

## Ensuring Security in Economic Freedom: A Cross Case Between Indonesia's Border Neighbors

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### Abstract

An open economy allows for partnerships between countries. The urgency of this paper is to dedicate the government's concern to revitalizing weapons in finance, export–import, and empowering the military sector to maintain economic freedom in 8 countries. The objectivity of the study focuses on Indonesia's cross–border countries. Annual published data sourced from the Global Economy is compiled for 6 periods. Then, the comparative linear regression technique serves to articulate the analysis funds. Since 2016–2021, there are indications that there is a strong determination of arms imports, arms exports, GDP of the military, armed forces personnel, and military spending on economic freedom. Interestingly, it was found that variables that influence economic freedom include arms imports in Australia, Papua New Guinea and the Philippines, then arms exports in Indonesia, Australia and Papua New Guinea. In line with the GDP of the military which also affects economic freedom for Indonesia, Papua New Guinea, Singapore and Thailand. Furthermore, only armed forces personnel have a systematic effect on Australia and Vietnam and military spending on Papua New Guinea and Malaysia. Therefore, the research output guides future studies to consider protective national military policy interventions as an alternative to driving national economic freedom.

**Keywords:** *Military Strength; Export–Import of Arms; Economic Freedom; Border area; Comparative Studies*

**JEL Classification:** H56; L64; P16; F15; O57

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### INTRODUCTION

The issue of security is not a new topic for debate. Even so, tightening the security of a country is an obligation that must be supported, one of which is by strengthening the military (Manihuruk, 2020; Wiberg, 1987). The background to the development of military operations in Indonesia is the level of vulnerability that has the potential to trigger border disputes and stimulate political conflict to

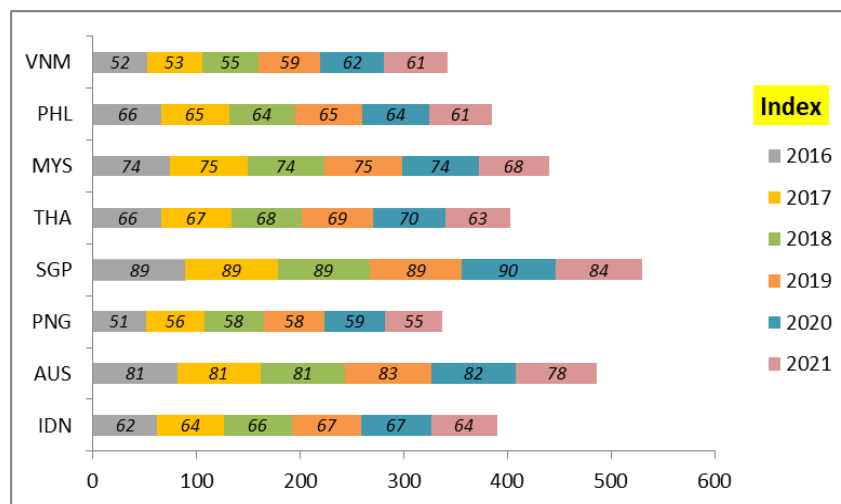
lead to diplomatic rifts. In addition, considering the vast area of Indonesian waters, it is possible for polemics from other countries trying to seize some strategic border areas, including areas that have energy, fisheries and other resources (Budiana et al., 2019; Herdijanto et al., 2019; Istiqamah, 2017; Rachman et al., 2022; Sebastian et al., 2018).

Take the example of Russia versus Ukraine, which has consumed the world's attention. Talking of facts related to these two countries, public enthusiasm highlighted the factor that Russia carried out an invasion of Ukraine not only for verify of protecting itself from the aggressiveness of NATO which established military bases on the border connecting Ukraine with its members, but also the attitude of the Russian government to safeguard the country's security from impacts a series of military training which at times put pressure on Russia and its allies to become part of Western influence (Shcherbak, 1998). Vajriyati et al. (2022) stated that 4 regions of Ukraine: Zaporizhzhia, Kherson, East Luhansk, and Donetsk wanted to hold a referendum on joining Russia. Regardless of the motive, material losses from this event also disrupt world externalities, such as: the energy crisis, oil and natural gas shipping bottlenecks, food disasters, and global economic recession. War also creates risks that eliminate market share and undermine investment ties between interested countries (e.g. Bussmann, 2010; Li et al., 2017; Verdickt, 2020).

