

Beyond Financial Strategy: Indonesia's Status-Seeking Through Sovereign Green Sukuk

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ABSTRAK

Keputusan Indonesia menerbitkan sukuk hijau negara pertama di dunia pada 2018 memunculkan pertanyaan mendasar: mengapa Indonesia memilih menjadi pelopor? Makalah ini berargumen bahwa keputusan tersebut didorong oleh identitas dan upaya mencari pengakuan internasional, bukan semata-mata kalkulasi finansial. Dengan menggunakan konstruktivisme dan teori pencarian status, makalah ini menerapkan studi kasus interpretatif untuk menganalisis bagaimana Indonesia memanfaatkan sukuk hijau negara sebagai instrumen pencarian status. Temuan menunjukkan bahwa Indonesia mengejar status dari posisi pengakuan yang masih terbatas, melembagakan program sukuk hijau secara sengaja sebelum penerbitan pertamanya, dan pada saat yang sama mencari pengakuan dari komunitas keuangan syariah maupun aktor tata kelola iklim Barat. Delapan kali penerbitan berturut-turut senilai US\$7,7 miliar, tanpa satu pun obligasi hijau konvensional, menegaskan bahwa ini merupakan strategi berbasis identitas. Kasus ini menunjukkan bahwa kekuatan menengah dapat mengejar status melalui inovasi kebijakan pada ceruk tertentu, bukan melalui dominasi militer atau ekonomi.

Kata kunci: Konstruktivisme; Status-Seeking; Sukuk Hijau.

ABSTRACT

Indonesia's decision to issue the world's first sovereign green sukuk in 2018 raises a fundamental question: why did Indonesia choose to pioneer it? This paper argues that Indonesia's decision was driven by identity and a quest for international recognition, rather than solely by financial calculations. Using constructivism and status-seeking theory, this paper employs an interpretive case study to analyze how Indonesia utilized sovereign green sukuk as an instrument of status-seeking. The findings indicate that Indonesia pursued status from a position of limited recognition, deliberately institutionalized its green sukuk program before issuance, and simultaneously sought recognition from both the Islamic finance community and Western climate governance circles. Eight consecutive issuances totaling US\$7.7 billion—without a single conventional sovereign green bond—confirm this identity-based strategy. This case demonstrates that a middle power can pursue status through policy innovation in niche areas, rather than through military or economic dominance.

Keywords: Constructivism; Status-Seeking; Green Sukuk



INTRODUCTION

Climate change has become a global phenomenon. Countries give special attention to addressing the issue. Countries implement policies at both the domestic and international levels, competing to demonstrate their climate commitments. Many countries are starting to use green finance to support the green transition. Countries create various schemes to fund green projects. This funding is crucial because the green transition requires substantial investment. Green finance is not only about funding; it also signals commitment on the international stage. One scheme for funding green projects is green bonds.

Green bonds are emerging as an instrument in global climate governance. Bonds dedicated to supporting green projects are a strategic step to overcome climate change. Through bonds, the country, as the issuer, obtains loans from investors to fund green projects. In addition to conventional bonds, the country also issues bonds under Islamic finance principles, namely sukuk. Unlike conventional bonds, sukuk are certificates that represent an ownership interest in a defined asset or project equity (Moghul & Safar-Aly, 2015). In short, sukuk are defined as the Islamic equivalent of bonds.

In 2018, Indonesia released green sukuk. It became the world's first sovereign green sukuk. As a Muslim-majority country, Indonesia attracted global attention with this decision. Through this sukuk, Indonesia raised US\$ 1.25 billion (Ministry of Finance of the Republic of Indonesia, 2018). Support came from various parties, including the United Nations Development Programme (UNDP). Some countries have followed Indonesia's decision by issuing green sukuk as well. This recognition positioned Indonesia as a model for other countries seeking sustainable financing solutions.

For Indonesia, green sukuk is not merely a financial instrument but a strategic step to fulfill its commitments to address climate change. It also aims to implement the Paris Agreement and the Nationally Determined Contributions (NDC) (Ministry of Finance of the Republic of Indonesia, 2018). Investors in Indonesia's green sukuk are distributed globally. By geography, the distribution is 32% Islamic market, 25% Asia, 15% EU, 18% USA, and 10% Indonesia (Ministry of Finance of the Republic of Indonesia, 2018). This distribution reveals that Indonesia is not just seeking funding, but targeting both Islamic and Western investors simultaneously. It suggests an effort to seek legitimacy rather than purely seeking funding.

