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Considering Indonesia's Economic Growth Direction: Between the OECD and BRICS

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ABSTRACT

Indonesia's economic growth is classified as an upper-middle-income country. This research examines Indonesia's economic strategy in navigating simultaneous engagement with two major economic blocs, the Organisation for Economic Co-operation and Development (OECD) and BRICS, specifically analyzing the relevance of the OECD for Indonesia after BRICS membership amidst the dynamics of economic growth of OECD countries. This research aims to analyze the potential of Indonesia's economic strategy through a hedging concept approach within the framework of BRICS membership and accession to the OECD. Using descriptive-qualitative method based on literature study and secondary data, the patterns of cooperation and economic performance of the two blocs are analyzed. The results show that engagement with BRICS does not diminish the strategic role of the OECD, BRICS offers opportunities through market expansion and access to alternative financing, while the OECD remains vital as a partner to promote structural reforms and improve national competitiveness.

Keywords: OECD, BRICS, Indonesia, Economic Growth, Hedging

INTRODUCTION

Indonesia's economic growth places it in the category of an upper-middle-income country, meaning that its GDP falls within the range of USD 4,516 to 14,005 (World Bank, 2024). BPS (2025) reported that Indonesia's GDP in the first quarter of 2025 reached USD 5,665. This indicates that Indonesia, as a country rich in natural resources, has begun to maximize its wealth potential. Nevertheless, amid global economic instability, Indonesia—adhering to its *bebas aktif* (free and active) foreign policy—continues to promote multilateral cooperation in various sectors, especially the energy sector. Increasing exports and reducing imports remain central agendas in Indonesia's multilateral cooperation efforts. For example, as the world's largest nickel producer, with an annual output of 1,721.5 tons, Indonesia has the potential to enhance added value for national economic benefit (Global Data, 2024). In 2022, Indonesia pursued a strategic downstream policy by halting raw nickel exports, requiring domestic processing prior to export. This policy drew attention from the IMF, which, in its 2023 Article IV consultation, recommended that Indonesia gradually lift export restrictions due to potential market distortions and negative cross-border propagation effects (IMF, 2023). However, this policy serves as an effort to strengthen Indonesia's economy through the export sector (Judijanto et al., 2025).

As an upper-middle-income country, Indonesia continues to pursue economic growth through international economic alliances. While maintaining a *bebas aktif* foreign policy, Indonesia sees value in joining institutions such as the *Organisation for Economic Co-operation and Development* (OECD), an organization of high-income developed countries. The

OECD offers high standards of economic governance, from legislation to public policy, and provides access to global data, policy analysis, and platforms for international dialogue and collaboration—opening new opportunities for sustainable economic development.

Since 2007, Indonesia has participated as a strategic partner in various OECD forums (Leimgruber & Schmelzer, 2017). This commitment deepened in 2014 with the establishment of the OECD Representative Office in Jakarta, as mandated by *Peraturan Presiden* (*Perpres*) No. 174 of 2014. Under President Jokowi's administration, Indonesia became an official candidate for OECD membership in 2024 (OECD, 2024). However, to attain full membership, Indonesia must align its policies with OECD standards in 23 specific areas (OECD, 2024). If successful, Indonesia will become the third Asian country (after Japan and South Korea) and the first ASEAN country to join the OECD.

Amid shifting global economic dynamics, OECD member countries are currently experiencing a slowdown in GDP growth. This phenomenon contrasts with the trend in several developing countries, including members of *BRICS*, which are continuing to grow. Although the OECD warns of a potential domino effect stemming from economic slowdowns in the West, developing countries have demonstrated resilience and continued economic progress.

Previous studies have examined Indonesia's relations with the OECD and *BRICS* separately, and have analyzed its foreign policy from a general perspective. However, few have specifically applied a *hedging* framework to analyze Indonesia's dual strategy: pursuing OECD accession, representing developed-country standards, while also actively engaging with *BRICS*, which represents the interests of developing nations. This study addresses that gap by offering an in-depth analysis of how Indonesia could optimize engagement with both forums to protect and promote its national interests amid global economic uncertainties.

The urgency of this research is underscored by the current global context, where traditional institutions such as the OECD face declining growth among their members, while *BRICS* rises in prominence as an alternative platform for developing nations. A deeper analysis of how Indonesia can leverage both OECD and *BRICS* is necessary. This study aims to reveal the strategic implications of Indonesia's foreign policy decisions—particularly regarding how engagement with both institutions can support structural reform and long-term economic growth in an increasingly uncertain global landscape.

RESEARCH METHOD

This research uses a qualitative descriptive method, which is an approach aimed at examining and clarifying a phenomenon or social reality in depth. The primary focus of this method is on understanding the context and interpreting the meaning of narrative and conceptual data, rather than numerical data. Data collection in this study was conducted purposively, based on the criteria of substantive relevance, source credibility, up-to-date information, and data clarity, as suggested by Creswell (2018) and Hart (1998), to ensure that the analysis is grounded in valid and contextual information aligned with the focus of the study.