In recent decades, the South China Sea as a central waterway connecting trade routes from Asia and other continents has often been claimed by parties desiring a major expansion in the share of export and import supply chains, especially China (Hung et al., 2013; Morton, 2016). Uniquely, this creates both opportunities and challenges for Indonesia, including maintaining harmonious relations with neighboring countries. Indonesia's commitment to fostering an inclusive economic atmosphere without tendencies towards other countries' political affairs, reflects the international non-aligned movement. In the economic context, Indonesia's participation has proven capable of playing a role in bridging multilateral freedoms. To actualize it, apart from being a member of the United Nations, the relations that are currently prominent are also developing economic cooperation within the G20.

Boosting economic growth is certainly not an easy job. Border issues are a polemic that must be resolved (Oxford Analytica, 2020). Moreover, planning for the military concept, which is still seen as weak, represents Indonesia's readiness to detect threats to the country's security. Often, it is Indonesia's burden to guarantee citizenship, especially those who live by the border, such as in the north: Vietnam, the Philippines, Malaysia; west: Malaysia, Thailand, and Singapore; east: Timor-Leste, and Papua New Guinea; and south: Australia, illustrating the weak supervision and consistency of the central government in distributing welfare. For example the independence of Timor-Leste in 2002, where this case started with the majority of the Indonesian population separating from Indonesia which started with the implementation of special autonomy, but economic principles were not applied fairly. At the same time, Indonesia could not stem and prevent Timor-Leste from becoming part of the Portuguese empire. Experience from this, releasing Timor-Leste will be detrimental to Indonesia from an economic standpoint.

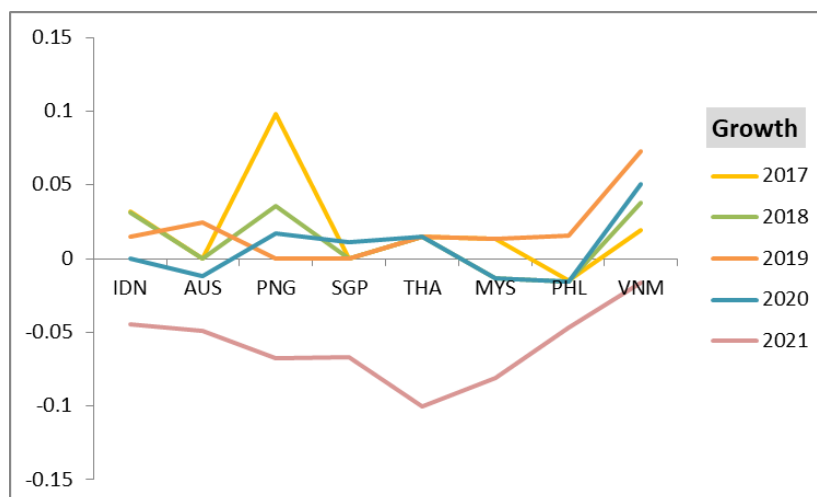
Security control is an option and response to maintain trade access between state partnerships that have existed for a certain period. In a more holistic cycle, economic freedom with a revolutionary outlook. In the capacity of economic freedom that allows larger networks, the ideal effort is to stop corruption. Further reforms that must meet standards in economic freedom include: implementing an efficient justice system, providing for technological modernization, simplifying investment regulations that are more flexible, and a competitive labor market. A publication, released by The Heritage Foundation (2021), reports on the index of economic freedom in Southeast Asia. Collectively, this informs that Singapore has the highest economic freedom among other countries, reaching 89.97 points. Of the countries that are members of the ASEAN organization (excluding Timor-Leste), the lowest performance for economic freedom is Timor-Leste: 44.7 points. For Indonesia itself, it is ranked 4<sup>th</sup> in economic freedom, where the score is 66.9 points. There is a decrease of 0.3 points compared to 2020, where the most striking thing is that there is still a striking inequality of justice on a domestic scale.