Indonesia's decision to pioneer green sukuk not only demonstrates its commitment to addressing climate change but also shows its presence in international Islamic finance. In fact, Indonesia is not a leader in Islamic finance. Other countries, such as Malaysia and the Gulf countries, are generally more advanced in that field.

If Indonesia only wants to seek funding, it could issue conventional green bonds. Some countries have already issued green bonds. In fact, Indonesia was not the first country issuing green bonds. Some countries, such as Poland and France, pioneered sovereign green bonds (Climate Bonds Initiative, 2016). But instead of issuing conventional green bonds, Indonesia issued sovereign green sukuk.

Before 2018, Indonesia was generally not recognized as a prominent actor in either global climate governance or Islamic finance. Issuing sovereign green sukuk may have allowed Indonesia to gain recognition in both climate governance and Islamic finance simultaneously. This raises broader questions about how Indonesia pursues international recognition through niche areas, not only in the climate sector but also in Islamic finance. This research asks: How did Indonesia use green sukuk as a status-seeking instrument? This paper argues that Indonesia's decision was driven by identity and the pursuit of international recognition rather than only financial calculation. This paper will explore how Indonesia seeks status by pioneering sovereign green sukuk.

Indonesia's decision to release green sukuk raises some questions. Existing literature has not examined whether green sukuk function as a status-seeking instrument in Indonesia's case. This study addresses this gap. As the world's first sovereign green sukuk issuer, Indonesia occupies a unique position at the intersection of Islamic finance and climate governance. Therefore, to fully capture this issue, the literature needs to draw not only on international relations but also on Islamic sustainable finance and green investment instruments.

Marina G. Duque's (2018) article offers a relational approach to how states gain status in international politics. She argues that status emerges from social recognition rather than from material capabilities alone. Drawing on Max Weber, she defines status as an effective claim to social recognition in terms of privileges. She emphasizes that status results from a systematic social process that cannot be reduced to state attributes. To gain status, a country must gain recognition. Duque proposes some key concepts: social closure, self-reinforcing dynamics, and recognition. This framework helps explain non-great powers like Indonesia, which may not have absolute advantages recognized by other countries. These countries seek status through strategic social practices. Duque does not propose a specific case of a country that uses green financial instruments to seek status. She also does not examine how such instruments function as concrete recognition-seeking acts in practice—building on this, J. Subotic and S. Vucetic (2019) demonstrate that status-seeking is the main motivation behind a country's actions. Specifically, they argue that states actively perform their identity and solidarity to gain recognition, rather than waiting passively for status to be assigned. Countries employ different

strategies to seek international recognition. These strategies range from diplomatic performances and multilateral engagement to symbolic acts. This is particularly relevant for Indonesia, which performs its identity as a responsible climate actor as well as a Muslim-majority country through green sukuk. In short, these scholars establish that status depends not on what states have, but on what states do.

Some scholars use the middle-power lens to explain Indonesia's role. Karim (2018) explains that Indonesia takes four roles to seek status as a middle power: regional leader, representative of developing countries, advocate of democracy, and bridge-builder. In the context of climate change, Pratama and Karim (2023) examine Indonesia's role in international climate negotiations. At the 2018 Multilateral Katowice Climate Change Conference, Indonesia served as a Global South representative and mediator. By using symbolic power, the country can represent its influence beyond traditional economic and military fields. Both studies suggest that Indonesia consistently seeks recognition by performing a responsible and constructive identity in international forums, whether through leadership or diplomacy. Neither study examines green sukuk as a specific instrument through which Indonesia performs this identity and seeks recognition of its international status.

Felicia HM Liu and Karen PY Lai (2021) explain that, in Malaysia, green sukuk is not merely a financial instrument to support the environment, but also a tool to build the country's status and strengthen Kuala Lumpur's position as a global Islamic financial center. As a pioneer in corporate green sukuk through Tadau Energy, Malaysia has successfully built an international reputation as a leader in global Islamic finance by integrating Shariah principles into financing instruments for green projects. Moreover, Liu and Lai use a financial ecologies framework to understand how social, political, and knowledge interactions shape financial instruments. Green sukuk are viewed not as a single product, but as the result of a coalition of domains: the international green bonds regime, Islamic finance, and the objective of building Kuala Lumpur's competitiveness as a global Islamic financial center. Liu and Lai focus only on Malaysia. This research will focus on Indonesia as a pioneer of sovereign green sukuk. This makes the Malaysian case a valuable comparative reference point, but also highlights the need for a separate analysis of Indonesia's green sukuk program through constructivist and status-seeking perspectives.

