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**Indonesia's Digital Diplomacy in Enchancing E-commerce  
Connectivity in ASEAN**

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**ABSTRACT**

This study analyzes the crucial role of Digital Diplomacy implemented by Indonesia in the specific context of optimizing and enhancing connectivity in the e-commerce sector in the ASEAN region. In facing an increasingly digitalized industrial era, Digital Diplomacy not only serves as a new communication tool for state and non-state actors but also opens up significant economic opportunities for the national digital industry. Using a qualitative descriptive approach and case studies, this study in-depth explores how Indonesia's foreign policy utilizes digital technology and the internet to achieve economic goals. The research findings demonstrate that the strategic and effective implementation of digital technology is vital in building a positive image of Indonesia in the eyes of the international community. Indonesia is positioned as a country with high trade potential, supported by a large domestic market and rapid digital economic growth, even becoming the largest in ASEAN, with a value estimated to reach \$330 billion by 2030. This positive image serves as a magnet to attract foreign investment on e-commerce platforms and effectively promote local products (MSMEs) to regional and global markets. Furthermore, this study highlights that rapid advances in information and communication technology (ICT) have revolutionized international trade. Social media networks formed through ICT have enabled more accessible cross-border e-commerce, despite challenges such as shipping costs and regulations. Indonesia's Digital Diplomacy Policy, which encompasses interactions between state and non-state actors in addressing international issues, seeks to leverage these developments to facilitate regional digital integration.

*Digital Diplomacy, E-commerce, Social Media.*

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**INTRODUCTION**

Governments and international organizations are now beginning to recognize that social media can also transform the way they maintain international relations. Digital Diplomacy, broadly defined as the use of social media for diplomatic purposes, has the potential to transform diplomatic practices in information management, public diplomacy, strategic planning,

international negotiations, and even crisis management (Holmes, 2015). Actors in international relations, including governments, need to give greater consideration to these aspects in the future. If they want to remain effective, they have no choice but to capitalize on opportunities offered by the internet. The emergence of new actors with international status and the gradual transition to a polycentric form of governance (Scholte, 2008) has changed traditional diplomatic functions such as representation, communication, and negotiation, so that the status of government officials themselves has also changed (Hocking, 2012). In today's international trade system, rapidly evolving communication and transportation systems are creating new ways to access markets through Digital Diplomacy. This can be described as a range of economic and commercial activities that utilize internet networks and platforms as part of the existing societal infrastructure.

Digital Diplomacy involves diplomatic activities using the internet or internet-connected devices. With the development of the internet contributing to the development of digital diplomacy, companies and countries worldwide are competing to develop e-commerce strategies using information and communication technology as their primary medium (Chandra, 2021). Utilizing the digital world benefits many stakeholders, including businesses and governments, as it can support cross-border market growth, product sales, and boost the national economy. In the digital era, Indonesia's economy within ASEAN faces challenges arising from changes in global economic governance and paradigms. The global transition to a digital economy is also occurring in Southeast Asia, a region that promises digital economic growth. The digital economies of ASEAN countries are experiencing significant expansion and have the potential to boost the regional economy (Erh, 2021)

Indonesia's digital economy contribution is driven not only by the expansion of large companies, but also by increasing digitalization in the business sector and digital diplomacy efforts to expand inclusion and collaboration across ASEAN countries, achieving sustainable economic growth and strengthening national digital infrastructure. In this regard, the role of diplomats is currently shifting. towards the increasingly crucial function of digital diplomacy to advocate national interests, strengthen digital regulations, and encourage policy harmonization at the regional level, as reflected in Indonesia's strategy of building digital infrastructure, expanding inclusion, and facilitating collaboration through networks such as the ASEAN Smart Cities Network (Santoso, 2024). In the papers of (Bjola, 2018; Pammet, 2015; Manor, 2019) emphasize that the competence and adaptation of diplomats in utilizing digital technology are becoming increasingly important in responding to

regional dynamics and strengthening Indonesia's position in the international arena. Digital Diplomacy is broadly defined as the use of social media for diplomatic purposes, which has the potential to transform diplomatic practices in information management, Public Diplomacy, strategic planning, international negotiations, and crisis management. In the current international trade system, the rapid development of communication and transportation systems creates new ways to access markets through Digital Diplomacy, which involves a series of economic and commercial activities using internet networks and platforms.

