



Bank Indonesia's Initiative in Branding Indonesian Islamic Culture through Modest Fashion as a Soft Power Instrument

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ABSTRACT

Modest fashion has evolved into a global phenomenon, representing cultural and religious identity, particularly within Muslim communities. Indonesia, as the country with the largest Muslim population in the world, is leveraging this potential not only in the context of the creative economy but also as a cultural diplomacy through a soft power approach. This research aims to analyze how modest fashion is utilized as an instrument of soft power by Indonesia, focusing on the strategic role of Bank Indonesia in building and promoting a moderate, inclusive, and progressive image of Indonesian Islamic culture on the global stage. Using qualitative research methods that are descriptive and explanatory in nature, data were collected through document analysis, academic literature, and reports on modest fashion programs facilitated by Bank Indonesia. The research findings indicate that Bank Indonesia plays a significant role in integrating economic, cultural, and diplomatic aspects through various initiatives such as the Indonesia Sharia Economic Festival (ISEF) and the Indonesia International Modest Fashion Festival (IN2MF). These initiatives successfully strengthened Indonesia's position as a global hub for modest fashion and built a positive image of Indonesian Islamic culture worldwide.

Kata Kunci

Bank Indonesia, Diplomasi budaya, Economic Festival (ISEF), Indonesia Sharia, Kekuatan lunak, Modest Fashion

ABSTRAK

Modest Fashion telah berkembang menjadi fenomena global, mewakili identitas budaya dan agama, terutama di kalangan komunitas Muslim. Indonesia, sebagai negara dengan populasi Muslim terbesar di dunia, memanfaatkan potensi ini tidak hanya dalam konteks ekonomi kreatif tetapi juga sebagai diplomasi budaya melalui pendekatan soft power. Penelitian ini bertujuan untuk menganalisis bagaimana mode modest dimanfaatkan sebagai alat soft power oleh Indonesia, dengan fokus pada peran strategis Bank Indonesia dalam membangun dan mempromosikan citra budaya Islam Indonesia yang moderat, inklusif, dan progresif di panggung global. Metode penelitian kualitatif yang bersifat deskriptif eksplanatif, data dikumpulkan melalui analisis dokumen, literatur akademik, dan laporan program mode modest yang difasilitasi oleh Bank Indonesia. Hasil penelitian menunjukkan bahwa Bank Indonesia memainkan peran signifikan dalam mengintegrasikan aspek ekonomi, budaya, dan diplomatik melalui berbagai inisiatif seperti Indonesia Sharia Economic Festival (ISEF) dan Indonesia International Modest Fashion Festival (IN2MF). Inisiatif-inisiatif ini berhasil memperkuat posisi Indonesia sebagai pusat mode modest global dan membangun citra positif budaya Islam Indonesia secara global.

INTRODUCTION

Modest fashion refers to a mode of dress grounded in the principle of modesty, characterized by greater body coverage, loose silhouettes, and aesthetic expressions aligned with religious and cultural values (Radwan et al., n.d.). In contemporary academic discourse, modest fashion is no longer understood merely as a normative religious practice, but rather as a socio-cultural phenomenon shaped by the interaction between religion, tradition, identity politics, and modernity (Mirza, 2019). Although historically associated with Muslim communities, recent developments demonstrate that modest fashion has increasingly transcended religious boundaries and become integrated into the global fashion system, reflecting broader trends of cultural pluralism and identity expression in the international public sphere (Slater & Demangeot, 2021).

Within the context of globalization, modest fashion has undergone a significant transformation from an individual expression of religiosity into a structural and institutionalized component of the global creative economy (Yuniastuti & Pratama, 2023a). This transformation is marked by the commercialization of modest values, the incorporation of contemporary design innovations, and the expansion of cross-border production and distribution networks (Manzoor et al., 2024). Consequently, modest fashion has emerged not only as a cultural practice but also as a strategic economic commodity with growing geopolitical relevance. Its close association with the halal economy has positioned modest fashion as one of the fastest-growing sectors globally over the past two decades (Amalanathan & Best, 2024).