Indonesia's green sukuk program has been examined from financial and legal perspectives. Musari and Sayah (2021) consider Indonesia recognized as a global leader in green sukuk because it has two major achievements: the world's first sovereign green sukuk issuer and the world's first retail green sukuk issuer. They extensively explore Indonesia's

green sukuk from financial and economic perspectives. They highlight that Indonesia faces significant climate-change challenges that threaten sectors such as water supply, energy, human security, livelihoods, and economic growth. Green sukuk can help bridge the funding gap between the financial needs to address these issues and the available resources. Supriyadi, Fidhayanti, Ramadhita, and Noh (2023) analyze the legal framework and sustainable financing for implementing green sukuk in Indonesia. They criticize that the existing legal framework still has some weaknesses. They also emphasize that three dimensions- environmental, social, and governance- should be integrated into the legal framework of Indonesia's green sukuk. However, both studies treat green sukuk primarily as a domestic policy instrument and do not examine its implications for Indonesia's international status and recognition.

The existing literature has examined international status as a relational and socially constructed process (Duque 2018; Subotic and Vucetic 2019), Indonesia's status seeking behavior as a middle power through diplomacy and negotiations (Karim 2018, Pratama and Karim 2023), and green sukuk as a financial and legal instrument in both Malaysia and Indonesia (Liu and Lai 2021; Musari and Sayah 2021; Supriyadi, Fidhayanti, Ramadhita, and Noh 2023). However, no existing study has brought these conversations together to analyze green sukuk as a relational status-seeking practice through a constructivist lens. This study addresses that gap by applying constructivist and status-seeking lenses to analyze Indonesia's green sukuk as an instrument to get international recognition.

ANALYSIS FRAMEWORK

This research uses constructivism and status-seeking as its analytical framework. Constructivism provides the foundation by explaining how identity, norms, and social interaction shape state behavior. Status-seeking operates within this constructivist tradition by explaining the specific mechanism through which states translate identity performance into international recognition (Duque, 2018). These lenses explain how green sukuk is not merely a financial instrument for Indonesia but also a strategy for constructing its identity and seeking international recognition.

Fundamentally, constructivism holds that the structure of the international system does not mechanically determine state behavior but is constructed through social interaction. Unlike realism, which prioritizes material power, or liberalism, which emphasizes institutions, constructivism focuses on ideas, norms, and identities as the primary drivers of state conduct (Wendt, 1992). States are actors whose interests are shaped by identity and social interaction.

States act based on meaning. A country's identity influences how it acts and how other countries treat it (Hopf, 1998). This is formed not merely through material factors, but emerges through interaction. As Wendt (1992) argues, states make anarchy what it is. It has no fixed, inherent nature. The characteristics of anarchy, whether it is conflict or cooperation, depend on practice and interaction among countries. Constructivism focuses on the relationship between what states do and who they really are. Hopf (1998) explains that identities influence actor behavior. He explains that identities perform three necessary functions in society: defining who you are, who others are, and shaping interests and appropriate behavior. Furthermore, states simultaneously produce and reinforce their identity through daily social activities. For Indonesia, becoming a pioneer of sovereign green sukuk is not merely a financial decision but an act of identity. By aligning with international green bond principles and collaborating with international organizations, such as UNDP, Indonesia simultaneously signals its commitment to global climate governance and its position as the world's largest Muslim-majority state. This dual signaling illustrates a core constructivist idea: states do not merely react to external pressures but also shape their identities through their decisions. Choosing green sukuk over conventional green bonds was not a neutral financial decision. It reflects who Indonesia is and how it aspires to be recognized in the international system.