Effective use of digital technology and the internet can build a positive image of Indonesia as a country with high trade potential, attract investment, and promote local products. In the Indonesian context, Digital Diplomacy is a top priority in foreign policy. Digital Diplomacy serves as a complement, not a substitute, to traditional diplomacy, enabling the achievement of diplomatic objectives with greater speed and reach. Furthermore, regarding Cross-Border E-Commerce (Shirkoochi & Muhammad Mohiuddin, 2025; Zeng, Fu, Haleem, Han, & Zhou, 2023; Ding, 2025 ) cross-border e-commerce can be categorized as business activities that transcend national borders, driven by the internet's borderless nature that allows customers to shop from anywhere in the world. This trend is increasing as sellers actively seek new buyers abroad and customers demand a wider selection of products, which in turn spurs the improvement of e-commerce and logistics services that support cross-border transactions. The implementation of digital diplomacy in Indonesia is gaining increasing attention, in line with the government's efforts to optimize information technology to strengthen its economic position and facilitate foreign policy through new approaches.

Therefore, this emphasis on digital diplomacy aligns with Indonesia's vision to become the center of ASEAN's digital economy, where strengthening digital infrastructure, digital inclusion, and regional collaboration are key focuses to support the sustainable growth of cross-border e-commerce (Santoso, 2024). Many studies emphasize the importance of integrating digital technology and developing innovative logistics models, as well as strengthening supply chain collaboration for national competitiveness. However, few have highlighted the synergistic relationship between digital transformation and logistics innovation in the context of cross-border e-commerce and how countries facilitate this through a series of diplomatic practices. Yet, recent studies have shown that the integration of advanced digital infrastructure, optimized logistics systems, and efficient cross-border payments significantly boosts the growth of cross-border e-commerce exports and strengthens national

positions in global trade networks. The development of responsive digital media has not only created new forms of communication but also contributed significantly to the Indonesian economy. Therefore, the author formulates a research problem related to the role of digital diplomacy in Indonesian e-commerce in ASEAN.

## **RESEARCH METHOD**

The research applied in this paper uses a qualitative approach. This qualitative methodology includes a combination of data collection techniques and the use of inductive or qualitative data analysis, with an emphasis on interpreting the results obtained (Creswell, 2007). The preparation of the research design must be specific, explicit, and detailed, and must be firmly established from the beginning to guide each step of the implementation. The data analysis in this study is qualitative, aiming to present a systematic, factual, and accurate picture of the facts and relationships between the phenomena being investigated. The analysis process begins after all the necessary data are collected, following the stages outlined by Miles, B., & Huberman (1994): 1. Data collection; 2. Data reduction, namely analysis activities that include sharpening, classifying, directing, eliminating irrelevant data, and organizing data to facilitate the formulation of conclusions; 3. Data presentation, which involves grouping the reduced data; and 4. Drawing conclusions (verification), which is the analysis stage that focuses on interpreting the previously presented data. Using a descriptive approach, it provides extensive explanations regarding the use of digital diplomacy, particularly for Indonesia within ASEAN.

## **RESULT AND DISCUSSION**

In the context of Indonesia's economic diplomacy in Southeast Asia, the implementation of economic diplomacy can be based on the President's instructions at the Indonesian Delegation Working Conference on January 9, 2020. At the meeting, President Jokowi instructed all Indonesian representatives to focus on economic diplomacy and allocate 70-80% of existing resources for that purpose. This directive is consistent with the definition of economic diplomacy in the Ministry of Foreign Affairs 2015-2019 Strategic Plan, which defines economic diplomacy as "the achievement of economic diplomacy through various cooperation such as development (including health, education, agriculture, and medicine)" (Muhibat, 2020). The government's role has expanded to include not only the regulation of Digital Diplomacy, but also the promotion and facilitation of the development of a trade ecosystem. Indonesia

stands out as a significant competitor in Southeast Asia's digital economy landscape, presenting itself as a promising market supported by stable economic growth. The digital economy plays a crucial role in Indonesia's development agenda and is part of efforts to transform Indonesia's economic structure from a resource economy to a knowledge economy in the face of global competition (Shetty, 2014)

