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Expansion of Indonesian Trade in the Pacific Region Through Increasing Indonesian Trade - Papua New Guinea

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Abstract: This article discusses the expansion of Indonesia's trade in the Pacific region, with a specific focus on enhancing trade relations between Indonesia and Papua New Guinea. In recent years, Indonesia has sought to strengthen its position as a key trading partner in the region by leveraging the rich natural resources of Papua New Guinea and improving market access. This research analyzes the factors influencing the trade relationship between the two countries, including trade policies, regulatory quality, and the challenges faced in increasing trade flows. Furthermore, the article explores the potential for collaboration in strategic sectors such as agriculture, fisheries, and renewable energy, as well as how both countries can address existing obstacles to maximize the benefits of trade cooperation. The research findings indicate that through appropriate policies and enhanced bilateral cooperation, Indonesia can increase trade volume and make a significant contribution to the economic development of both countries in the Pacific region.

Keyword: Trade Relation, Indonesian, Papua New Guinea.

INTRODUCTION

The Pacific region, also known as the Pacific Ocean, is the largest ocean in the world, located east of Asia and Australia and west of North and South America. Covering about one-third of the earth's surface and spanning 165 million square kilometers, it is the widest ocean globally and holds significant economic, environmental, and political importance (Sinta et al., 2020). The Pacific region comprises the majority of the Pacific Ocean, stretching from the eastern coasts of Asia to the western coasts of the Americas, and encompasses a vast array of geographical features, including tropical islands, volcanic archipelagos, and deep underwater mountain ranges. This diversity is reflected in the numerous ethnic groups, tribes, and cultures found in the region, such as the indigenous Polynesian communities spread across various islands (Differkinome, 2020).

The Pacific region is home to Melanesia, which includes countries like Papua New Guinea, Fiji, and Vanuatu, and Micronesia, which features island nations such as the Federated States

of Micronesia and Palau. These areas have been shaped by European colonization and modern migration, creating a rich tapestry of cultural heritage expressed through language, art, music, and dance (Indonesia, 2022). The region's cultural diversity is further enriched by the influences of colonization and globalization. Economically, the Pacific is endowed with abundant natural resources like tropical rainforests, coral reefs, oil, and natural gas, offering significant opportunities in agriculture, fisheries, mining, tourism, and maritime trade (Kemendag, n.d.). The region serves as a vital trade route between Asia, the Americas, and Australia, attracting interest from major global players, including the United States, China, Japan, and Europe.

However, the Pacific region faces significant challenges, particularly due to climate change and environmental degradation caused by human activities. Countries in the region often collaborate through forums like the Pacific Islands Forum (PIF) and the Melanesian Spearhead Group (MSG) to address these issues, enhance economic development, and ensure environmental protection. As a major Southeast Asian power, Indonesia also has strategic interests in the Pacific, aiming to develop stronger regional cooperation and promote sustainable environmental policies. By leveraging its resources, strengthening regional partnerships, and protecting its environment, the Pacific has the potential to become one of the most influential regions in the world, as well as a model for successful cross-border trade cooperation and inclusive development (Fadhilah, 2019).

The problem formulation contains article questions that must be explained in the discussion and answered in the conclusion.

Indonesia's strategic interests in the Pacific extend to economic expansion and trade opportunities, especially in natural resource sectors. Countries in the Pacific are also seen as valuable partners for infrastructure development, tourism, and industrial projects. Papua New Guinea (PNG), in particular, is positioned as a key trade hub for the Pacific region, providing Indonesia with avenues to expand its market reach and secure access to critical natural resources. Enhancing trade relations with countries like PNG is viewed as a strategic move to boost Indonesia's domestic economic growth. The strengthening of trade ties, especially in sectors like energy and agriculture, is expected to support Indonesia's broader economic ambitions in the region (Kumparan, 2021).