Empirical data underscore the strategic importance of this industry. The State of the Global Islamic Economy (SGIE) Report 2024/2025 says Muslim shoppers spent over US\$327 billion on modest fashion in 2023. By 2028, that number is expected to rise to US\$433 billion (Kawsar, 2025). Beyond its economic expansion, modest fashion can no longer be understood merely as a lifestyle or consumer trend, but rather as a socio-cultural phenomenon shaped by the interaction of religion, identity, culture, and globalization. In the contemporary international context, modernization and digitalization have enabled modest fashion to function as a medium through which cultural values and creative expressions are projected across borders, positioning it as a potential instrument of soft power. Fashion, in this sense, connects traditional heritage with contemporary aesthetics while contributing to the construction of a country's international image and symbolic influence (Al-Mujahed, 2025). However, despite the growing body of literature on modest fashion, existing studies predominantly focus on market performance, consumer behavior, or cultural identity, leaving limited scholarly attention to its strategic utilization by state institutions as a tool of cultural diplomacy. This gap provides a strong rationale for examining modest fashion not only as an economic and cultural phenomenon, but also as a policy-driven instrument within the framework of international relations.

In this global context, Indonesia occupies a strategic position due to its status as the country with the largest Muslim population in the world and its rich cultural heritage. This potential is supported by the rich culture of the archipelago, which has given rise to a diversity of motifs, colors, and unique textiles, thereby providing added value in global competition (Antara News, 2025b). The Indonesian government, in collaboration with various stakeholders, including Bank Indonesia as an independent state institution, has actively encouraged the strengthening of the modest fashion industry ecosystem by organizing international events such as the Indonesia International Modest Fashion Festival (IN2MOTIONFEST) and Indonesia Syariah Economic Festival (ISEF), which serve as platforms for promotion, collaboration, and market access expansion (Haryono, 2023a). These efforts aim to develop the national sharia economy sector and affirm the strategic role of modest fashion as a locomotive for economic growth and a means to strengthen Indonesia's image on the international stage (modest.id, 2024).

This study positions soft power, as conceptualized by Joseph Nye, as the primary analytical framework for examining the role of modest fashion in Indonesia's international engagement. Soft power is the ability of a global player to get what it wants by making other people interested and desiring the same things, rather than by using force or threats. In other words, soft power uses cultural appeal, ideals, and legitimacy to change how others act (Gomichon, 2013). Indonesia uses modest fashion as an instrument of cultural diplomacy by holding hybrid fashion shows to introduce modest clothing styles and its Islamic cultural identity to the Turkish public (Kusumawardhani et al., 2022). In addition, festivals such as the Indonesia International Modest Fashion Festival (IN2MF) in Paris in 2024 show that collaboration between the government, financial institutions, and designers is aimed at expanding Indonesia's cultural influence through inclusive and modern Islamic moderation values (Ibrahim, 2024).

Within this framework, Bank Indonesia plays an essential role. Since 2014, Bank Indonesia has organized the Indonesia Sharia Economic Festival (ISEF) as the main platform for the development of the national sharia economy and finance, which is also aimed at strengthening Indonesia's role at the global level (ISEF, n.d.). Through ISEF, Bank Indonesia not only strengthens the sharia finance sector, but also provides strategic space for modest fashion to become an integral part of the halal economy ecosystem. The Indonesia International Modest Fashion Festival (IN2MF), held as part of ISEF, is an important forum that brings together designers, industry players, policy makers, and international partners, as well as promoting the cultural heritage of the archipelago through traditional fabrics and modest fashion in the global market (Setiawan, 2024a). Furthermore, Bank Indonesia's efforts to integrate modest fashion into the international agenda are evident through its participation in world exhibitions such as *Who's Next* in Paris and cultural activities in South Korea, which strengthen the image of Indonesia as a friendly and modern Islamic country (Haryono, 2023b).