Data were collected through the examination of various secondary sources, such as official reports from international institutions (*OECD*, *BRICS*, *IMF*, World Bank), government publications (*BPS*, Bank Indonesia, *BKPM*), relevant economic and political news articles, scientific journals, books, and other policy documents related to Indonesia's economic cooperation with the *OECD* and *BRICS*, as well as analyses of the economic growth of the member countries of both blocs. The data analysis process involves identifying key patterns, themes, and arguments from the literature, then synthesizing them to answer the research questions regarding the relevance of the *OECD* to Indonesia's economic growth within the context of global dynamics and potential *BRICS* membership.

To operationalize the *hedging* concept approach, this study systematically examines official policy documents, public statements from decision-makers, economic cooperation agreements, and secondary data related to Indonesia's investment and trade patterns with *OECD* and *BRICS* member countries. The data analysis is guided by a *hedging* framework by specifically identifying and interpreting Indonesia's strategy as a conscious effort to diversify risks without becoming overly dependent—economically or politically—on either bloc.

First, the strategy aims to maximize benefits by selectively forming partnerships and leveraging opportunities offered by both blocs simultaneously. Second, it seeks to maintain strategic autonomy in foreign and economic policymaking, without being tied exclusively to the agenda or interests of either bloc. Specific indicators of *hedging* behavior identified in the data include: (1) Indonesia's active and balanced participation in forums and initiatives promoted by both the *OECD* and *BRICS*; (2) a policy of diversifying trading partners and investment sources, explicitly or implicitly balancing the influence between the two blocs; (3) government narratives that emphasize maintaining good relations with all major powers while prioritizing national interests; and (4) international agreement clauses designed to allow flexibility and maneuvering space for Indonesia.

Each secondary data source is thus analyzed through the lens of how it contributes to understanding Indonesia's management of its complex relationship with the *OECD* and *BRICS*, as a manifestation of its *hedging* strategy.

RESULTS AND DISCUSSION

Building Momentum: A New Direction of Indonesia's Economic Growth in 2025

In building economic growth momentum, Indonesia's economy is showing signs of a sustained post-pandemic recovery, supported by strong domestic demand despite the global economic slowdown. Indonesia's annual economic growth will be 5.05% in 2023 (BPS, 2024). Entering 2025, Indonesia's economy in the first quarter grew by 4.87% (Y-on-Y) compared to the first quarter of 2024, although it contracted by 0.98% (Q-to-Q) compared to the fourth quarter of 2024, showing dynamics in the midst of global conditions (BPS, 2025). (World Bank, 2024) indicates Indonesia's economic growth at 4.7% in 2025, considering that dynamic domestic demand can offset the weakening of world commodity prices.

Indonesia has an economy with a structure dominated by domestic demand. In the first quarter of 2025, household consumption grew by 4.89% (Y-on-Y) (BPS, 2025). This consumption growth was driven by a significant recovery in the transportation and communication sectors as well as the revival of the tourism sector. Gross Fixed Capital Formation (PMTB) in the first quarter of 2025 grew by 2.12% (Y-on-Y), reflecting investment dynamics amid global uncertainty (BPS, 2025). This reflects the increase in the realization of infrastructure projects and investment in the industrial sector. Meanwhile, exports of goods and services in the first quarter of 2025 experienced significant growth of 6.78% (Y-on-Y), supported by an increase in exports of several major non-oil and gas commodities (BPS, 2025).

In terms of production, the manufacturing sector remains a significant contributor to GDP, with a contribution of 19.25% in the first quarter of 2025, followed by the trade and agriculture sectors (Nurdifa, 2025). Spatially, Java Island still dominates national economic output in the first quarter of 2025 with a contribution of 57.43% to GDP and recorded economic growth of 4.99% (Y-on-Y) (BPS, 2025). Interestingly, in 2023, the group of provinces outside Java recorded higher growth of 5-7% (BPS, 2024). Thus, this shows the spread of economic activities along with infrastructure development.

In order to evaluate the direction of national economic growth, there are four main macroeconomic indicators that are used conventionally. The first indicator is inflation. In April 2025, Indonesia's annual inflation (Y-on-Y) was recorded at 1.95% (Irawati, 2025). Although there are monthly fluctuations in early 2025, in general the inflation rate is still maintained. Bank Indonesia (2024) estimates that inflation will remain under control within the target range of 2.5±1% in 2025-2026 (Bank Indonesia, 2024).