As neighboring country that shares a direct border with Papua New Guinea (PNG), Indonesia views PNG as a strategic gateway to markets in the Pacific region. By strengthening trade relations, Indonesia can expand its economic reach, access new markets, and increase both export and import volumes, which not only impacts economic growth but also enhances its strategic influence in the region (Subekti et al., 2018). This cooperation encompasses important sectors such as agricultural products, fisheries, and other natural resources abundant in both countries, allowing for the creation of mutually beneficial economic relationships.

PNG, as a trade hub in the Pacific region, plays a central role in the distribution of goods and services from Indonesia and other countries in the area. Its strategic geographical position makes it a key connecting point in the Pacific trade network, facilitating easier access to other island nations. Diversifying export markets is one of Indonesia's primary interests in this region, considering its reliance on major markets such as China, the United States, and the European Union. Although the Pacific market is smaller, it provides opportunities to export products such as textiles, food, and manufactured goods (Endoh, 2021).

Additionally, the Pacific region is rich in natural resources, including fisheries, minerals, and energy. Pacific countries have Exclusive Economic Zones (EEZs) abundant in marine resources, presenting Indonesia with opportunities to collaborate in the management and exploitation of these resources. Cooperation in the exploration and management of mineral resources such as gold, nickel, and copper can also yield significant benefits for both parties,

while enhancing Indonesia's energy security and industrial capacity (Setiamy & Deliani, 2019). Access to these resources is crucial for supporting Indonesia's domestic economic growth.

From a geopolitical perspective, expanding relations with Pacific countries has important implications for Indonesia's diplomatic position in the Asia-Pacific region. Closer cooperation with Pacific nations can strengthen Indonesia's role in regional organizations such as the Pacific Islands Forum (PIF) and the Melanesian Spearhead Group (MSG). Good diplomatic relations also help Indonesia manage global issues such as climate change, maritime security, and human rights. Furthermore, in the context of the Papua issue, strong ties with Pacific nations can ease tensions and reduce international support for separatist movements in the region.

Moreover, close economic relations with Pacific countries open up significant opportunities for investment and infrastructure development. Pacific nations require substantial investment in basic infrastructure such as transportation, energy, and communications. Indonesia has the capacity to contribute to these projects, both through direct investment and technology transfer, which not only enhance bilateral relations but also provide significant economic benefits for Indonesia. The tourism sector also presents great potential, with the Pacific region known for its stunning natural beauty and rich culture (Fadhilah, 2019).

In terms of the Papua issue, one of the main drivers for Indonesia to expand its relations in the South Pacific is to mitigate international pressure related to this issue. Some Pacific nations, like Vanuatu, have vocally supported the right to self-determination for Papua. By strengthening trade and economic relations, Indonesia hopes to create a mutually beneficial economic dependence, thereby discouraging South Pacific countries from continuing to support international campaigns regarding Papua.

Papua New Guinea (PNG) maintains strong ties with other Pacific nations such as New Zealand and Fiji, which play crucial roles in PNG's economic, social, and political development. These close relationships enhance PNG's position and provide access to the resources and assistance necessary for the country's growth. Consequently, the trade relationship between Indonesia and PNG serves as a vital avenue for Indonesia to achieve its interests in the Pacific region, reinforcing Indonesia's bilateral ties with PNG (Farneubun, 2016a).

The bilateral trade between Indonesia and PNG has deep historical roots, tracing back to the pre-colonial era due to geographical proximity and cultural interactions. However, formal efforts to enhance trade cooperation began in the 20th century. Both nations have experienced a journey of political and economic development since their independence, with Indonesia declaring independence in 1945 and PNG following in 1975. The evolution of their economic ties reflects their shared pursuit of partnerships that bolster their economic growth (Dwyer & Minnegal, 2023).

Politically, PNG and Indonesia have maintained a relatively stable diplomatic relationship. Both countries frequently engage in regional and international forums such as ASEAN, APEC, and the UN, facilitating communication on shared issues. Despite occasional tensions over matters like human rights or political crises in Papua, both nations strive for constructive dialogue and cooperation (Farneubun, 2016a). Economically, they have progressed through bilateral trade and investments, leveraging their substantial natural resource potential. However, challenges such as trade regulations and infrastructure remain obstacles to further growth.