**Figure 1.** Score of Economic Freedom among Indonesian Border Corridors  
Source: The Global Economy, 2022.

In general, Figure 1 describes the productivity of economic freedom in the Southeast Asian segment, especially neighboring countries with close borders to Indonesia. Technically, there are 12 dimensions in measuring economic freedom: property rights, judicial effectiveness, government integrity, tax burden, government spending, fiscal health, business flexibility, labor privileges, monetary prerogative, trade concessions, investment independence, and financial independence. From year to year (y-o-y), the average economic freedom in 8 countries generates 69 points. In the classification of economic freedom (0–100), this score implies a moderate score. When compared with reference to country characteristics, in the 2016–2021 duration, Singapore continues its success in providing competent economic freedom. Surprisingly, this is inversely proportional to Papua New Guinea, which has a large gap in economic freedom. If sorted by the average score of economic freedom, rank 1: Singapore (88.3 points), rank 2: Australia (81 points), rank 3: Malaysia (73.3 points), rank 4: Thailand (67.2 points), rank 5: Indonesia (65 points), rank 6: Philippines (64.2 points), rank

7: Vietnam (57 points), and rank 8: Papua New Guinea (56.2 points). The logical assumption of not including Timor-Leste not, yet, part of ASEAN is its membership status in the submission stage, even though it was officially submitted in 2011. Timor-Leste has always been an active participant in every agenda spearheaded by ASEAN, with the expectation of obtaining the 11th member status of ASEAN continue to be fought for (Mangku, 2017).



**Figure 2.** Growth of Economic Freedom in the Composition of Indonesia's Borders  
 Source: The Global Economy, 2022.

The growth trend of economic freedom that symbolizes economic prosperity in Vietnam, the Philippines, Malaysia, Thailand, Singapore, Papua New Guinea, Australia and Indonesia looks stable in 2017–2019, except for 2020 and 2021 which experienced major turbulence during post Covid-19. Binh & Ha (2021), Ford & Ward (2021), Apostle et al. (2021), and Yaacob et al. (2022) illustrates that the spread of Covid-19 has dramatically exacerbated business and economic routines in most countries in Asia which are highly dependent on fiscal and monetary foundations. The smooth running of other macroeconomic aspects, such as labor-intensive industrial institutions, trade unions, and security have also experienced serious turmoil and tension. Figure 2 confirms the relatively fluctuating growth chart of economic freedom. Positive average growth in Indonesia: 0.68 percent, Papua New Guinea: 1.66 percent, and Vietnam: 3.29 percent is actually not matched by 5 countries. This is in contrast to the average growth of economic freedom in Australia: -0.72 percent, Singapore: -1.11 percent, Thailand: -0.81 percent, Malaysia: -1.61 percent, Philippines: -1, 54 percent. The situation of the five countries shows the contradictory growth trend of economic freedom under the impact of Covid-19.

Specifically, there is a gap between existing polemics and past theories (Beckley, 2010; Busari et al., 2023; Negri & Dincă, 2023). The first root of the problem is that there are not many preferences linking causality between military strength and economic freedom. Second, insights that recapitulate the impact of weapons on economic freedom are considered too risky. Third, the majority of literature on economic freedom is addressed separately from the state defense factor, so that economic freedom is seen as depending only on financial and business lenses. Fourth, national defense from the military scope, including

strength and breakthroughs in weaponry as an alternative measure for emergency defense equipment. Besides that, the position of economic freedom in developing markets is not concentrated on the military landscape. After all, if you activate security tightening via military channels, it will actually disrupt economic stability.

No nation wants to go to war. Wars in the struggle for land can certainly be avoided. On the one hand, Indonesia must ensure an open economic market that involves democratic government regulations and laws. A holistic long-term solution for campaigning for world peace. Besides that, Indonesia's popularity to continue to exist in response to economic sustainability channeled by conducive border security, automatically squeezes financial resources. In reality, military facilities have not been equipped with a manufacturing industry, so it makes sense not to ignore the military foundations that are connected to contemporary tension reduction programs. Thus, this paper aims to investigate the relationship between military substance towards economic freedom that is directly adjacent (land) and borders that are geographically next to the Indonesian sea.

Paper design is organized into 4 steps. Phase 1: explores the background, problem statement, literature orientated with study motivation, and basic objectives. Phase 2: mapping out research methods, specifically setting variables and data. Phase 3: deals with empirical statistics and argumentative sessions. Phase 4: details the points of conclusion, reinforces recommendations, and focuses on practical and academic implications. At this moment, research output is focused on actualizing, building, and offering a new version that enables the sustainability of economic freedom through different parameters, including military attributes and weapons.