This effort has direct implications for nation branding, which refers to the deliberate efforts of a state to construct and project a favorable national image through cultural symbols, values, and policy-driven initiatives in the international arena. Within the framework of soft power, nation branding functions as a complementary analytical concept that explains how cultural attraction is institutionalized into a coherent national narrative capable of influencing foreign perceptions. Through festivals, cross-border collaborations, and global promotional activities, Indonesia strategically utilizes modest fashion to assert its identity as a center of the sharia economy and an emerging global hub for modest fashion (Dineri et al., 2024). In this context, nation branding becomes analytically significant for understanding how Bank Indonesia's modest fashion initiatives contribute to shaping Indonesia's Islamic cultural branding and enhancing its symbolic capital on the global stage.

Supporting this argument, existing studies demonstrate that strengthening the modest fashion sector not only enhances global competitiveness but also fosters community empowerment and cultural identity formation. Munawaroh, Rusfian, & Indriati emphasize that fashion localism through design, local raw materials, promotion, and consumer engagement significantly affects the performance of modest fashion companies (Munawaroh et al., 2025). Qizwini, Khatimah, & Hardiansyah add that the halal fashion industry empowers women while strengthening Indonesia's Islamic cultural identity (Qizwini & Khatimah, 2024). Meanwhile, Yuniastuti & Pratama highlight the global challenges faced by Indonesia, ranging from access to financing to international market penetration, even though Indonesia is among the top three modest fashion industries in the world (Yuniastuti & Pratama, 2023b). In line with this, Zaki & Nazir emphasize the great potential of Indonesia's halal fashion industry to become a global trend center, with the caveat that there is a need to improve the quality of raw materials, technology, and human resources (Zaki & Nazir, 2025).

These findings indicate that modest fashion has significant economic, social, and cultural significance. However, studies on its transformation into an instrument of Indonesia's soft power are still limited, particularly the role of Bank Indonesia through the Indonesia Sharia Economic Festival

(ISEF) from the perspective of cultural diplomacy. Emphasizing the transformation of modest fashion into Indonesia's soft power is analytically necessary to move the analysis beyond an economic or lifestyle perspective. Without a soft power framework, modest fashion would be understood merely as part of the creative and halal economy, overlooking its role in shaping international perceptions, cultural legitimacy, and symbolic influence. By employing the concept of soft power, this study is able to explain how modest fashion functions as a non-coercive instrument through which Indonesia projects values of Islamic moderation, inclusivity, and cultural creativity in the global arena. This analytical emphasis is therefore essential to understand the mechanisms linking cultural industries, nation branding, and cultural diplomacy in enhancing Indonesia's international influence.

This study employs soft power as its primary analytical framework, with nation branding and cultural diplomacy as complementary concepts, to examine how Bank Indonesia utilizes modest fashion as an instrument of international engagement in building Indonesia's Islamic cultural branding on the global stage. In this research, cultural diplomacy is understood as the strategic use of cultural resources and creative industries by state and semi-state actors to foster mutual understanding, attraction, and legitimacy in foreign publics (Khairunnisa, 2024). Analytically, cultural diplomacy serves as the operational mechanism through which soft power initiatives are translated into concrete nation branding outcomes, particularly through festivals, exhibitions, and cross-border collaborations facilitated by Bank Indonesia. Accordingly, the research question investigates how Bank Indonesia's modest fashion initiatives function as a form of cultural diplomacy that enhances Indonesia's Islamic cultural branding in the international arena. This research is expected to contribute to scholarly discussions on international relations, cultural diplomacy, creative economy, while also offering policy-relevant insights for Indonesia's culture-based economic diplomacy.

RESEARCH METHOD

This study uses a descriptive explanatory approach with library research methods to analyze how modest fashion is used as an instrument of soft power by Bank Indonesia in building and strengthening the image of Indonesian Islamic culture on the global stage. A qualitative approach was chosen because it can explore the deeper meanings and interpretations of the ways, narratives, and policies used in non-traditional cultural diplomacy practices through the creative economy sector.