Second, employment indicators show continuous improvement. The Central Statistics Agency (BPS) through the National Labor Force Survey (Sakernas) in February 2025 recorded an Open Unemployment Rate (TPT) of 4.76%. This figure shows a decrease compared to BPS data for 2024 which recorded TPT of 4.91% and 5.32% in 2023. In February 2025, the number of labor force also increased to 153.05 million people with a working population of 145.77 million people, where the main absorption of labor occurred in the Wholesale and Retail Trade sector (BPS, 2025).

The next indicator is the trade balance and external. In March 2025, Indonesia's trade balance recorded a surplus of US$4.33 billion, with exports reaching US$23.25 billion and imports of US$18.92 billion (Trading Economics, 2025). Nevertheless, the IMF projects that Indonesia's current account deficit can reach 1.5% of GDP in 2025 (IMF, 2024). Monthly data as early as 2025 shows fluctuations in the value of exports and imports.

The last indicator is investment. Gross Fixed Capital Formation (PMTB) growth in the first quarter of 2025 was recorded at 2.12% (Y-on-Y) (BPS, 2025). Investment realization in the first quarter of 2025 reached IDR 465 trillion, growing by around 15.9% to 16% (Y-on-Y) (BKPM, [Q1 2025 Publication]). The Ministry of Investment targets a total investment of IDR 1,905.6 trillion for 2025. Overall, with relatively maintained inflation, improvements in the labor market, continued trade balance surplus at the beginning of the year, and positive investment growth in the first quarter of 2025, Indonesia's macroeconomic fundamentals show efforts to maintain stability and sustain future growth momentum amid global challenges.

In Indonesia, there are three main driving sectors of the national economy. First is industry. The manufacturing sector in the first quarter of 2025 grew by 4.55% (Y-on-Y) with a contribution to GDP of 19.25% (Nurdifa, 2025). Manufacturing growth was supported by domestic demand and exports of downstream products. The subsectors that are still leading are food-beverages, metals, and electronic goods. The second sector is the digital economy and information technology. The value of Indonesia's digital economy is projected to exceed USD 130 billion by 2025 (e-Conomy SEA 2024, 2024). The *e-commerce* sector is expected to contribute a gross merchandise value (GMV) of USD 82 billion by 2025 (e-Conomy SEA 2024, 2024). The growth of digital payment transactions also continues to strengthen Indonesia's position in the ASEAN arena.

The next main sectors owned by Indonesia are energy, mining, and natural resources. In the first quarter of 2025, the mining and quarrying sector contributed 8.99% to GDP, despite experiencing a growth contraction of 1.23% (Y-on-Y) in that period (Santika, 2025). In addition, although Indonesia still relies on the export of primary commodities, Indonesia has also begun to encourage the downstream of mining commodities for higher added value. Thus, with a significant contribution to GDP, these three sectors, namely the manufacturing industry, digital economy, and energy sector, are the main foundations in supporting Indonesia's growth structure. The strengthening of these sectors not only supports short-term performance, but also becomes a strategic pillar in realizing a more inclusive and sustainable medium-term economic transformation.

Although various macroeconomic indicators and key driving sectors show Indonesia's resilience and economic growth potential, structural challenges still loom, particularly in the optimization of international trade. Although Indonesia's trade volume continues to increase, the author assesses that its market share in several strategic regions and the diversification of high-value-added export products still needs to be significantly increased. Limitations in market access, product quality standards that are not fully aligned with global demands, and the complexity of trade regulations are some of the inhibiting factors. It is in this context that Indonesia's efforts to deepen cooperation and even seek full membership in the OECD become relevant as one of the strategic solutions.

The Potential of the OECD as a Means of Achieving Indonesia's Economic Growth

Since 2024, Indonesia has officially become a candidate country to join the OECD, adopting the "Accession Roadmap" which requires policy adjustments to OECD standards (OECD, 2024). The OECD assesses that Indonesia has the potential to improve economic efficiency through standardization of tax, labor, environmental, and strict governance regulations. As a result, Indonesia's involvement in the accession process can attract more investment from developed countries and optimize the transfer of advanced technologies such as digital transformation and industrial technology to the country. For example, the OECD projects that participation in this framework will facilitate access to the European Market for Indonesian products in the face of the demands of export market diversification.

The OECD was described by Robert W. Cox and Harold K. Jacobson as an organization that serves as a forum for member countries to exchange ideas, negotiate initiatives and make common economic agreements, and collectively legitimize agreed policies. More than that, the OECD has three specific mechanisms in carrying out its agenda. First, the OECD generates economic policy ideas, develops scenarios and sets agendas. Furthermore, this institution also carries out multilateral supervision procedures, meaning that the performance of member countries can be monitored and researched by economists or experts from other member countries. The output of this monitoring is the existence of a report containing criticism and recommendations. Finally, the creation of quantitative data and standardizing statistical concepts.