Bede Moore identified four key factors contributing to the expansion of Indonesia's digital economy, particularly the e-commerce sector. These factors include:

- a) The number of smartphone users is increasing due to the availability of affordable devices.
- b) The growing middle class, many of whom have disposable income, makes them a prime target for e-commerce companies.
- c) Indonesia attracted \$2.5 billion in foreign investment in e-commerce platforms from well-known Chinese and European companies.
- d) The rapid evolution of payment infrastructure has enabled people without bank accounts to conduct online transactions (Moore, 2018).

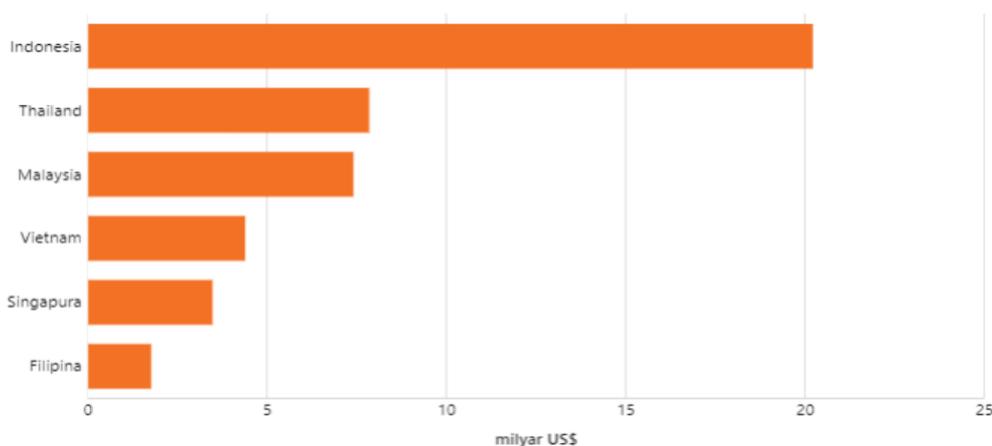
The above identification of the digital economy represents a comprehensive overview of the technological and innovation challenges facing Indonesia in achieving a sustainable and competitive economy. At the same time, the rise of the digital economy is a key indicator in implementing strategies to increase real sector value creation, economic resilience, and quality growth, as recently outlined in the 2020-2024 Medium-Term Development Policy (Bappenas, 2019). One of the driving factors for tourism and trade growth is the shift in the use of digital technology during the pandemic. Indonesia's digital economy was reportedly worth \$70 billion in 2021, the highest in the ASEAN region. This value is expected to increase nearly fivefold, reaching \$330 billion by 2030. Adaptation, innovation, and collaboration are key to the recovery of the tourism and trade sectors from the difficulties caused by the pandemic. Accelerating the digital economy, particularly e-commerce, will improve the country's economic performance and is one of the most effective strategies to achieve this goal (Limanseto, 2022).

### **Development of the e-commerce industry in Indonesia**

Industry 4.0 is increasingly driving changes in the socio-economic order. With the development of digital technology, the dense flow of information provides increasingly diverse opportunities for mapping transaction patterns. Currently, especially in Indonesia, stores can operate without a physical building, and consumers can increasingly choose a variety of products according to their preferences without having to leave the store. Digital

commerce also offers economic opportunities to penetrate domestic and international markets (Pratama, 2024). According to a report by Google, Temasek, & Company (2023) despite macroeconomic constraints, Indonesia's economy is expected to recover and reach approximately \$110 billion by 2025, primarily driven by the e-commerce sector. Indeed, as Southeast Asia's largest economy, Indonesia has greater opportunities to fully capitalize on the impact of digital technology advancements and reap economic benefits (Pratama, 2024)

This framework can guide the government and businesses in capitalizing on Indonesia's digital economy opportunities within the Southeast Asian region. According to the e-Conomy SEA 2023 report, the e-commerce sector is expected to continue to be a growth hub, along with transportation, groceries, online travel, and online media.