This study uses the Soft Power concept developed by Joseph S. Nye as the main conceptual framework. Nye explains that a country's power depends not only on its military or economic capabilities (hard power), but also on its ability to attract and influence others through cultural appeal, political values, and credible and inspiring foreign policies (Nye, 2004). In this context, modest fashion is understood as an instrument of soft power representing moderate Islamic values, creativity, and Indonesian cultural identity that Indonesia wishes to project to the international community. Thus, this concept serves as the main analytical framework for understanding how Bank Indonesia articulates the role of the Islamic economy and culture in its global diplomacy.

This study does not rely solely on Joseph S. Nye's concept of soft power as a single analytical lens. While soft power serves as the primary theoretical framework, the analysis is further supported by the concepts of nation branding and cultural diplomacy as complementary analytical tools. Nation branding is employed to explain how modest fashion contributes to the construction of Indonesia's international image and identity, particularly in positioning the country as a global hub for the sharia economy (El-Dabt et al., 2025). Meanwhile, cultural diplomacy is used to elucidate the mechanisms through which soft power is operationalized, namely through festivals, international exhibitions, and cross-border collaborations facilitated by Bank Indonesia. The integration of these concepts enables a more comprehensive analysis of how cultural industries function as instruments of influence in contemporary international relations.

The data in this study consists of primary and secondary data. Primary data was obtained from various official sources, such as Bank Indonesia's annual reports, Islamic economic policy documents, and publications on the Indonesia Sharia Economic Festival (ISEF), the leading platform for developing national modest fashion. Meanwhile, secondary data was obtained from academic literature, reputable scientific journals, international relations textbooks, and credible media articles discussing issues of soft power, cultural diplomacy, and Islamic-based creative economy in Indonesia. The sources used were focused on Scopus and SAGE Publications, indexed publications within the last ten years to maintain scientific relevance and accuracy.

Data analysis was conducted using content analysis techniques by tracing and categorizing the activities, programs, and narratives developed by Bank Indonesia into three main dimensions of soft power according to Nye, namely: (1) culture, which is related to the expression of identity and values through modest fashion; (2) political values, which reflect moderate Islamic principles and openness; and (3) foreign policy, which affirms Indonesia's role in global economic and cultural diplomacy (Nye, 2004). Through this framework, the study aims to explain how modest fashion has become a strategic tool in building a positive image of Indonesia as the country with the largest Muslim population capable of combining religious values, creative economy, and cultural diplomacy into a cohesive soft power narrative.

RESULT AND DISCUSSION

Bank Indonesia's Initiative in Modest Fashion

Bank Indonesia (BI), as the national monetary authority, not only focuses on rupiah stability and macroeconomic policy, but also develops a strategic role in strengthening the national Islamic economy and finance. The background to this policy stems from the vision of the 2019-2025 Blueprint for the Development of the Indonesian Islamic Economy and Finance, which positions the Islamic economy as one of the pillars of sustainable economic growth and global competitiveness (Bank Indonesia, 2019). Within this framework, BI encourages potential sectors such as the halal industry, Islamic finance, and modest fashion as part of the halal value chain, which is expected to strengthen national economic resilience by integrating moderate and inclusive Islamic values (Harahap, 2025).

One of Bank Indonesia's main initiatives in realizing this vision is the Indonesia Sharia Economic Festival (ISEF), which has been held since 2014. Through this event, BI plays an active role as a non-traditional actor in cultural and economic diplomacy by strengthening the narrative of the Islamic creative economy (Muttaqin et al., 2025). ISEF is a strategic platform that brings together business actors, designers, Islamic financial institutions, and international partners to expand economic and cultural networks. In a press release, Bank Indonesia stated that ISEF 2023 will feature the Indonesia International Modest Fashion Festival (IN2MF) as part of a series of events showcasing 1,478 modest fashion works and involving several ministries and fashion associations, communities, educational institutions, and local governments. The central theme of ISEF 2023, "A Decade of Spreading Goodness," focuses on the integration of the Sharia ecosystem through business matching, coaching, and export opportunities, emphasizing BI's global orientation in making the Sharia economy not only a domestic sector but also an instrument of cultural and economic diplomacy (Bank Indonesia, 2023).