Sustainable economic growth is the main goal of the establishment of the OECD. At the beginning of its meeting, the OECD targeted to increase the combined GNP of its member countries by 50% (Leimgruber & Schmelzer, 2023). Then, a few years later, OECD member countries got 70% of the world's GDP with the entry of Japan, followed by Finland in 1968, Australia in 1971, New Zealand in 1973 (Leimgruber & Schmelzer, 2023). The expansion of membership shows that the OECD is not only exclusive to the West, but also open to Asian countries such as Japan.

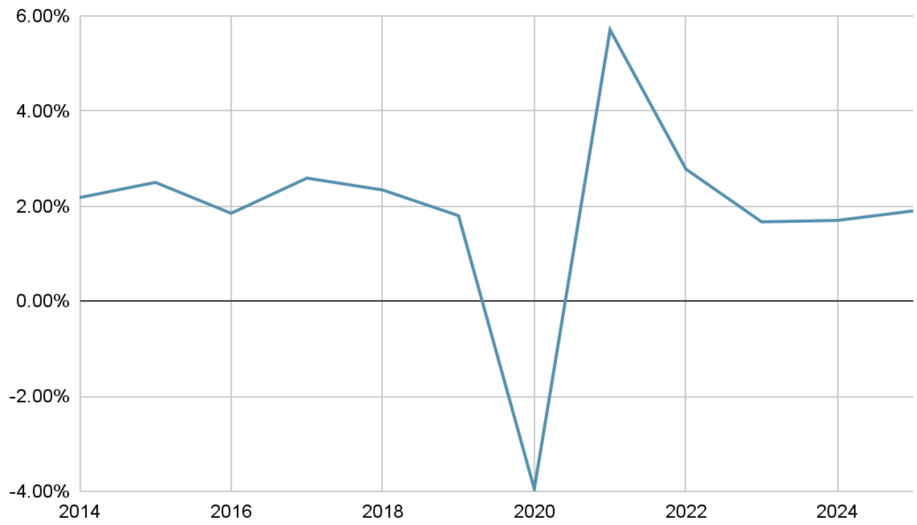

Figure 1. Annual GDP Growth of OECD Members (2014-2025)
Source: (OECD, May 2025)

The period between 2014 and 2019 shows a trend of GDP growth in OECD countries that tends to be stable but at a moderate level. The OECD's average annual real GDP growth over this period ranges from 1.80% to 2.59% (OECD, 2025). These figures reflect ongoing efforts for economic recovery and stabilization after the significant impact of the 2008-2009 Global Financial Crisis. Factors driving growth in this period include monetary policies that remain accommodative in many member countries, aimed at stimulating investment and consumption. In addition, there has been a gradual recovery in the labor market, which has helped support people's purchasing power. Global trade growth, although it began to show signs of slowing towards the end of this period, also made a positive contribution.

The year 2020 was a dramatic turning point for the global economy, including OECD countries, with the outbreak of the COVID-19 pandemic. The impact of the pandemic caused the OECD's GDP contraction of -3.95%, an unprecedented decline in peacetime scale and speed (OECD, 2025). This contraction was triggered by a variety of interrelated factors, including the widespread implementation of *lockdown* policies to suppress the spread of the virus, which effectively halted most economic activities. In addition, there have been massive disruptions in global supply chains due to border closures and mobility restrictions, as well as a sharp decline in global demand due to uncertainty, loss of income, and social restrictions.

In the face of this unprecedented crisis, OECD member countries responded quickly and on a large scale. Massive fiscal stimulus packages were launched to provide direct assistance to households and businesses, support health systems, and maintain employment stability. In parallel, central banks are implementing highly accommodative monetary policies, including cuts in interest rates to near zero levels and the expansion of asset purchase programs, in order to stabilize financial markets, ensure sufficient liquidity, and support credit flows to the real sector.

After a sharp contraction in 2020, the OECD economy entered a strong recovery phase in 2021, with GDP growth reaching 5.71% (OECD, 2025). This initial recovery was driven by several factors, including *pent-up demand* as pandemic restrictions eased, the continuation of fiscal and monetary stimulus in many countries, and progress in vaccination programs that boosted consumer and business confidence. However, this recovery momentum began to moderate in 2022, with growth slowing to 2.78%, and continuing in 2023 with growth of 1.67% (OECD, 2025).

The 2021-2023 period is marked by the emergence of significant new economic challenges. Surging inflation is the dominant issue, with average annual inflation in OECD countries jumping from 2.82% in 2021 to a multi-decade record of 9.5% in 2022 (the annual inflation peak reached 9.6% in May 2022, the highest since August 1988), before moderating to 6.9% in 2023 (OECD, 2024). This is triggered by a combination of ongoing supply chain disruptions, strong post-lockdown global demand, sharp increases in energy prices (exacerbated by geopolitical conflicts such as Russia's invasion of Ukraine), and tight labor markets in some developed countries. In 2023, OECD countries collectively managed to overcome the acute impact of the energy crisis and high inflationary pressures that had threatened stability. This surge in inflation forced central banks in OECD countries to drastically change the direction of policy. Tightening monetary policy through a series of aggressive interest rate hikes is a common step taken to dampen price pressures.

