**Frequently Asked Questions (FAQ)**

**1. What is the focus of this research report?**

This report by CSIS Indonesia examines Indonesia’s strategic dependencies, particularly in trade, investment, and supply chains. It identifies key vulnerabilities where Indonesia relies heavily on a few countries for critical sectors, particularly **energy and food**. The study assesses the risks associated with these dependencies and provides policy recommendations to enhance economic resilience.

**2. How does this research define “strategic dependencies”?**

Strategic dependencies refer to Indonesia’s heavy reliance on a limited number of external actors for essential economic inputs, such that any disruption—whether due to geopolitical tensions, supply chain shocks, or economic coercion—could impact the country’s stability and growth. The study differentiates this from the broader concept of economic security by focusing on key sectors where dependency poses the greatest risks.

**3. Does a focus on strategic dependencies mean the research advocates for economic self-sufficiency or protectionism?**

No. This report **does not** promote autarky, deglobalization, or isolationist economic policies. Nor does it seek to antagonize any specific partner. Instead, it aims to cultivate a **more diverse and secure economic footing for Indonesia**—one that supports the country’s aspirations while safeguarding against external shocks. While **domestic measures to enhance economic resilience are necessary**, they should not lead Indonesia toward across-the-board self-sufficiency in energy and food at the expense of economic efficiency and global integration. The focus on **strategic dependency** is meant to help Indonesia achieve **strategic autonomy** without sliding into autarky.

**4. Why is this research relevant for Indonesia’s economic future?**

As Indonesia aims to become an advanced economy by 2045, it must strengthen its economic resilience. Global geopolitical rivalries and supply chain disruptions have made economic interdependence a potential liability. By identifying and mitigating strategic dependencies, Indonesia can safeguard its economic stability while maintaining its free and active foreign policy approach.

**5. What are the key sectors where Indonesia faces economic vulnerabilities?**

The research identifies several sectors with high dependency risks:

* **Energy:** Despite its resource wealth, Indonesia imports a significant share of refined fuel from Singapore and Malaysia, posing risks in times of crisis.
* **Food:** Heavy reliance on imported wheat (Australia, Canada), garlic (China), and beef (Australia) makes Indonesia vulnerable to supply shocks.
* **Trade:** Over 50% of Indonesia’s exports go to just five countries, with China alone accounting for 25%, while more than 28% of imports originate from China.
* **Investment:** 75% of Indonesia’s Foreign Direct Investment (FDI) comes from five sources—Singapore, China, Hong Kong, Japan, and Malaysia.
* **Technology & Pharmaceuticals:** Indonesia’s manufacturing sector depends on China, Japan, and South Korea, while over 90% of pharmaceutical raw materials are imported from China and India.

**6. What are the main risks associated with Indonesia’s strategic dependencies?**

* **Supply Chain Disruptions:** Natural disasters, geopolitical conflicts, or trade restrictions can lead to shortages and economic instability.
* **Economic Coercion:** Major powers may leverage trade and investment dependencies as political tools to pressure Indonesia.
* **Market Volatility:** Over-reliance on a few markets exposes Indonesia to sudden price fluctuations and external economic crises.

**7. How does the study propose Indonesia should mitigate these risks?**

The report outlines several policy recommendations:

* **Diversify Trade & Investment:** Reduce reliance on a few dominant partners by expanding partnerships in critical sectors.
* **Strengthen Domestic Industries:** Invest in energy refining, food production, and pharmaceutical manufacturing to reduce import dependency.
* **Enhance Risk Management:** Develop proactive monitoring mechanisms and scenario planning to anticipate external threats.
* **Regional Cooperation:** Work within ASEAN and the Indo-Pacific to build resilient supply chains and safeguard access to essential goods.

**8. What methodology was used in this research?**

The study employs a **mixed-methods approach**, combining:

* **Quantitative analysis** of trade and investment data.
* **Qualitative insights** from expert discussions and policy dialogues.
* **Scenario-mapping exercises** to assess potential external crises and their economic impact on Indonesia.

**9. How does Indonesia’s foreign policy influence its economic dependencies?**

Indonesia’s **free and active foreign policy** prioritizes economic growth while avoiding geopolitical alignment. However, the increasing use of economic coercion by major powers and recent supply chain disruptions highlight the need for Indonesia to rethink its strategic dependencies without adopting extreme protectionist measures.

**10. How does this research differ from previous studies on economic security?**

Unlike studies that broadly examine **economic security** as a geopolitical concern, this research specifically focuses on **strategic dependencies**, pinpointing the exact areas where Indonesia is most vulnerable. Instead of a theoretical discussion on global trends, the report provides **data-driven insights and actionable policy recommendations**tailored to Indonesia’s economic realities.

**11. What is the ultimate goal of this research?**

The goal is to provide **practical insights** for policymakers, businesses, and stakeholders to enhance Indonesia’s economic resilience. By focusing on **strategic autonomy**—rather than self-sufficiency in all sectors—Indonesia can secure its long-term prosperity while **remaining open to global trade and investment**. A resilient economy does not mean an isolated economy, but rather one that is **better prepared to withstand external shocks while maintaining strong international ties**.