Furthermore, ISEF also serves as a platform for empowering micro, small, and medium enterprises (MSMEs) in the national sharia economic ecosystem. Based on a report by Bank Indonesia quoted by Antara News (2023), ISEF 2023 recorded transactions amounting to IDR28.9 trillion from various activities such as business matching, halal product exhibitions, and strengthening cross-sector business networks. This event was attended by more than 1,003 business actors, consisting of MSMEs, halal industries, financial institutions, and strategic partners from within and outside the country. In addition to strengthening Indonesia's position as a center of Islamic economic growth, this event also encourages

an increase in halal product exports, including the Muslim fashion and modest fashion sectors, which are one of ISEF's main focuses (Silfia, 2023). This strengthens Indonesia's position as a global hub for modest fashion, supported by the growth of the national Muslim fashion industry, the support of sharia economic policies, and the role of institutions such as Bank Indonesia in strengthening the halal ecosystem and competitiveness in the international market (Yuniastuti & Pratama, 2023b).

Modest Fashion as a Representation of Cultural Appeal according to Cultural Dimension

In the soft power concept introduced by Joseph S. Nye, culture is one of the three main pillars of a country's appeal, alongside political values and foreign policy (Nye, 2004). Culture can shape international perceptions through a positive image that arises from moral, aesthetic, and social appeal without pressure or coercion (Almakaty, 2025). In this context, Indonesia has a unique cultural strength because it can integrate Islamic values with inclusive and tolerant local traditions. One of the most prominent manifestations of this cultural strength is modest fashion, which has developed as a new instrument of soft power in projecting Indonesia's moderate, creative, and adaptive Islamic identity in the face of global change (Kadir, 2023). Modest fashion not only showcases aesthetic aspects but also conveys the values of tolerance and inclusivity that align with Islam's character of being friendly and pluralistic in the Indonesian archipelago (Darajat, 2020).

As part of its cultural diplomacy effort, modest fashion is now understood not only as a creative economy industry but also as a medium for representing Indonesia's unique Islamic values on a global level. Through the Indonesia Sharia Economic Festival (ISEF), Bank Indonesia has consistently positioned modest fashion as a key element in promoting the national sharia economy. At the 2020 ISEF event, the theme of "sustainable fashion" was raised to highlight concern for an ethical and sustainable lifestyle, while also showcasing 164 designers with more than 700 clothing collections that combine elements of Nusantara culture with modern and environmentally friendly concepts (Modest.id, 2020). Furthermore, through the Indonesia International Modest Fashion Festival (IN2MF) held in conjunction with ISEF, the government emphasized its optimism that Indonesia's modest fashion industry has great potential to become a global trend and strengthen the creative economy based on Islamic values (Pratiwi, 2023). On an international scale, ISEF and IN2MF also contribute to introducing Indonesia's cultural heritage through fashion shows, exhibitions, and cross-border collaborations that showcase a blend of religiosity, traditional arts, and modern textile innovations. This demonstrates that Indonesian Islamic culture is dynamic and progressive in presenting an inclusive and welcoming image of Islam on the world stage (Setiawan, 2024b)

Indonesian Islamic cultural values are clearly reflected in the designs and narratives presented by national modest fashion designers. The works of designers such as Dian Pelangi shows how Indonesian Islamic identity is constructed through a combination of religious aesthetics and local wisdom, so that clothing is not only a symbol of Islam, but also a means of introducing Indonesian values to the global stage (Yunas et al., 2025). The narrative built in the modest fashion industry emphasizes the context of modesty and spirituality, which portray Indonesian Muslim women as ethical, confident, and professional figures (Dewi et al., 2024). Traditional motifs such as batik and woven fabrics in modern clothing reflect a cultural philosophy rich in moral values and social harmony. It affirms the connection between clothing expression and the Islamic identity of Indonesian society (Trixie, 2020). Thus, modest fashion is a tangible manifestation of Indonesian Islamic cultural expression rooted in local values yet adaptive to global developments.

