistan’s energy requirements through technology transfer; and fifth, greater utilization of D-8 and OIC platforms to reinforce multi-alignment and geoeconomic diplomacy. Collectively, these measures would support the evolution of Indonesia–Pakistan relations from largely transactional exchanges toward a more resilient and strategically grounded partnership.

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