## **METHOD**

### **Data Collecting and Variables**

The data frame is set to the panel data type (Lestari et al., 2021). Secondary data is selected based on annual publications sourced from the Global Economy. The data set is organized in 6 period scenarios: 2016–2021. The observations are implemented in 8 countries, which are detailed in Table 1.

**Table 1.** Sample Labels

<b>Countries</b>	<b>Code</b>
Indonesia	IDN
Australia	AUS
Papua New Guinea	PNG
Singapore	SGP
Thailand	THA
Malaysia	MYS
Philippines	PHL
Vietnam	VNM

Source: Own.

There are 6 key variables identified: arms imports (billions of USD), arms exports (billions of USD), GDP of military (%), armed forces personnel (person), military spending (billions of USD), and economic freedom (index). Each variable has a different indicator based on the approach. In the estimation system,

economic freedom is categorized in the dependent variable, while the independent variable format is elaborated using: arms imports, arms exports, GDP of military, armed forces personnel, and military spending. In this case study, the sample material is 288 ( $N = 288$ ).

### Analysis Instruments

Data processing uses comparative linear regression (Lestari et al., 2022). Statistical interpretation procedures are divided into 3 pillars: descriptive statistics, partial effects, and simultaneous effects. To explore these three pillars, the analysis of the mean and standard deviation (S.D), partial test (t-student), and simultaneous test (ANOVA) were developed. The rational reason behind choosing the ANOVA method is to bridge and verify the relationship between variables collectively (Rosyadi et al., 2023). Apart from the partial technique, which is used to dissect each individual effect of the independent variable on the dependent variable, the ANOVA technique is useful for diagnosing population averages on ordinal and nominal versions of data (Kurniawan et al., 2023). In this case, ordinal data is represented in scale data, especially such as economic freedom, which is described with an index. Technically, the basic equation flow is written as follows:

$$\hat{y} = \alpha + \beta_1 X_1 + \beta_n X_n + \dots + \mu \quad (1)$$

Referring to the function of the equation above, each variable is adjusted according to the model flow formulated as follows:

$$EF = \alpha_0 + \beta_1 AI + \beta_2 AE + \beta_3 GM + \beta_4 AFP + \beta_5 MS + \mu_i \quad (2)$$

*Abbreviations:* EF (economic freedom), AI (arms imports), AE (arms exports), GM (GDP of military), AFP (armed forces personnel), and MS (military spending).

Requirements for determining the null hypothesis ( $H_0$ ) and alternative hypotheses ( $H_a$ ). Elements of decision-making if  $\rho < 0.05$ , then there is a relationship between AI, AE, GM, AFP, and MS with EF. On the other hand, if  $\rho > 0.05$ , it is interpreted that there is no relationship between AI, AE, GM, AFP, and MS on EF.

## RESULTS AND DISCUSSION

### Main Findings

Table 2 displays descriptive statistics that summarize the S.D. scores. In 8 countries, the S.D and mean obtained varied. Overall, the S.D scores from Indonesia, Australia, Papua New Guinea, Singapore, Thailand, Malaysia, the Philippines and Vietnam are armed forces personnel. Then, followed by arms imports and the lowest S.D score on GDP of military. Proportionally, economic freedom in Vietnam is the most dominant compared to other countries ( $S.D = 4.24$ ), while the lowest score is in Australia ( $S.D = 1.67$ ). For the case of arms imports, Vietnam scored the highest ( $S.D = 371.44$ ), but the arms imports that contributed the least was Papua New Guinea ( $S.D = 2.92$ ). In the per item scheme for each country, the highest arms exports score is Australia ( $S.D = 127.96$ ),

where the lowest is in Papua New Guinea ( $S.D = 0.19$ ). A special note occurs in the GDP of military score, which implies the highest achievement for Malaysia ( $S.D = 0.21$ ) and the lowest in Papua New Guinea ( $S.D = 0.04$ ). In the S.D armed forces personnel, Singapore is the most decisive ( $S.D = 44,987.7$ ), but Vietnam is the least ( $S.D = 0$ ). From S.D military spending, the highest score was in Australia ( $S.D = 1.32$ ), but the lowest score was in Papua New Guinea ( $S.D = 0.01$ ).