Thus, modest fashion has become a successful cultural instrument in strengthening Indonesia's position in the realm of global soft power. Through fashion-based on public diplomacy, Indonesia can present a moderate, inclusive, and aesthetic image of Islam while expanding its cultural network with

other countries (Kusumawardhani et al., 2022). This practice of creative diplomacy also supports the promotion of the sharia economy and halal tourism, making modest fashion a strategic means of introducing Indonesian cultural values and identity at the international level (Fithriana & Nopitasari, 2018). From a soft power concept perspective, this success demonstrates how cultural appeal can be a strategic tool to enhance Indonesia's image and influence globally, strengthening the country's position as a center for halal lifestyle and a reference for moderate Islam worldwide.

Integration of Moderate Islamic Values as Soft Power of Political Value Dimension

According to Joseph S. Nye's concept of soft power, a nation's appeal largely depends on the credibility of its political values, which shape how other countries perceive its moral authority and trustworthiness. When a state consistently upholds universal principles, such as democracy, tolerance, liberty, and social justice, it strengthens its capacity to gain admiration and positive recognition in the international community (Nye, 2004). In the context of Indonesia, the application of political values rooted in the principles of moderate Islam, which emphasize *tawassuth* (moderation), *tasamuh* (tolerance), and *tawazun* (balance), forms the moral foundation that shapes the character of Indonesia's cultural diplomacy at the global level (Zumrotus Sholikhah & Muvid, 2022). These values are then integrated into economic strategies and public policies, including Bank Indonesia (BI) initiatives through the development of the sharia economy and the promotion of modest fashion as part of national soft power diplomacy (Prakoso, 2025a).

Bank Indonesia's approach to promoting Islamic moderation through the creative economy, particularly the modest fashion sector, cannot be viewed solely as an effort to strengthen the domestic market. More than that, this initiative represents Indonesia's value diplomacy effort, which aims to present a moderate, open, and fair political image on the global stage. Since its launch in 2014, the Indonesia Sharia Economic Festival (ISEF) has developed into a forum where economic policy intersects with cultural diplomacy, promoting ethical and sustainable economic practices as a reflection of national political values (Zayyana & Furinto, 2023). This program is in line with Indonesia's soft power diplomacy agenda, which emphasizes four main pillars: politics and national values, economy and tourism, socio-culture, and the role of non-state actors to build a positive image as a democratic and moderate nation (Nuaba, 2025). In this context, Bank Indonesia acts as a non-traditional actor that uses the economic and cultural sectors as instruments of moral persuasion and international trust building, as also reflected in the practice of moderate Islamic diplomacy promoted by various Indonesian Islamic organizations (Nubowo, 2023).

Through the implementation of ISEF, Bank Indonesia not only showcases the potential of the halal and modest fashion industries as new drivers of economic growth, but also builds a narrative of Islam Nusantara that is peaceful, open, and moderate (Nursita, 2023). This effort represents the application of Islamic *wasathiyah* values in cultural diplomacy practices that emphasize the importance of tolerance, openness, and social sustainability. The halal fashion industry in Indonesia is developing not only for economic interests but also as a means of expressing moral values and religious identity that can adapt to the changing times (Azwar & Nasir, 2024). Through interfaith and intercultural synergy, as well as the incorporation of local aesthetic elements such as batik and woven fabrics, ISEF has helped strengthen Indonesia's position on the global stage as a center for modest fashion while showcasing the nation's soft power, which highlights a harmonious, civilized image of Islam that is in line with the principle of diversity (Maziyyah et al., 2023).

Furthermore, this strategy also strengthens Indonesia's position in the global Islamic economic ecosystem. By making ISEF an international collaboration platform, Bank Indonesia has successfully connected domestic creative industry players with a wider global network, including partners from the Middle East, South Asia, and Europe. Indonesia has demonstrated its position as a Muslim-majority

nation capable of harmonizing spiritual values with contemporary economic innovation through the practice of creative economic diplomacy. These initiatives not only enhance the nation's economic influence but also reinforce Indonesia's moral authority and cultural legitimacy as a diplomatic actor that advocates peace and moderation in today's global landscape.