**Figure 1.**

**E-commerce Sales Projections in Southeast Asia in 2021**

Source: Databoks, 2021 in

<https://databoks.katadata.co.id/datapublish/2021/09/21/penjualan-e-commerce-indonesia-diproyeksi-paling-besar-di-asia-tenggara-pada-2021>

The rise of e-commerce worldwide, including ASEAN. According to eMarketer research, the e-commerce growth rate in ASEAN reached 14.3% in 2021. Retail e-commerce sales in other ASEAN countries reached \$45.07 billion in 2021, and Indonesia reached \$20.21 billion (Dihni, 2021). Based on the data above, the growth of e-commerce in ASEAN contributed around 4.6% of the estimated total of \$970.83 billion in 2021. Since 2020, the number of Indonesian e-commerce users has continued to increase, and is estimated to reach 58.63 million users in 2023. By 2029, it is estimated that the number of Indonesian e-commerce users will reach 99.1 million (Ministry of Trade, 2024).



**Figure 2.**  
**E-commerce Charts Visited in 2023**

Source: Aditya (2023)

In mid-2023, Shopee continued to dominate the Indonesian e-commerce market. Compiling the same online data, Shopee had 158 million visitors in Q1 2023 and 167 million visitors in Q2 2023. Meanwhile, Tokopedia had 117 million visitors in Q1 2023 and 107.2 million visitors in Q2 2023 (Aditya, 2023). The e-commerce market in Indonesia is expected to continue growing. It is predicted that e-commerce users in Indonesia will reach 244 million by 2027. E-commerce accessed via the internet knows no borders and allows customers to shop from anywhere in the world. While most online customers choose domestic e-commerce stores, there is also business activity that transcends national borders (Kawa, 2016). Sellers are looking for new buyers abroad, while customers want a wider choice, leading to an increase in e-commerce and cross-border logistics services (Cho, 2017). However, cross-border e-commerce has drawbacks, including limitations in shipping costs, delivery time and quality, communication in foreign languages, payment currencies, payment terms, legal provisions, tax provisions, return services, etc (Kawa, 2016). Indonesia is the country with the highest digital economy market potential in the ASEAN region. Indonesia's digital economy is projected to grow from \$77 billion in 2022 to \$130 billion in 2025, as measured by the total value of goods sold through customer-to-customer (C2C) exchange platforms. According to a report by Google et al., (2023) Indonesia received 34% of ASEAN member countries' digital economy investments in 2021, making it the second most popular investment destination after Singapore (43%). The majority of this investment came from non-ASEAN countries such as the United States, China, the

European Union, and the United Kingdom, as well as other ASEAN countries such as Singapore and Malaysia (UNCTAD, 2024)

### Digitalization of Indonesian e-commerce in ASEAN

The Digital Economy Framework Agreement (DEFA) is intended to be an overarching document that integrates other ASEAN digital action plans into one comprehensive strategy. DEFA provides clear direction for ASEAN to achieve its goal of playing a leading role in the digital economy. This will be done through well-coordinated actions across all relevant areas, formalized as a legally binding agreement that takes into account the level of development and readiness of each member state (Callebaut, 2022). Indonesia embarked on its integration path into the ASEAN Digital Economy Framework Agreement (DEFA) on September 16, 2023. According to e-Conomy SEA 2022, Indonesia has the potential to become the largest digital economy market in ASEAN, which is expected to grow from \$77 billion in 2022 to \$130 billion in 2025. DEFA aims to strengthen existing efforts related to the digital economy, including cross-border data flows, personal data protection, and digital identity systems (tms-consulting, 2024). Despite global macroeconomic challenges, Southeast Asia's digital economy continues to grow. The region is expected to reach \$218 billion by 2023, an 11% increase compared to last year. This growth will be driven by high internet penetration, rising digital consumerism, e-commerce growth, and continued innovation in the region. Technology and technology-enabled business models are key. Across the region, digital transformation is expected to add \$1 trillion to Southeast Asia's economy by 2030 (Google et al., 2023). Much work remains to be done to contribute to a secure and connected ASEAN digital economy, including digital payments, e-commerce, and digital identity systems. Through this joint effort, DEFA will not only strengthen regional digital cooperation but also position ASEAN as a digital community on the global stage.