This monetary tightening policy, although necessary to control inflation, carries the risk of a further slowdown in economic growth, even a recession in some countries. Central banks are faced with a complex policy dilemma by needing to strike a balance between controlling inflation and maintaining stability in economic growth and the labor market. In addition, after a period of massive fiscal expansion during the pandemic, the government's focus began to shift towards fiscal consolidation to ensure the sustainability of the already swollen public debt. The ratio of government debt to GDP in OECD countries is projected to increase further, with government interest payments as a share of GDP increasing in around two-thirds of OECD countries by 2024 reaching 3.3% (OECD, 2025). This situation tests the credibility of central banks in managing inflation expectations and demands careful fiscal-monetary policy coordination. Furthermore, these challenges also highlight the importance of structural reforms to increase productivity and the long-term growth potential of the OECD economy, especially in the face of a post-pandemic era full of uncertainty.

In addition to short-term macroeconomic responses, the OECD has consistently encouraged its member countries to undertake structural reforms to increase productivity and long-term growth potential. The post-pandemic "Building Back Better" philosophy implies that the recovery must be used as momentum to make strategic investments that not only recover the economy but also transform it into more resilient and sustainable.

Strengthening regional resilience is also an important agenda, with the OECD supporting all types of regions—rural, urban and otherwise—to become more equitable, inclusive and resilient by putting well-being at the centre of development. It involves tailored regional development policies, strengthening multi-level governance, and effective investments to address challenges such as climate change, digitalization, migration, and demographic shifts from a local perspective. There is a potential tension between the need for short-term stimulus for GDP recovery and the imperative of long-term structural reforms. For example, investing in renewable energy may require large upfront costs, which can compete with the needs of social spending or traditional industry support in the short term. Thus, the success of the OECD strategy depends on its ability to integrate short-term and long-term goals coherently.

The narrative of a sharp contraction in 2020 and the recovery after it is not just a record of economic performance. This series of events concretely demonstrates the collective resilience and institutional capacity of the OECD in responding to global shocks. The ability to coordinate large-scale fiscal and monetary policy packages is a testament to the strength of the bloc's economic foundations. For Indonesia as a prospective member, this tested capacity in crisis management is one of the strategic potentials offered, namely ensuring stability and access to policy frameworks that have proven to be effective in mitigating the impact of the crisis.

However, the process of adaptation to OECD standards is not without challenges. The OECD framework inherently reflects the development priorities and models of developed countries. This raises a crucial question: can this framework fully accommodate Indonesia's specific economic agenda, such as the acceleration of the downstream of natural resource-based industries that have drawn criticism from international institutions? The need to strike a balance between the adoption of global standards and the protection of national industrial interests is what drives Indonesia to simultaneously look at alternative forums that can provide greater space for the aspirations of developing countries.

The Potential of BRICS as the Key to Developing Countries' Progress

Initially, the conceptualization of BRICS as a strategic grouping was often met with significant analytical skepticism, especially regarding the potential for internal cohesion and its capacity to produce substantive collective impact in the global socio-political order. However, the authors see that along with its evolution, BRICS has shown the ability to overcome these initial doubts by institutionalizing cooperation frameworks, such as the establishment of the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), as well as expanding membership that cumulatively represents a substantial portion of the world's GDP and population, while positioning itself as an alternative forum that voices the interests of developing countries. This transformative dynamic resonates with Indonesia's strategic agenda that seeks to increase export market access to developing countries and strengthen the diversification of economic partnerships in order to optimize national interests amid an increasingly multipolar global landscape.

The BRICS emerged as a reaction to the economic domination carried out by the West. Capitalism requires every country in the world to trade freely, integrated with each other into a system, thus creating various economic alliances that compete with each other and make their own advantages. Criticism of the global economic system that is considered to only benefit developed countries encourages developing countries to look for alternative spaces to build a more equal order. The BRICS consisting of developing countries emerged as part of the dynamics of a shift in the political economy constellation that is no longer centered only in the United States, but also in the BRIC countries. The IMF (2010) noted that the BRICS trade volume increased by an average of 28 percent per year from 2001 to 2010, and in that year the total trade volume reached 230 billion USD. This shows the increasing bargaining position of the BRICS in the global economic architecture.