Furthermore, Table 2 below also covers the impressive mean values for armed forces personnel. At a similar moment, the mean condition is the lowest for the GDP of the military. Broadly speaking, the mean economic freedom is most prominent in Singapore ( $Mean = 88.3$ ), but not in Papua New Guinea which has the smallest mean among the others ( $Mean = 56.17$ ). In arms imports, the highest value is in Australia ( $Mean = 1,423.67$ ), while the lowest is for Papua New Guinea ( $Mean = 6.83$ ). In the arrangement of arms exports, it is evident that Australia has the largest mean value compared to other countries ( $Mean = 142.67$ ). In contrast, the smallest arms exports are Papua New Guinea ( $Mean = 1.79$ ). Characteristics of the mean GDP of the military, Singapore is actually the highest ( $Mean = 3.01$ ) and the lowest in Indonesia ( $Mean = 0.83$ ). About armed forces personnel, the dominant interaction occurred in Vietnam ( $Mean = 522,000$ ), but the lowest value of armed forces personnel was Australia ( $Mean = 57,909$ ). Finally, from the military spending cluster, where the highest mean value is in Australia ( $Mean = 26.43$ ) and the lowest is in Papua New Guinea ( $Mean = 0.09$ ).

**Table 2.** Description for main variables ( $N = 288$ )

<i>Standard Deviation</i>								
Items	IDN	AUS	PNG	SGP	THA	MYS	PHL	VNM
EF	2	1.67	2.93	2.16	2.48	2.66	1.72	4.24
AI	353.43	261.73	2.92	237.2	174.14	88.29	112.74	371.44
AE	43.34	127.96	0.19	29.82	36.85	6.82	1.34	2.16
GM	0.06	0.09	0.04	0.14	0.05	0.21	0.14	0.08
AFP	436.78	721.4	997.33	44,988.7	545.59	1,529.58	6,452.94	0
MS	0.88	1.32	0.01	0.56	0.73	0.41	0.42	0.64
<i>Mean</i>								
Items	IDN	AUS	PNG	SGP	THA	MYS	PHL	VNM
EF	65	81	56.17	88.3	67.17	73.3	64.17	57
AI	467.18	1,423.67	6.83	402.75	311	134.06	202.83	558.67
AE	35.02	142.67	1.79	32.49	26.75	7.66	2.28	13.67
GM	0.83	1.98	0.41	3.01	1.4	1.18	1.02	2.3
AFP	675,889	57,909	3,166.67	107,246	454,583	135,030	159,641.7	522,000
MS	8.32	26.43	0.09	10.26	6.58	3.87	3.46	4.69

Source: SPSS 26 tabulation.

The relationship between variables predicted based on a constant score ( $\alpha$ ) proves that only Indonesia, Australia and Thailand whose independent variables do not have a significant impact on economic freedom. Optimally, arms imports, arms exports, GDP of the military, armed forces personnel, and military spending have a significant impact on economic freedom in a positive direction in Papua New Guinea ( $\beta = 81.232$ ;  $\rho = 0.018$ ), in Singapore ( $\beta = 155.561$ ;  $\rho = 0.010$ ), Malaysia ( $\beta = 427.352$ ;  $\rho = 0.002$ ), Philippines ( $\beta = 48.496$ ;  $\rho = 0.017$ ), and Vietnam ( $\beta = 15.123$ ;  $\rho = 0.004$ ). Too, there is an integrated link between cross

cases in 8 countries when looking at the R-Square score. The R-Square coefficient examines the strong influence of all independent variables on economic freedom. Definitively, the proposed model criteria are integrated with economic freedom in a high frequency: 0.75–1 (Fitriadi et al., 2022). Even so, there is still a residual value outside the regression Indonesia: 0.9 percent, Australia: 15 percent, Papua New Guinea: 18.8 percent, Singapore: 7 percent, Thailand: 7.2 percent, Malaysia: 13.7 percent, Philippines : 21.7 percent, and Vietnam: 1.6 percent.