Economic Policy and Diplomacy as a Channel for Soft Power of Foreign Policy

In Joseph S. Nye's concept of soft power, foreign policy becomes a strategic element in building a positive image and attractiveness for a country at the global level. A legitimate, consistent foreign policy that is oriented towards mutual interests can increase credibility and international influence without resorting to pressure or coercive force (Nye, 2004). In the context of Indonesia, the foreign policy of the Joko Widodo era has shown a strengthening of economic diplomacy as an instrument of soft power, particularly through the development of the sharia economy and the halal industry (Wargi, 2021). This effort is realized through the practice of halal diplomacy, which combines elements of economic diplomacy and public diplomacy to strengthen Indonesia's image as a moderate, democratic, and tolerant Muslim country (Viartasiwi et al., 2024). Through the active role of Bank Indonesia, the National Committee for Sharia Economics and Finance (KNEKS), and the Indonesia Sharia Economic Festival (ISEF), the government is striving to make the sharia economy and modest fashion industry key instruments in soft power diplomacy. This initiative not only aims to expand economic networks and collaboration between countries but also represents Indonesia's moderate Islamic values at the global level, strengthens the role of cultural diplomacy, and enhances Indonesia's position and competitiveness in the global halal industry ecosystem (Hidayati, 2023).

Furthermore, Bank Indonesia's participation in numerous international conferences and collaborations indicates how economic policy has become a diplomatic tool that helps Indonesia achieve its foreign policy goals. Beyond its primary role as a monetary authority, the BI actively promotes Indonesia's economic identity through platforms such as the Indonesia Sharia Economic Festival (ISEF) and collaborations with global institutions such as the Islamic Development Bank (IsDB) and the Organization of Islamic Cooperation (OIC). These actions are part of an economic diplomacy effort to spread an idea of moderation, inclusion, and innovation within the global Islamic economic framework. For example, in a May 22 2025, press release, BI encouraged the IsDB's institutional transformation to be more inclusive and innovative, and in the report Bank Indonesia Committed to Promoting the Benefits of the IsDB in Various Member Countries, BI and IsDB members expanded their financing capacity and cooperation in social and digital Islamic finance (Bank Indonesia, 2025). ISEF, which BI has held as a national and international Islamic economic and financial festival since 2014, has also helped strengthen Indonesia's Islamic economic standing worldwide and expand its international cooperation network in global institutions, associations, and stakeholders (Khaerunnisa, 2025).

The integration of economic policy and diplomacy demonstrates the government's awareness that global influence is now more successfully built through persuasion and partnership than through pressure or domination (Nuaba, 2025). The economic diplomacy carried out by Bank Indonesia together with the Ministry of Foreign Affairs plays a dual role: pragmatically strengthening trade relations between countries, and symbolically presenting Indonesia's image as a harmonious, innovative, and value-oriented nation (Santoso & Moenardy, 2023). Through strategic communication on domestic economic successes at international forums such as the G20 and ISEF, Indonesia builds a narrative of progress and stability that strengthens the confidence of global partners. Indonesia's image as a country capable of combining Islamic values with modern economic practices also expands opportunities for cross-sector cooperation, whether in trade, finance, or cultural exchange (Prasetyo, 2023).

The collaboration of Bank Indonesia, KNEKS, and the Ministry of Foreign Affairs exemplifies a holistic effort for executing soft power diplomacy. Indonesia has effectively integrated its economic policies into the broader context of foreign policy through cross-sector coordination and value-based on initiatives, Indonesia has successfully placed its economic policies within the broader framework of foreign policy. This model shows that economic diplomacy not only serves as a means to achieve material interests but also as a forum for cultural and ideological dialogue, where the promotion of a moderate and innovative Islamic identity becomes both an attractive resource and a strategic asset in strengthening Indonesia's influence at the global level.