The increasing economic significance of the trade relationship between Indonesia and PNG is evident in the robust growth observed in the last few decades. Trade in goods and services has surged, accompanied by various trade agreements and investments. Economic growth, resource demands, and progressive trade policies are primary drivers of this cooperation. Furthermore, collaboration extends to sectors like investment, tourism, and technology exchanges, highlighting the shared interests of both nations (Buiney & Wambrauw, 2024).

To further develop trade relations, both countries can leverage their comparative advantages, benefiting all parties involved. Indonesia's strength in agriculture, coupled with PNG's rich natural resources, sets a foundation for mutually beneficial trade exchanges. This collaboration not only reinforces the economies of both nations but also enables Indonesia to expand its influence in the strategically important South Pacific region. By diversifying exports and enhancing economic cooperation, Indonesia aims to tap into new markets and promote regional stability (Andikayani et al., 2023; Ndiken, 1975).

Papua New Guinea (PNG) stands out as a key producer of oil and natural gas in the Pacific region, with these resources significantly contributing to its national revenue. Conversely, Indonesia is one of the primary consumers of oil and gas in the Asia-Pacific, reflecting its high domestic energy demand. This interdependence is evident in their trade relations, as Indonesia imports crude oil and liquefied natural gas (LNG) from PNG to meet its energy requirements. Additionally, PNG relies on imports of agricultural products, consumer goods, and manufactured items from Indonesia, reinforcing their economic interdependency in the energy sector (Andikayani et al., 2023).

Beyond hydrocarbons, PNG possesses substantial non-oil and gas resources, particularly in forestry and agriculture. Indonesia, being one of the largest producers and exporters of agricultural and forestry products globally, shows keen interest in importing these goods from PNG. Conversely, PNG requires manufactured products and consumer goods from Indonesia. This reciprocal exchange in non-oil and gas resources highlights the importance of their bilateral relationship in fulfilling Indonesia's interests in the Pacific (Andikayani et al., 2023). Geo-economic considerations regarding Indonesia's engagement in the South Pacific through trade with PNG are closely tied to security issues, especially concerning the Free Papua Organization (OPM). The border region between Indonesia and PNG is often a conflict zone due to OPM's efforts for independence, leading to instability that could impede cross-border trade and economic relations. Strengthening trade and economic cooperation with PNG aims not only for economic benefits but also as part of Indonesia's strategy to maintain stability in border areas. By enhancing the welfare of communities through trade and infrastructure development, Indonesia hopes to mitigate support for separatist movements and foster a more peaceful environment.

Additionally, Indonesia leverages its diplomatic and economic ties with PNG to garner support in addressing Papua's issues on international platforms, thereby alleviating pressure related to separatist claims. This geo-economic approach strengthens Indonesia's economic position in the South Pacific and serves as a tool to safeguard territorial integrity and national stability in conflict-prone areas. By engaging in robust trade and diplomatic relations, both countries can create a foundation for regional cooperation that enhances economic resilience and security (Andikayani et al., 2023; J. Abbas et al., 2021).

METHOD

This research adopts a qualitative method to understand how the trade relationship between Indonesia and Papua New Guinea can support Indonesia's interests in the Pacific region. With this approach, the researcher aims to explore the factors that shape Indonesia's attitudes and policies in a geo-economic context. This study is designed to investigate key questions related to Indonesia's geo-economic considerations in expanding trade and the comparative advantage analysis between the two countries. Through qualitative methods, the researcher can deeply analyze the political, economic, and social dynamics that influence Indonesia's foreign policy, as well as gain a better understanding of the factors contributing to cross-border trade (Creswell, 2020; Huyler & McGill, 2019).

The qualitative method also allows researchers to investigate aspects that cannot be measured quantitatively, such as social, cultural, and security interactions that affect trade between

Indonesia and Papua New Guinea. Qualitative data obtained through observation, document analysis, and case studies provide deep insights into how these factors play a role in trade dynamics. For example, analyzing policy reports from both countries can reveal how trade policies and regulations affect the flow of goods and services, as well as how political instability can impact trade activities. Thus, this approach supports a more comprehensive understanding of international trade relations and helps explain the challenges and opportunities present in this sector (Zaini Miftach, 2018).