BRICS is an acronym for Brazil, Russia, India, China, and South Africa, present as an intergovernmental organization formed to strengthen economic and political cooperation among member countries. The organization, which was founded in 2009, aims to create an alternative economic and trade system that is more inclusive, as well as reduce dependence on Western economic powers, especially the United States (Aleksia & Bakhtiar, 2023). This alternative trade promotes progress for developing countries. Thus, with a population that reaches 42% of the world's total population, contributes about 35% to global GDP and has a land area of more than a quarter of the world's area, BRICS seeks to be present as a forum for developing countries to increase their influence in an increasingly complex world order (Cherif, 2024). The organization also seeks to promote peace, security, and common prosperity among its members, as well as assist developing countries in areas such as economy, technology, and diplomacy.

BRICS continues to grow and the entry of Indonesia on January 6, 2025 and several other countries such as Egypt, Ethiopia, Iran, and the United Arab Emirates further strengthens the position of BRICS in the international economic and political arena (Frase & Saha, 2025). In addition, BRICS also has eight strategic partners that are part of the BRICS+ dialogue platform for engagement with various emerging markets including Belarus, Bolivia, Cuba, Kazakhstan, Malaysia, Thailand, Uganda, and Uzbekistan. This continued expansion shows a strong strategic pattern among developing countries and reduces dependence on the dominance of the US dollar.

BRICS+ countries are seeking to reduce the dominance of the US dollar in response to the vulnerability of the global financial system centered on US monetary policy. Interest rate hikes by the U.S. Federal Reserve often trigger capital outflows from developing countries, weaken local currencies and increase the burden of foreign debt. Furthermore, the de-dollarization move was accelerated by US economic sanctions against some BRICS members.

Interestingly, the IMF (2024) notes that the share of the US dollar in global foreign exchange reserves fell from 70% in 2000 to 58% in 2024, while the Chinese yuan and euro increased to 12% and 20%. The decline in the share of the US dollar is seen to continue to decline in view of various recent political economic phenomena. In addition, if accumulated today, BRICS+ controls 42% of global central bank foreign exchange reserves, with gold being the main alternative of 10% (Alfiyah et al., 2024).

Among the strategic efforts made by BRICS+ to reduce its dependence on the US dollar is the existence of a Contingent Reserve Arrangement (CRA) mechanism worth 100 billion USD, members can access emergency liquidity to overcome the balance of payments crisis (IOL, 2025). Later in 2024, NDB also launched a local currency-based credit facility, allowing transactions in yuan, rupee and rubles. This effort is strengthened by the joint digital currency development plan announced at the BRICS Finance Ministers' meeting in Nizhny Novgorod, June 2025. In addition to finance, BRICS also discussed other strategic agendas such as the BRICS Energy Alliance to coordinate oil and gas exports, as well as the BRICS Satellite Constellation initiative in the form of a network of remote sensing satellites for monitoring climate change and natural disasters. In addition, a joint working group has been formed to design the legal framework of the BRICS Free Trade Agreement. However, the negotiations still encounter obstacles related to protectionism in the agricultural and manufacturing sectors. If successful, these initiatives will strengthen the role of BRICS in the non-dollar global economy.

In its efforts, there are several challenges in de-dollarization carried out by BRICS. The first challenge is structural in nature where the US dollar still dominates 60% of global transactions in December 2024, although it is down from 79% in 1999 (Iskandar, 2024). Furthermore, the low liquidity of local currencies such as the yuan poses serious problems in international trade. With a portion of only about 7% of total global transactions, the yuan has not been able to replace the role of the US dollar as the dominant medium of exchange, especially in large-scale transactions across countries (Alfiyah et al., 2024). This creates limitations for BRICS countries to fully switch away from dollar-based payment systems, as trading partners are still reluctant to accept payments in volatile or illiquid currencies. As such, the transition to a non-dollar system still faces significant obstacles that need to be answered with a more coordinated financial strategy.

Despite the many challenges that have arisen, BRICS seeks to continue to focus on the economic well-being of its members through crisis management mechanisms and support for infrastructure and renewable energy projects. Meanwhile, IOL (2025) reports that the CRA has been used by South Africa in 2024 to stabilize the rand which depreciated by 15% against the US dollar due to capital outflows. By withdrawing 5 billion USD from the CRA, the country's central bank managed to stem speculation and restore investor confidence (IOL, 2025).

While the CRA is used as a financial safety net, the BRICS also strengthens the role of its financial institutions through the funding of strategic infrastructure projects. The NDB or National Development Bank (2025) notes that in 2024-2025, 48 infrastructure projects worth 32 billion USD have been approved, with a focus on renewable energy and regional connectivity. In South Africa, the Cape Town solar power plant (1.2 GW capacity) is funded through *a public-private partnership* scheme with an NDB contribution of USD 800 million (NDB, 2025). Meanwhile, India received USD 2.1 billion in funding for the Mumbai-Ahmedabad high-speed rail network, which is expected to reduce carbon emissions by 1.5 million tonnes per year (NDB, 2025). These projects reflect BRICS' commitment to sustainable development and improved regional connectivity, which can be an alternative funding model for developing countries outside of Western institutions.