States seek status because others must grant it, not self-assign it. Three concepts explain how a state achieves status. First, self-reinforcing. Status results from peer attribution. Therefore, the more recognition a country receives, the more likely other countries are to consider it worthy of further recognition. Second, social closure. It means establishing relationships between the group and outsiders. A country's status is influenced by its relations with higher-status countries. Third, recognition. Others must grant status through a social process that cannot be reduced to state attributes alone. In short, to achieve a status, a state must be recognized by others as a legitimate and valued member of a particular international community (Duque, 2018). For Indonesia, issuing green sukuk is a step toward gaining recognition in global Islamic finance and climate governance. Furthermore, Subotic and Vucetic (2019) explain that status-seeking is a subjective search for recognition. Status is not something that a country automatically obtains solely based on military or economic strength. Status comes from recognition by other countries. Status-seeking is closely related to performance. Countries take various steps to shape the situation and project a certain identity to attract international attention. Status can be sought not only through compliance but also through opposition to the existing international order. Indonesia's promotion of green sukuk to Western markets and international investors is precisely this kind of performance.

In the case of Indonesia's green sukuk, constructivism and status-seeking provide a complete explanation. Constructivism shows that Indonesia's identity as the world's largest Muslim-majority country makes green sukuk a meaningful choice. Indonesia could issue a conventional sovereign green bond, as other countries like Poland or France have done. However, to strengthen its identity, Indonesia chose not to do that and instead made a breakthrough by becoming the first country to issue a sovereign green sukuk. Moreover, the sukuk format distinguished Indonesia's issuance and made its identity legible to international audiences in ways a conventional instrument could not. Status-seeking, operating within this constructivist foundation, explains how Indonesia translated this identity into recognition. By pioneering a new instrument at the intersection of two growing fields, Indonesia sought to claim a leadership position no other state had previously occupied. These frameworks suggest that Indonesia's green sukuk issuance was neither purely financial nor purely symbolic. It was a display of identity meant to earn recognition.

RESEARCH METHODS

This paper employs a qualitative approach using a single case study design. The case examined is Indonesia's 2018 sovereign green sukuk issuance, which is the world's first sovereign green sukuk. A single case study design is appropriate because the research question asks how Indonesia used green sukuk as a status-seeking instrument. This paper's research question emphasizes depth over generalization. It aims to trace the process rather than assess outcomes across various cases. The main advantage of the case study is its analytical depth. To understand status-seeking phenomena, a comprehensive approach that can view the unit as a whole and in detail is needed. The 'how' research question fundamentally aligns well with case studies (Gerring, 2004). By tracing how Indonesia used green sukuk as a status-seeking instrument, this paper also explains why Indonesia made this choice. This makes the single case study both sufficient and appropriate for this research.

This paper draws on both primary and secondary sources. For primary sources, this paper relies on official documents directly produced by the Indonesian government. These include Indonesia's Green Bond and Green Sukuk Framework, the annual Green Sukuk Allocation and Impact Reports, the Ministry of Finance press release on Indonesia's global sukuk issuance, and the SDG Indonesia One Green Finance Facility document. These documents are important because they show how Indonesia officially presented its green sukuk program to international audiences. For secondary sources, this paper uses academic literature on constructivism, status-seeking theory, green bonds, and Islamic finance. It also uses

institutional reports from UNDP and the Climate Change Performance Index to provide context on Indonesia's international standing before and after the 2018 issuance. These sources were selected because they provide evidence of why Indonesia chose green sukuk and how it performed that choice for international audiences.

This paper uses an interpretive case study as its primary research design. Status-seeking involves intentionality and motivation. A case study approach is effective in uncovering these motivations, which cross-unit statistical methods sometimes cannot capture (Gerring, 2004). Overall, this method answers the “how” question, making it well suited to the constructivist and status-seeking theoretical framework employed in this paper.

RESULTS AND DISCUSSION

The following analysis applies constructivism and status-seeking to trace this mechanism step by step. It begins with Indonesia's position before 2018. It then examines how Indonesia institutionalized and implemented its green sukuk program. Finally, it concludes with the sustained issuance pattern that confirms this strategy's identity-driven nature.

Indonesia's Position Before Issuing Sovereign Green Sukuk

Before 2018, Indonesia was not recognized as a leading actor in either global climate governance or Islamic finance. In 2017, Indonesia ranked 22nd on the Climate Change Performance Index (CCPI). This means that Indonesia's position is quite far behind established climate leaders such as France and Sweden (Burck et al., 2016). In Islamic finance, Indonesia is also lagging behind Malaysia and the Gulf States, which are considered global centers of Islamic finance. Based on the Islamic Finance Development Indicator (IFDI) 2017 ranking, Indonesia was ranked 11th, behind Malaysia in first place, Bahrain in second, and the United Arab Emirates in third (Thomson Reuters, 2017). Meanwhile, Indonesia has never issued a sovereign conventional green bond. Since issuing its first sovereign green sukuk in 2018, Indonesia has consistently issued only green sukuk (Ministry of Finance of the Republic of Indonesia, 2025). This lack of distinction raises questions about Indonesia's willingness to be a pioneer. This paper argues that this decision lies in status-seeking logic. For a state with limited recognition, pioneering a new instrument in a new space offers something that competing in an existing space cannot. Pioneering sovereign green sukuk makes it easier for Indonesia to gain status and recognition.