The data collection techniques used in this research include literature studies, content analysis, and historical data collection. This method is essential for understanding the historical context and development of trade between Indonesia and Papua New Guinea. Secondary data sources, such as official reports and journal articles, are also utilized to provide a strong knowledge base. Through descriptive analysis, researchers can organize, reduce, and interpret data to uncover relevant patterns, allowing the research results to be presented in a clear and understandable format. Consequently, this study is expected to make a significant contribution to understanding the complexities of the trade relationship between Indonesia and Papua New Guinea and its implications for Indonesia's foreign policy in the Pacific region (Creswell, 2020; Huyler & McGill, 2019).

RESULTS AND DISCUSSION

Trade between Indonesia and Papua New Guinea (PNG) holds great potential for growth, given their close geographical proximity and mutually beneficial economic needs. As an island nation in the Pacific, PNG possesses abundant natural resources, while Indonesia, one of Southeast Asia's largest economies, has manufacturing and service sector capacities that can support PNG's economic needs. In this context, trade between the two countries can create a mutually beneficial relationship that also strengthens economic integration in the Pacific region.

PNG is an economy reliant on natural resources, particularly in the mining, energy, and agriculture sectors. These resources include copper, gold, natural gas, and agricultural products like coffee, cocoa, and coconut. The significant potential of these sectors presents opportunities for Indonesia to enhance cooperation in the export of goods and services, both in agriculture and industry. However, despite its vast potential, PNG still faces major challenges in infrastructure and human development, which are key obstacles to smoother bilateral trade relations.

As a developing country, PNG has a great need for infrastructure development to improve domestic and international connectivity. Indonesia, with its experience in infrastructure development, can play an important role in providing the technical expertise and investment needed to support this growth. The infrastructure sector offers a significant opportunity for Indonesia to contribute directly to PNG's economy, while also increasing bilateral trade.

Indonesia has several key products that can be exported to PNG. Its manufacturing sector, such as electronics, textiles, motor vehicles, and chemicals, has great potential to enter the PNG market. Additionally, Indonesia can export processed food products and industrial raw materials needed by PNG. On the other hand, Indonesian agricultural and fisheries products, like coconut, cocoa, and fish products, also have opportunities to enter the PNG market, considering the country's need to meet domestic consumption.

PNG, with its large agricultural sector, particularly in coffee and cocoa, can become a strategic partner for Indonesia in meeting agricultural export needs. PNG's agricultural sector is highly dependent on better technology and management, which Indonesia can provide through bilateral cooperation. With these needs, Indonesia can seize the opportunity to introduce more efficient agricultural technologies while opening up opportunities for consumer goods exports to PNG (Schmidt & Fang, 2020).

Another sector offering trade potential is energy and natural resources. PNG has large reserves of energy resources, especially in natural gas and minerals (Schmidt & Fang, 2020). With experience in the energy sector, Indonesia can enhance trade relations in the utilization and processing of these natural resources. Furthermore, Indonesia can also serve as a resource in renewable energy technology to support PNG's sustainable energy needs.

Using a geoeconomic approach, Indonesia can leverage its economic strengths to expand trade relations with PNG. As a major country in Southeast Asia, Indonesia holds a strategic position in international trade networks. In this regard, Indonesia can offer PNG access to larger markets in Southeast Asia through free trade agreements or regional economic cooperation, such as the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) (Chow, 2016). This opens potential for PNG to expand its exports to wider markets, while Indonesia can take advantage of PNG's geographic position as a gateway to the Pacific and Australia.

This cooperation can also strengthen diplomatic relations between the two countries, especially amid geopolitical tensions in the Pacific region. Through geoeconomics, Indonesia can enhance its influence in the Pacific region by leveraging trade relations to build more stable and productive relationships with neighboring countries, including PNG. This not only boosts economic stability but also promotes closer regional peace and cooperation.