The availability of alternative funding mechanisms through NDBs, as exemplified by infrastructure and renewable energy projects in South Africa and India, offers significant attractiveness for Indonesia. With a national development agenda that also focuses on infrastructure modernization and energy transition, access to capital sources from the BRICS has become very relevant to support the acceleration of strategic projects in the country. However, instead of anchoring all of its economic expectations to one bloc, Indonesia adopted a more measured approach. The choice to not only embrace the opportunities offered by the BRICS, but also simultaneously take the challenging path of accession to the OECD, signals a more complex strategic calculation. This step underscores how Indonesia is consciously positioning itself at the crossroads of two global economic powers to optimize its national interests.

Indonesia's Economic Growth Strategy in the Framework of OECD and BRICS

Indonesia's policy in responding to the OECD and BRICS is a concrete manifestation of a hedging strategy involving three main variables. First, efforts to diversify risks are clearly seen from Indonesia's active and balanced participation indicators, namely by joining the BRICS in January 2025 while continuing to process accession to the OECD from 2024. This is supported by policy indicators of diversification of trading partners and sources of investment, where BRICS is seen as an opportunity to expand export markets with 33.9% of non-oil and gas exports in 2024 to BRICS members and access to alternative financing, thereby reducing dependence on traditional Western markets (BPS, 2025). Second, the variable of maximizing profits is also realized through active and balanced participation indicators. From the BRICS, Indonesia expects market expansion and access to capital for developing countries, while from the OECD it is expected to increase economic efficiency, regulatory standardization, and transfer of advanced technology. Third, the variable of maintaining strategic autonomy is implemented through official government narrative indicators that consistently emphasize free-active foreign policy and national interests, and affirm that BRICS membership is a form of hedging and not partiality to certain powers. Indicators of the clauses in flexible international agreements are also implicit in Indonesia's efforts to benefit from both blocs without being exclusively bound, maintaining room for policy maneuverability.

In the medium term, the OECD also encourages the acceleration of the digitalization and green transition agenda in Indonesia. The OECD Economic Survey 2024 report states the need to improve broadband connectivity, digital skills, and expand renewable energy for decarbonization. The implementation of the OECD policy is in line with Indonesia's domestic needs in increasing productivity and attracting technology-oriented investment. However, the accession process to the OECD requires profound institutional and regulatory reforms such as supervisory institutions, anti-corruption, and competition protection. The intensity of this process (divided into many technical stages) can be a domestic political challenge, but it is expected to result in better governance.

In the global political-economic framework, BRICS acts as a platform for the voice of developing countries. Indonesia can strengthen its diplomatic position and participate in formulating issues of the international economic order such as global financial system reform, dedollarization, and governance of multilateral institutions with other BRICS members. Thus, this strategy supports Indonesia's vision of fighting for a more inclusive and equitable world order.

Indonesia's choice to be active in the two blocs illustrates a *hedging* strategy by balancing economic-political relations with major competing powers. This means that joining the BRICS does not automatically cut ties with developed countries, but Indonesia remains committed to maximizing the accession process to the OECD and ensuring that its commitment to sustainable development does not change. As policy observers point out, BRICS membership in the early stages was more of a hedging, not in favor of Russia or China. This approach retains more policy options. In a situation of global uncertainty, diversification of trading and investment partners with OECD and BRICS member countries enlarges Indonesia's bargaining space and avoids the risk of being too dependent on one economic pole. Thus, it needs to be emphasized that the principle of free activity Indonesia does not intend to end relations with the West even though it joins the BRICS. This hedging is in line with Indonesia's non-aligned constitution and aims to maintain political-economic stability in the midst of global dynamics. More than that, this hedging strategy can expand Indonesia's diplomatic and economic space.

Table 1. Comparison of OECD & BRICS Characteristics for Indonesia

Feature	OECD	BRICS
Member Economic Growth Trends	Experiencing a slowdown; focus on developed countries.	Economic growth is promising; consists of developing countries.
Standards Offered	High standards of economic governance, policies, global access to information.	An alternative economic and trade system that is more inclusive, less dependence on the West.
Investment Focus	Encouraging investment from developed countries, advanced technology transfer, digitalization, green transition.	Infrastructure investment, technology access from partner countries, financing from NDBs for renewable energy and regional connectivity.
Key Strategic Benefits for Indonesia	Increased economic efficiency, regulatory standardization, European market access, increased international credibility.	Expansion of new export markets, access to capital of developing countries, voice platforms of developing countries, reform of the global financial system.
Main Challenges for Indonesia	The demands of in-depth institutional and regulatory reforms, the accession process is long and technical.	Competition with cheap products (especially from China), potential high dependence on China, geopolitical risks.