The Successfully of Soft Power through Modest Fashion

Rather than constituting definitive evidence of soft power success, the development of Indonesia's modest fashion sector indicates the emergence of modest fashion as a soft power instrument with observable early outcomes. Indicators of this process include growing international recognition and institutionalized state promotion. Indonesia's ranking as the third-largest player in the global modest fashion ecosystem, as reflected in the Global Islamic Economy Indicator (GIEI) 2023, demonstrates increased international visibility and competitiveness of its halal creative industries (Puspanigtyas, 2023). The intended audiences of Indonesia's soft power projection via modest fashion include global actors within the halal ecosystem such as international investors, industry partners, and buyers; broader audiences who engaged in the Indonesia Sharia Economic Festival (ISEF) events both in-person and online; and lifestyle and cultural communities attracted to halal arts, culture, and fashion exhibited at the event (Prakoso, 2025b).

The behavioral change observed at the market and cultural level is reflected in the active international participation in Indonesia-led platforms. For instance, IN2MOTIONFEST 2025, part of the Indonesia Sharia Economic Festival (ISEF), showcased 1,785 modest fashion collections from 214 designers and brands, including foreign participants, and included 100 artisans in the Wastra Business Matching program, an activity designed to facilitate engagement between producers and potential buyers or partners. These developments indicate voluntary engagement and increased interest from global actors, which are early-stage behavioral outcomes of soft power deployment through modest fashion rather than changes in foreign policy behavior (Antara News, 2025a). These developments represent early-stage soft power outcomes, characterized by voluntary engagement, increased interest, and growing recognition, rather than definitive changes in foreign policy behavior. This limitation reflects the broader challenge in soft power studies, where changes in perception and attraction are often gradual and difficult to quantify within a short time frame.

CONCLUSION

This study finds that Bank Indonesia's utilization of modest fashion constitutes an effective soft power strategy in projecting Indonesia's Islamic cultural identity on the global stage. From a soft power perspective, modest fashion functions as a cultural resource that enhances Indonesia's international attractiveness through values of moderation, inclusivity, and creativity rather than coercion or material dominance. By integrating Islamic principles with local cultural aesthetics and contemporary design, Bank Indonesia successfully transforms modest fashion into a medium of cultural appeal that resonates with global audiences. This confirms that soft power derived from culture can be strategically mobilized by non-traditional actors, such as central banks, to shape international perceptions and preferences.

In terms of nation branding, the findings demonstrate that modest fashion serves as a strategic branding asset in positioning Indonesia as a global hub of the sharia economy and halal lifestyle. Through initiatives such as the Indonesia Sharia Economic Festival (ISEF) and the Indonesia International Modest Fashion Festival (IN2MF), Bank Indonesia contributes to constructing a coherent

national image that combines economic innovation with Islamic cultural values. Modest fashion not only strengthens Indonesia's competitiveness within the global halal industry but also reinforces a national narrative of a modern, moderate, and value-driven Muslim-majority country. Thus, nation branding in this context is not merely symbolic, but closely linked to economic empowerment, creative industry development, and international market positioning.

Furthermore, this research highlights that cultural diplomacy operates as the mechanism that connects soft power resources and nation branding objectives. Through fashion-based diplomacy, international exhibitions, and cross-border collaborations, Bank Indonesia facilitates sustained cultural interaction that enables Indonesia to communicate its Islamic cultural identity in an inclusive and non-confrontational manner. Modest fashion becomes a diplomatic channel through which Indonesia disseminates values of Islamic moderation, tolerance, and sustainability, while simultaneously expanding international cooperation networks. This indicates that cultural diplomacy grounded in the creative economy can function as an effective tool for enhancing both cultural legitimacy and economic diplomacy.

Overall, the study concludes that Bank Indonesia's modest fashion initiatives illustrate an integrated strategy in which soft power provides the source of attraction, nation branding shapes international identity, and cultural diplomacy operationalizes these elements in global engagement. This integration strengthens Indonesia's position in the global halal economy while reinforcing its image as a center of moderate Islam and cultural innovation. The findings contribute to international relations scholarship by demonstrating how cultural industries and economic institutions can play a central role in contemporary soft power diplomacy.

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