**Table 3.** Partial influence ( $N = 288$ )

Items	IDN	AUS	PNG	SGP	THA	MYS	PHL	VNM
Constant	4,151.5 (0.436)	-64.130 (0.276)	81.232 (0.018)	155.561 (0.010)	-347.55 (0.283)	427.352 (0.002)	48.496 (0.017)	15.123 (0.004)
AI	-2.134 (0.073)	0.170 (0.002)	-0.243 (0.045)	-0.511 (0.063)	-0.229 (0.077)	0.319 (0.088)	-0.876 (0.051)	-1.516 (0.284)
AE	2.146 (0.026)	-1.727 (0.048)	0.853 (0.050)	0.752 (0.353)	-0.069 (0.304)	-0.415 (0.436)	-0.330 (0.091)	0.075 (0.750)
GM	1.775 (0.040)	0.241 (0.167)	-2.104 (0.001)	-1.579 (0.046)	-1.132 (0.000)	-4.389 (0.146)	0.067 (0.498)	0.652 (0.354)
AFP	-1.333 (0.126)	1.190 (0.029)	0.012 (0.086)	0.914 (0.219)	0.247 (0.394)	-1.573 (0.467)	0.421 (0.187)	1.342 (0.000)
MS	-0.576 (0.311)	-0.673 (0.311)	0.665 (0.005)	0.064 (0.194)	-0.367 (0.474)	3.255 (0.027)	0.043 (0.159)	-0.726 (0.521)
R-Square	0.991	0.850	0.812	0.930	0.928	0.863	0.783	0.984
Obs.	36	36	36	36	36	36	36	36

Source: SPSS 26 tabulation; degree of confidence is 95%.

Other results highlight the partial relevance of the five hypotheses. Using a significance level of 5 percent, for the case of Indonesia, arms exports ( $\beta = 2.146$ ;  $\rho = 0.026$ ) and GDP of the military ( $\beta = 1.775$ ;  $\rho = 0.040$ ) have a significant impact on economic freedom in a positive direction. Two other variables such as arms imports ( $\beta = 0.170$ ;  $\rho = 0.002$ ) and armed forces personnel ( $\beta = 1.190$ ;  $\rho = 0.029$ ) have a significant effect on economic freedom with a significant direction in Australia. Although arms exports also have a significant impact, the coefficient is negative ( $\beta = -1.727$ ;  $\rho = 0.048$ ). In the case of Papua New Guinea, 2 variables have a significant effect in a positive direction: arms exports ( $\beta = 0.853$ ;  $\rho = 0.050$ ) and military spending ( $\beta = 0.665$ ;  $\rho = 0.005$ ), while the other 2 have a significant effect but in opposite directions : arms imports ( $\beta = -0.243$ ;  $\rho = 0.045$ ) and GDP of military ( $\beta = -2.104$ ;  $\rho = 0.001$ ). Contrary to Indonesia, Australia and Papua New Guinea, many variables have no significant effect on economic freedom in 5 other countries. Unfortunately, the only ones that affect economic freedom significantly are the GDP of the military in Singapore ( $\beta = -1.579$ ;  $\rho = 0.046$ ) and Thailand ( $\beta = -1.132$ ;  $\rho = 0.000$ ). In both of these cases, the GDP of the military does have a significant impact, but in a negative direction. In three other cases, for example in Malaysia, only military spending had a significant effect on economic freedom ( $\beta = 3.255$ ;  $\rho = 0.027$ ). Then, armed forces personnel were found to have a significant positive influence on economic freedom ( $\beta = 1.342$ ;  $\rho = 0.000$ ) and a significant association of arms imports in the Philippines even though the relationship was negative ( $\beta = -0.876$ ;  $\rho = 0.055$ ).

In simple terms, Table 3 also details the relationship between variables partially, where the most dominant one-way effect is the relationship from GDP of the military to economic freedom. As many as 4 times the significant influence



caused by the GDP of the military for cases in 4 countries: Indonesia, Papua New Guinea, Singapore and Thailand.

**Table 4.** Simultaneous influence ( $N = 288$ )

Items	IDN	AUS	PNG	SGP	THA	MYS	PHL	VNM
Sum of Squares	20	14	42.83	23.3	30.8	35.33	14.83	88.59
Mean Square	4	2.8	8.57	4.67	6.16	7.07	2.97	22.15
F-statistic	61.702	4.776	13.181	24.734	11.298	20.863	9.174	4.642
Prob.	0.037	0.029	0.013	0.008	0.025	0.006	0.024	0.018
Obs.	36	36	36	36	36	36	36	36

Source: SPSS 26 tabulation; degree of confidence is 95%.