As a country with a large population and a rapidly growing economy, Indonesia can also assist PNG in accessing technology and innovation in education, healthcare, and infrastructure. Bilateral cooperation enables both countries to optimally utilize their human resources, which in turn supports economic growth and improves the quality of life for people in both nations.

Despite the significant trade potential between Indonesia and PNG, several challenges remain. One of the biggest challenges is the limited infrastructure needed to support efficient and smooth trade. The lack of adequate port facilities and transport connectivity between Indonesia and PNG poses a major barrier to increasing trade volumes. Therefore, investment in infrastructure development is needed to better connect the two countries.

In addition, human resources issues also present challenges in enhancing trade capacity. PNG requires training and development in technical skills to support its industrial and trade sectors. In this regard, Indonesia can provide technical assistance and training programs to help boost human resource capacity in PNG. Trade between Indonesia and PNG has significant potential for growth, given the strategic geographic position, natural resource potential, and mutually beneficial trade needs.

Indonesia can capitalize on its economic strengths in manufacturing, technology, and infrastructure to forge closer cooperation with PNG. In turn, PNG can offer abundant natural resources and opportunities to access larger markets in the Pacific and Southeast Asia. Although challenges such as infrastructure and trade policies remain, with the right geoeconomic strategy, this trade relationship can provide long-term benefits for both countries (Gaveau et al., 2021).

Indonesia has held a leading position in terms of ease of investing and doing business in the Asia Pacific region, with a steady improvement in regulatory rankings over the past three years. Conversely, Papua New Guinea has experienced a significant decline and is ranked at the bottom in terms of regulatory ease, indicating concerning conditions. Indonesia's economic growth has not only surpassed that of Papua New Guinea but has also exceeded the average growth of other countries in Asia. In 2019, Indonesia was ranked 73rd out of 190 countries according to World Bank data, and the government aimed to rise to 40th place by 2021, an ambitious move reflecting its commitment to improving the nation's business climate (Sutrisno, 2021).

The ease of doing business in Indonesia and Papua New Guinea is influenced by surveys from international institutions, such as the World Bank and the Worldwide Governance Indicator Regulatory Quality. Before investing, investors typically conduct evaluations to determine the

suitability of a country as an investment destination. The Regulatory Quality Indicator assists them in making decisions and encourages the governments of both countries to enhance investment facilitation through fair policies (Fadila, 2024).

The Indonesian government has implemented various policies to facilitate investment, such as the Omnibus Law and the Job Creation Law (Suriadinata, 2019). Although these policies have faced opposition from certain groups, the government believes that they will support equitable development while still protecting workers' rights. Additionally, the government provides a clear roadmap for investors, prioritizing environmentally friendly investments and establishing PT Indonesia Infrastructure Finance (IIF) to manage investment funds. Collaboration with international institutions like the Asian Development Bank (ADB) and the International Finance Corporation (IFC) is also undertaken to ensure that the sources of investment funds are transparent and free from corruption or money laundering practices (Ramdhan, 2021; Jamil and Hayati, 2020).

Tabel 1. Foreign Investment in Indonesian

Foreign Investment	Foreign Investment Realization		
	2021	2022	2023
America	3880,1	4810,5	4659,6
Europe	3453	2901,9	3029,4
Asian	23358,7	36859,8	41363,4
Africa	165	359,1	540,7
Total	30.856,8	44931,3	49.567,1

Based on data, foreign investment realization in Indonesia has significantly increased over the past three years, rising from approximately 30,856.80 million USD in 2021 to 49,567.10 million USD in 2023. This increase demonstrates the government's commitment to implementing easy and selective regulations, thereby building investor confidence in the Indonesian economy.

Foreign capital inflow into Indonesia and Papua New Guinea shows significant differences, influenced by the Quality of Regulation (RQ) in each country. Indonesia experienced an increase in foreign capital inflow from \$21.21B in 2021, \$24.70B in 2022 (16.45% increase from 2021), and then 2023 was \$22.09B, a 10.59% decline from 2022, thanks to investment facilitation policies through the Omnibus Law (Bank, 2023). On the other hand, Papua New Guinea experienced investment fluctuations, with figures reaching 2021 was \$-0.01B, 2022 dropping to -\$0.46B, a 4379.2% decline from 2021, and for 2023 was \$-0.42B, a 192.67% decline from 2022. This decline reflects a loss of investor confidence in the Papua New Guinea government, which often prioritizes the interests of foreign companies over the local indigenous communities that have rights to their land and natural resources.