This position as an unlikely pioneer is precisely what makes Indonesia's case analytically significant from a status-seeking perspective. Indonesia's position, which is not

prominent in either Islamic finance or climate governance, led it to adopt a special strategy to attract international attention. As Subotic and Vucetic (2019) argue, status is not automatically granted based on material strength alone. It must be performed and recognized by others. For a state like Indonesia, pioneering sovereign green sukuk created a new arena where it could more easily claim recognition. Competing directly against established leaders such as Malaysia in Islamic finance or Denmark in climate governance is not easy.

Understanding why Indonesia chose to pioneer sovereign green sukuk is only the first step. The more important question is how Indonesia translated this decision into a concrete international performance. To do so, Indonesia first built formal frameworks and international partnerships.

Institutionalizing the Performance

Indonesia's decision to pioneer sovereign green sukuk was not spontaneous. Before issuing its first sovereign green sukuk in February 2018, Indonesia had already established the Green Bond and Green Sukuk Framework. This framework was developed in alignment with the Green Bond Principles by the International Capital Market Association (ICMA). It sets out eligible green sectors, a budget tagging process involving multiple government ministries, and an annual reporting mechanism (Ministry of Finance of the Republic of Indonesia, 2018). This shows that Indonesia's green sukuk issuance followed institutional preparation. From a status-seeking perspective, it demonstrates that Indonesia was not merely seeking funding. It was building a credible institution to present itself as a responsible and legitimate actor in global green finance.

Indonesia also integrated its green sukuk program within a broader sustainable development agenda. SDG Indonesia One is an integrated finance platform established by the Ministry of Finance and managed by PT Sarana Multi Infrastruktur. It was designed to support infrastructure development aligned with the Sustainable Development Goals (SDGs) (Asian Development Bank, 2022). By connecting green sukuk to this platform, Indonesia was not simply issuing a financial instrument. It was positioning itself as a state that takes global development norms seriously. This aligns with constructivism, which argues that states shape their behavior according to internationally recognized norms. By aligning green sukuk with the SDGs, Indonesia was signaling to international audiences that its actions were not driven by financial motives alone. It was also demonstrating its commitment to globally shared values of sustainable development.

This ambition was also reflected in official government statements after the launch of the first sovereign green sukuk. In 2018, Sri Mulyani Indrawati, the Minister of Finance of Indonesia, stated that “Indonesia has taken the leadership role among Asian countries on this climate change initiative that has received significant interest and positive feedback from the international community (Indrawati, 2018).” This statement indicates that the government framed sovereign green sukuk not only as a funding instrument but also as a way to project Indonesia's leadership in sustainable finance.

Another piece of evidence of Indonesia's institutional performance is its partnership with the United Nations Development Programme (UNDP). The Ministry of Finance published the Green Bond and Green Sukuk Framework document, but UNDP Indonesia prepared it (Ministry of Finance of the Republic of Indonesia, 2018). This means UNDP was not merely observing Indonesia's green sukuk program. UNDP actively helped build and legitimize it. UNDP also published materials promoting Indonesia's green sukuk program to international audiences. Recognition must come from others, not from the state itself. By securing UNDP's involvement, Indonesia obtained support from a major international organization. This endorsement strengthened Indonesia's performance beyond its own capacity and broadcast its pioneer status to a global audience. The UNDP partnership transformed Indonesia's green sukuk from a domestic financial decision into a globally recognized performance.