Through membership in the OECD and BRICS, Indonesia seeks to increase opportunities in the integration of economic blocs. The existence of market access and economic diversification has enabled Indonesia to increase trade with Africa and the Middle East. (BPS, 2025) shows that Indonesia's exports to the BRICS market reach one-third of non-oil and gas exports, while the trade balance with OECD countries is still in surplus. In addition, Indonesia is considered capable of improving economic efficiency through institutional reforms, investment procedures, and the application of new technologies through cooperation with OECD countries. Likewise, BRICS is able to present alternative sources of capital from China, India, and Russia, where the country is a major investor in Indonesia's infrastructure and energy. Utilizing these two investment channels can accelerate the modernization of the national industry. However, in order for productive investment, legal certainty and protection of national interests are needed.

Opportunities that are increasingly emerging are also digital and energy transformation. Digital and energy transformation is not only a domestic development agenda, but also a strategic issue in multilateral diplomacy involving the OECD and BRICS. The OECD encourages the removal of regulatory barriers to accelerate digitalization and internet expansion. Collaboration with OECD countries can accelerate the diffusion of cutting-edge digital technologies and digital infrastructure investments. At the same time, the BRICS, especially China and India, can help with energy transformation programs through renewable technologies and access to fuel. Indonesia needs to manage the green transition by reducing reliance on coal, increasing the proportion of renewable energy, and investing in low-emission-based transportation.

Furthermore, dual involvement in the OECD and BRICS has multiplied Indonesia's diplomatic channels. On the one hand, the implementation of OECD standards strengthens Indonesia's credibility in international forums such as the G20 and APEC and encourages domestic reforms. On the other hand, the active role in the BRICS affirms the interests of developing countries in global issues such as IMF reform, World Bank, dedollarization. Thus, Indonesia can encourage more inclusive global governance.

Despite the many opportunities that come up later, the challenges of competition and dependency can become more serious problems if not properly addressed. For example, local industries must be ready to compete with the entry of cheap products from BRICS countries, especially China. This increases Indonesia's exposure to external economic dynamics, especially from China. High dependence on China also carries risks because around 70% of Indonesia-BRICS trade comes from China, so if there is an economic slowdown, China can significantly reduce Indonesia's exports (BPS, 2025). The IMF (2024) projects a slowdown in China's economic growth of 3.4% in the next four years, which could have an impact on Indonesia's exports. Global geopolitical risks also influence, if the BRICS is increasingly inclined to military agendas or conflicts such as the Russia-Ukraine confrontation and then also the South China Sea dispute, Indonesia must be careful not to be dragged into the escalation of geopolitical tensions.

In addition, there is the burden of adjusting policies and regulatory standards. Access to the OECD requires Indonesia to adopt relatively strict and standardized policy standards and a long process structured in 13 stages (OECD, 2024). So it demands a commitment to improve bureaucracy and law. Meanwhile, the BRICS relatively have a simpler accession procedure. However, the flexibility of the BRICS does not mean that it is risk-free, and participation in it requires a careful diplomacy strategy to maintain national interests. For example, Indonesia's policy of down streaming natural resources, such as nickel, which aims to increase domestic added value, has drawn protests from the European Union and the United States, which are important OECD partners. Indonesia navigates this kind of dilemma by consistently prioritizing the variable of maintaining strategic autonomy. This is realized through the government's official narrative indicators that emphasize the principles of free-active, non-aligned foreign policy, and priority on national interests. In addition, Indonesia implements pragmatic "smart economic diplomacy", conducts careful diplomatic communication to explain its position, and seeks not to be dragged into geopolitical rivalries between major blocs, while ensuring that internal reforms run simultaneously with external engagement to maintain national policy sovereignty.

CONCLUSION

The *OECD* offers an irreplaceable blueprint for structural reforms, the adoption of global governance standards, and the enhancement of investment credibility—factors that are crucial for strengthening the foundations of Indonesia's domestic economy. On the other hand, *BRICS* provides a strategic arena for market diversification toward fast-growing developing countries, access to alternative financing through institutions such as the *New Development Bank* (*NDB*), and a platform to elevate Indonesia's diplomatic position as a representative of the *Global South*.

In response to perspectives that tend to frame the two blocs as mutually exclusive or negligible choices, this study emphasizes that such a dichotomy is irrelevant for Indonesia. Instead, the simultaneous pursuit of full membership in both forums represents a pragmatic *hedging* strategy. Indonesia utilizes the *OECD* framework for internal economic strengthening, while leveraging the *BRICS* platform to capitalize on external opportunities.

Thus, this dual engagement is a deliberate and strategic calculation to accelerate economic growth while preserving strategic autonomy amid an increasingly multipolar global order.

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