Although the Indonesian government faces criticism regarding the lack of input from workers and environmental activists in regulatory implementation, positive results are evident in the booming economy. In contrast, Papua New Guinea, rich in natural resources, is trying to attract foreign investment through the Investment Promotion Act, which guarantees foreign investment property. However, conflicts between businesses and indigenous communities, as well as land control by foreign companies, have become serious issues (Kiyondo, 2012). The openness of the Papua New Guinea government under James Marape's leadership aims to change this situation by attracting more foreign direct investment (FDI) to stimulate the economy, but proposed bills like FIRA 2018 have raised concerns among investors. This situation reflects the complexities of investment regulation and the challenges faced by

countries in creating a supportive environment for both investors and local communities (Department of Trade and Moresby, 2017).

Application of Geoeconomic Theory in Indonesia-Papua New Guinea Trade

Geoeconomic theory is a strategic approach that integrates economic power with geopolitical objectives to influence the behavior of other countries (Lind, 2019). In the context of trade relations between Indonesia and Papua New Guinea, the application of geoeconomics can play an important role in strengthening bilateral cooperation and enhancing the economic interests of both countries. Indonesia, with its significant economic position in Southeast Asia, and Papua New Guinea, as a country rich in natural resources, have the potential to leverage geoeconomic principles to optimize their trade relations, both in terms of exports and infrastructure investment.

Geoeconomics can be applied in various aspects of this trade relationship, from strengthening ties through tariff policies and trade agreements to utilizing Indonesia's economic power to facilitate infrastructure development in Papua New Guinea. Therefore, applying geoeconomics to Indonesia-Papua New Guinea trade requires an in-depth analysis of the appropriate strategies and policies to streamline trade relations, enhance regional stability, and maximize economic potential.

One of the main ways geoeconomics can be applied in Indonesia-Papua New Guinea relations is through mutually beneficial trade agreements. As a member of ASEAN, Indonesia has extensive trade relations with countries in the Asia-Pacific region, including Papua New Guinea. One geoeconomic strategy Indonesia can adopt is to expand market access for Indonesian products through favorable trade agreements, such as the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA). Through this agreement, Indonesia can offer Papua New Guinea access to the large ASEAN market, while at the same time, Papua New Guinea can gain broader access to Australian and New Zealand markets (Chow, 2016).

Moreover, strategic tariff policies are another geoeconomic instrument that can be used to enhance trade relations. By lowering or eliminating tariffs on certain goods, Indonesia can facilitate the flow of trade with Papua New Guinea. For instance, Indonesia could reduce tariffs on agricultural products and processed foods exported from Papua New Guinea, while Papua New Guinea could provide similar incentives for Indonesian manufactured goods. This would create a mutually beneficial relationship, where both countries benefit from free trade that facilitates market access and expands exports.

Papua New Guinea is rich in natural resources, such as minerals, natural gas, and agricultural products. Indonesia, as a country with large and diverse manufacturing capabilities, has the capacity to process these natural resources into value-added products. This is an example of the application of geoeconomics, where Indonesia can leverage its economic and technological strengths to develop sectors in Papua New Guinea. For example, Indonesia could offer technology to process natural gas or agricultural products into value-added goods that can be sold in international markets.

Cooperation in the energy and natural resources sectors can also be a highly effective geoeconomic strategy. By sharing technology and expertise in the exploration and processing of energy resources, Indonesia can help Papua New Guinea increase its production capacity and gain greater economic benefits. At the same time, Indonesia can secure a more stable energy supply, which is essential for domestic industries (Schmidt & Fang, 2020). This demonstrates how geoeconomics strengthens trade relations by ensuring strategic benefits for both countries, economically and politically.