Based on the simultaneous effect, it was detected that all independent variables had a significant effect on the dependent variable in Indonesia ( $F = 61.702$ ;  $\rho = 0.037$ ), Australia ( $F = 4.776$ ;  $\rho = 0.029$ ), Papua New Guinea ( $F = 13.181$ ;  $\rho = 0.013$ ), Singapore ( $F = 24.734$ ;  $\rho = 0.008$ ), Thailand ( $F = 11.298$ ;  $\rho = 0.025$ ), Malaysia ( $F = 20.863$ ;  $\rho = 0.006$ ), Philippines ( $F = 9.174$ ;  $\rho = 0.024$ ), and Vietnam ( $F = 4.642$ ;  $\rho = 0.018$ ). From case to case, it is indicated that the relationship between arms imports, arms exports, GDP of the military, armed forces personnel, and military spending on economic freedom in Indonesia is the most dominant among the seven countries (see Table 4).

### Justification

After the Cold War, the momentum of fiscal awakening from the financing of arms transfers increased, particularly from credit, military aid, barter trade and cash financing. The sources of the flow of funds are financed by the international, which curbs the economy (Smith & Tasiran, 2005). The credit burden in developing countries appears to be greater, which cannot be separated from arms imports. Interestingly, the excessively high debt due to imports of weapons during 1980-1990 had an impact on the commercialization of the arms trade (Brzoska, 2004). For new arms manufacturers, financially disadvantaged customers are unattractive, where they have to pay for imports or otherwise enforce imports of small arms or old weapons. In the end, free trade is like an arms race (Reuveny & Maxwell, 1998).

For Grobar et al. (1990) and Herrera & Gentilucci (2013), military spending is a productive activity and can have a positive impact on GDP. Besides, the effect of stability and risk reduction indirectly affects the main expenditure in some countries. Gradually, the production of military goods and services, the economy, and income levels also increased. The two-way phenomenon is inherent in public policy in the field of military spending in Romania. In the long run, military spending has a strong effect on GDP.

Yakovlev (2004) provides more conclusive evidence that there is a significant influence between net arms exports and economic growth in the OECD sub-sample and non-oil countries. Speaking from an economic perspective, since 1995, the international arms trade has entered a channel that is more dominant than other commodities. Van Lieshout & Beeres (2022) distinguishes five classifications in the market for services and military goods, namely dual-use goods, light and moderate weapons, primary weapons systems, and weapons of mass destruction. The dominance of these commodities is addressed to countries

with developing markets through legal agreements. Smith et al. (1985) revealed that the international arms trade has an important economic imperative. The market structure begins with the evolution of supply and demand, which has implications for income and prices. Promotion of arms exports by a country also covers a profitable proposition. The process for countries supplying weapons runs smoothly, if provided for political and strategic purposes. Because of the increasing degree of dependence on certain interests, arms exporters are creating a large economic lobby. Although this has attenuated and shown a contradictory relationship, arms exports have positively opened up economic freedom (de Soysa et al., 2009). Possibly, cooperative behavior among arms trading partners cannot stem the influence and openness of the global economy (Kinne, 2018). The interaction between military spending and the arms trade and their impact on growth. Yakovlev (2007) also examines the linearity between arms trade and military spending on growth. The impact of the two is mutual interaction towards inclusive economic growth.

Scientific work developed by Abdel-Khalek et al. (2020), Chairil et al. (2013), Lobont et al. (2019), and Polat (2020) analyzes developing nations with GDP in the growing phase, such as the case in India, Indonesia, Turkey, and Romania, revealing that adopting a military strategy will trigger integration in military manufacturing and civil service, thus channeling full marketing rights to the government. Behind that, it also gives rise to several complex consequences; for example, the military sector has a multiplier effect on the domestic economy in the contemporary term. There is synergy between national income and military expenditure, and vice versa. In the long and short term, national income becomes more inclusive when the allocation for defense matters is increased, where the two are correlated. It cannot be denied, in theory that mediating the intensity between economic development and sustainable peace is a vital agenda for all nations on this planet. It is proven that domestic income productivity is driven and stimulated by strong military performance in both directions.