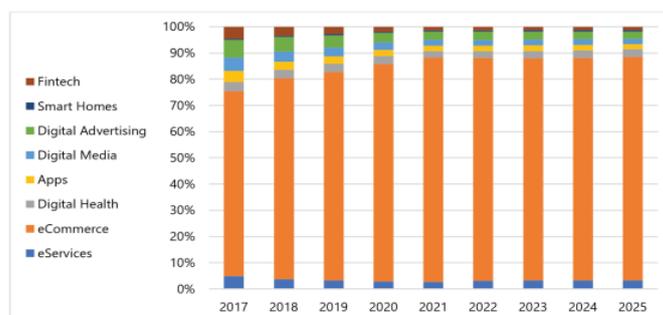


Figure 3.

### Indonesia's Digital Business Ecosystem and Prospects

Source: Statista (2022) in <https://www.statista.com/markets/413/e-commerce/>

The figure above shows that Indonesia's digital economy is still heavily dominated by the e-commerce and fintech industries, and this is expected to continue in the coming years. The value of e-commerce in Indonesia has increased nearly tenfold, from IDR 42 trillion in 2017 to IDR 401 trillion in 2022, and will reach IDR 536 trillion in 2022 (Bank Indonesia, 2021). The improvement of digital payment systems, particularly the Quick Response Code Indonesia Standard (QRIS), is a crucial driver of trade digitalization. It is also important to note that the majority of QRIS digital payment system users are small and medium-sized businesses. Digitizing the economy can significantly boost national economic growth through e-commerce, fintech, and other digital platforms, a widely used digital service in Indonesia. To become the most comprehensive and proactive Digital Diplomacy in the future, the Indonesian government must also invest in the long-term success of its Digital Diplomacy infrastructure, particularly in developing human and technical capabilities (Paris, 2013).

Digital diplomacy has had a significant impact on Indonesia's relations with ASEAN countries, particularly as a catalyst for traditional diplomacy. One positive impact is strengthening and enhancing relations between countries. Through digital platforms, Indonesia can effectively disseminate peace issues, convey achievements in bilateral and multilateral cooperation, and communicate its official stance on regional issues. This fact-based information dissemination effort is crucial for maintaining friendship and solidarity among ASEAN communities. Furthermore, digital diplomacy plays a crucial role as a medium for disseminating messages of peace and as a tool for accelerating economic cooperation. In the context of peace, social media is used to maintain harmony in community life, foster a spirit of human solidarity, and ensure the maintenance of peace. Meanwhile, in the economic sector, digitalization accelerates the flow of goods and services, which aligns with regional cooperation frameworks such as the ASEAN Economic Community Blueprint. Furthermore, government digital platforms (such as websites, Facebook, Twitter, and Instagram) also serve to facilitate access to information for the international community and Indonesian citizens abroad, enabling them to learn more about Indonesia and facilitate access to information or to submit complaints. While digital diplomacy has shown significant results, particularly in the economic sector, its overall implementation in ASEAN has yet to fully demonstrate its significance in several other areas. Despite significant opportunities, Indonesia still faces serious challenges in digital diplomacy, such as cybersecurity issues (hacking and cyberattacks) and low internet penetration rates compared to several other ASEAN member states.

## CONCLUSION

As more and more industries become connected, it creates significant opportunities for various forms of digital industry. Digital technology is not new; it is a product of scientific progress. Technological advancements create opportunities for new business models. From the findings and discussion above, the author concludes that Digital Diplomacy is one of the government's tools to advance national interests. Specifically, the appropriate use of digital technology and the internet to build a positive image of Indonesia as a country with potential for trade development, attract investment, promote domestic goods, and create a better economy is crucial. International trade has grown alongside advances in information, communication, internet, and computer technology, leading to the formation of social media networks. This is a policy implemented by non-state actors when they interact with state actors on various issues, events, and negotiations on the international stage.

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