One of the main challenges in enhancing trade between Indonesia and Papua New Guinea is the limited infrastructure. Papua New Guinea, as a country largely composed of remote islands, faces significant challenges in building adequate connectivity to support the flow of trade. In

this case, Indonesia can use geoeconomics to provide technical assistance and investment in infrastructure development, such as ports, highways, and other transportation facilities (Wirapranatha & Saputro, 2022). Indonesia has experience in building large infrastructure projects and can serve as a strategic partner in these ventures.

Through such cooperation, Indonesia can offer assistance in building more efficient transportation networks between the two countries, which in turn will reduce logistics costs and facilitate the flow of goods. This would accelerate trade and make it more efficient, while significantly increasing the volume of bilateral trade. For example, Indonesia could be involved in the development of major ports in Papua New Guinea that can connect remote areas with international markets. In the long term, this will improve Papua New Guinea's competitiveness as a country with better access to global markets, while providing Indonesia with advantages in expanding its economic influence in the Pacific region.

Geoeconomics also plays a role in enhancing political stability and security in the region. Through strong trade relations, both countries can build more solid ties, which ultimately reduce the potential for conflict and strengthen bilateral cooperation on strategic issues. By leveraging its economic strength in trade relations, Indonesia can build greater influence in the Pacific region, while Papua New Guinea can strengthen its position in the region's geopolitical landscape.

As a country with a strategic position in the Pacific, Papua New Guinea is also an important actor in the regional balance of power. Cooperation with Indonesia allows Papua New Guinea to diversify its international relations and reduce dependence on major powers such as Australia or China. Through geoeconomics, Indonesia can become a more active partner in Papua New Guinea's foreign policy, which in turn strengthens Indonesia's role as a stable and reliable regional economic power.

One of the main goals of applying geoeconomics is to reduce a country's dependence on external economic powers. Papua New Guinea, which largely depends on the export of natural resources and aid from major countries such as Australia and China, can benefit from diversifying its partnerships with Indonesia. By developing stronger trade relations with Indonesia, Papua New Guinea can strengthen its domestic economic capacity without relying on a single country.

Through the application of geoeconomics, Indonesia can offer Papua New Guinea a more advantageous and sustainable alternative in building a more independent economy. One strategy that can be applied is facilitating long-term investments and cooperation in strategic sectors, such as renewable energy, which can reduce Papua New Guinea's dependence on fossil fuels. By introducing green and sustainable technology, Indonesia not only helps Papua New Guinea meet its domestic energy needs but also contributes to global efforts in climate change mitigation.

The application of geoeconomic theory in Indonesia-Papua New Guinea trade offers great potential to optimize trade relations between the two countries by strengthening regional political and economic stability. Through strategic tariff policies, mutually beneficial trade agreements, and cooperation in infrastructure and natural resource sectors, Indonesia can expand its influence in the Pacific region, while Papua New Guinea can strengthen its economic capacity. By overcoming challenges such as infrastructure and trade policies, both countries can build more productive and sustainable trade relations, ultimately bringing long-term benefits to both sides.

CONCLUSION

The expansion of Indonesian trade in the Pacific region, particularly through enhancing trade relations with Papua New Guinea, offers strategic opportunities for both countries. With the abundant natural resource potential in Papua New Guinea and the continuously developing

economic strength of Indonesia, this synergy can drive mutually beneficial economic growth. Indonesia's efforts to strengthen trade and investment policies, coupled with improvements in regulatory quality, will significantly impact foreign investment flows and the strengthening of bilateral relations.

However, challenges such as regulatory uncertainty, conflicts between foreign companies and indigenous communities, and infrastructure issues need to be addressed to ensure sustainability and balance in economic development. Through closer cooperation and an inclusive approach, Indonesia and Papua New Guinea can create a conducive environment for investment and trade, which not only provides economic benefits but also preserves the welfare of local communities. Thus, this trade expansion strategy is essential not only for economic growth but also for strengthening diplomatic and cultural ties between the two countries in the Pacific region.

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