Currently, Saudi Arabia is experiencing dependence on oil exports and uncertainty over economic growth. For this purpose, labor, capital, oil prices, terrorism, military spending, tourism and exports are added to the analysis. Through short-term and long-term analysis, there is a systematic effect between economic freedom and GDP of the military, or vice versa (Aziz et al., 2021). Dudzevičiūtė & Šimelytė (2022) examines the relationship between the defense burden in NATO countries and economic indicators. The three largest countries of defense spending such as Greece, Turkey and the US were selected for analysis. As a result, the defense burden responds negatively to changes in economic development output. From observations in Pakistan, India and China, Syed (2021) comments on the GDP of the military sector which does not have an asymmetric impact on industrial productivity and economic freedom. So far, democracy relies on political power, economic resources, and military ownership in more than 100 sample countries (Birchler, 2012).

Sezal & Giumelli (2022) stated that the country's security and defense policies largely depend on military capabilities. This is because the defense division depends on public funds, where the allocation has a spillover effect on the civilian body. In addition, the driving effect for global-regional markets and greater potential for the movement of innovation and technology oriented towards

economic freedom. Stein (2016) examines the role of the military to understand political-economic developments in Myanmar. Under the leadership of the Tatmadaw, militaristic and socialist institutions became a unitary element that significantly contributed to market productivity. Although government institutions in Myanmar have been distorted causing economic shocks, since market liberalization has grown, it has abandoned socialism and embraced the capitalist system.

In the countries of Asia and Africa, the habitat of the national army is quite prominent. Fundamentally, political-social development has consistently moved in a more massive direction (Mirsky, 1981). However, it is a contrast in some North African and Middle Eastern countries. The presence of the political-economic structure actually hampers the distribution of welfare. Often, government spending to improve social security actually clashes with military spending (Gunes & Aysan, 2014). The praetorian relationship between the government and the military is a polar opposite. The high unit personnel of the armed forces does not provide comfort for the distribution of wealth in the region.

The link between military spending and economic growth (GDP) has been studied in the extensive literature. Yet, there are no studies that concentrate on the impact of military spending on economic freedom. Military spending is projected to decrease as potential external threats and internal turmoil have decreased in countries with high economic freedom (Kennedy, 2018). In regions such as North Africa and the Middle East, there is a two-way causal relationship between military spending and economic freedom (Sözen & Tufaner, 2020). When the allocation of the military budget increases, it will benefit community sovereignty, economic development, and trade independence in Mediterranean countries or lower middle-income countries (Korkmaz, 2015; Nugroho & Purwanti, 2021). Uniquely, military spending does not benefit social welfare, but instead harms economic growth for non-OECD countries (Azam, 2020). Too, military manufacturing spending has a crucial impact on the economic burden in OECD countries (Cappelen et al., 1984).

## **CONCLUSION**

This work is committed to reviewing the factors affecting economic freedom in Indonesia, Australia, Papua New Guinea, Singapore, Thailand, Malaysia, the Philippines and Vietnam. The key variables refer to economic freedom, arms imports, arms exports, GDP of the military, armed forces personnel, and military spending. Adopting panel data-based comparative linear regression, it was found that when arms imports, it has an impact on economic freedom in Australia, Papua New Guinea, and the Philippines. Second, the more arms exports increase, the more impact this will have on economic freedom in Indonesia, Australia and Papua New Guinea. Third, if the GDP of the military increases, it will have an impact on economic freedom in Indonesia, Papua New Guinea, Singapore and Thailand. Fourth, when armed forces personnel increase, it will automatically have a significant impact on economic freedom in Australia and Vietnam. Fifth, it is proven that the more military spending increases, the more economic freedom grows in Papua New Guinea and Malaysia.

Contribution to regulators, economic freedom is interpreted as a fundamental essence for the ideals of a nation to provide space for the market and

respect for property rights. With developing economic flows inherent between countries, market pressure requires Indonesia to comply in anticipating disruption of security lines at the border. For this reason, we recommend harmonious communication via transformations that are relevant to economic freedom. Apart from the uneven layers of military security in many countries which are positioned close to the Indonesian trade zone, various interest groups are expected to prioritize their interests towards mutually beneficial economic freedom. In essence, the policy package must focus on sending a comprehensive military fleet to protect the safety of border crossings or the transition to a system that is a favorite of trading partners.

In theoretical motivation, the novelty of this idea lies in the dimension of military defense, such as the use of 5 components that affect economic freedom including: arms imports, arms exports, GDP of military, armed forces personnel, and military spending. In practice, empirical testing also contains limited studies that reconsider the current literature to build existing models. It is suggested that future research directions can inspire simulation analysis by developing more constructive variables.

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