Status-Seeking in Two Fields

Before 2018, Indonesia was ranked 11th in the Islamic Finance Development Indicator (Thomson Reuters, 2017). Competing directly with Malaysia, Bahrain, and the United Arab Emirates would require years of infrastructure development and institutional strengthening. Instead of competing within the existing hierarchy, Indonesia chose a different path. It created a new niche by pioneering sovereign green sukuk, a field where no established hierarchy existed yet. Moreover, to enhance its global role, Indonesia tends to prioritize issues directly related to its national interest (Karim, 2018). This reflects a strategic approach to status-seeking. Rather than challenging established leaders on their own terms, Indonesia positioned itself as the first sovereign issuer of green sukuk. In this new field, Indonesia did not need to compete with anyone. Duque (2018) argues that status is self-reinforcing. This means that the more recognition a state receives, the more other countries see it as deserving acknowledgment. Its pioneer status can give Indonesia a structural advantage. In the future, Indonesia could automatically attain a leadership position in global climate issues simply because of its historical role as a pioneer.

By pioneering sovereign green sukuk, Indonesia sent a clear signal to the Islamic finance world. The sukuk format is an Islamic financial instrument. Choosing it at the sovereign level demonstrates Indonesia's commitment to Islamic finance principles. This signal was received positively. Based on the investor distribution, 32% of Indonesia's green sukuk investors came from the Islamic market (Ministry of Finance of the Republic of Indonesia, 2018). This means that Islamic finance institutions, investors, and states recognized Indonesia's issuance as a legitimate and meaningful contribution to Islamic finance. Furthermore, Indonesia is the world's largest Muslim-majority country. This identity made its pioneer role in sovereign green sukuk particularly credible to Islamic finance audiences. A sovereign green sukuk issued by the world's largest Muslim-majority country carries a different weight compared to one issued by a non-Muslim country. In this sense, Indonesia's identity became its most valuable asset in seeking recognition from the Islamic finance world. As Liu and Lai (2021) show in the case of Malaysia, green sukuk can strengthen status in the global Islamic finance field. This aligns with constructivism, which argues that identity shapes how others perceive and respond to a state's actions.

At the same time, Indonesia also sought recognition from Western climate governance audiences. The Green Bond and Green Sukuk Framework was developed in alignment with the ICMA Green Bond Principles, which are the internationally recognized standard in Western green finance markets (CICERO (Center for International Climate and Environmental Research), 2018). Furthermore, UNDP actively promoted Indonesia's green sukuk program to international audiences. These efforts produced concrete results. Based on investor distribution, 68% of Indonesia's green sukuk investors came from different geographies: 25% from Asia, 15% from the European Union, 18% from the United States, and 10% from Indonesia (Ministry of Finance of the Republic of Indonesia, 2018). This shows that Indonesia's green sukuk was not only recognized by Islamic finance audiences but also by Western climate investors. Getting recognition from Western institutions for an Islamic instrument is significant. It means Indonesia successfully performed for two very different audiences through a single instrument. No other state had achieved this simultaneously before Indonesia. This dual recognition aligns with status-seeking theory. Recognition must come from others, and here Indonesia received it from two distinct international communities through a single instrument.

International Impact and Diffusion

After Indonesia issued its first sovereign green sukuk in 2018, several countries began to show interest in entering the green and sustainable finance market as well. Several countries, including those in the Gulf Cooperation Council (GCC) region, began developing green and sustainability financing frameworks and exploring similar instruments (London Stock Exchange, 2024). According to the London Stock Exchange (2024), some GCC countries have released green financial instruments. For instance, Qatar released a green bond in May 2024 and raised \$2.5 billion. Sharjah, a subnational entity in the United Arab Emirates (UAE), also released a sustainability bond in 2023 and raised \$1 billion. Other countries, like Oman and Saudi Arabia, released green financing frameworks in 2024. Although these developments cannot be attributed solely to Indonesia's initiative, they show the growing global spread of green and sustainable Islamic finance following Indonesia's pioneering sovereign green sukuk issuance. Moreover, as discussed earlier, some of these countries outranked Indonesia in Islamic finance in 2017. What makes this even more remarkable is that some of these countries previously outranked Indonesia in Islamic finance. This trend among other countries indicates that Indonesia's decision to issue sovereign green sukuk is recognized as a strategic step.

Indonesia not only pioneered sovereign green sukuk. It also became the world's largest green sukuk issuer by capital raised. In 2022, Indonesia issued a global green sukuk for US\$1.5 billion (Ministry of Finance of the Republic of Indonesia, 2025). In fact, Indonesia's first sovereign green sukuk issuance was even oversubscribed (United Nations Development Programme, 2020). This shows that Indonesia has earned international trust. This trust can be seen as a form of recognition. This is a remarkable achievement for a country that ranked 11th in Islamic finance in 2017 (Thomson Reuters, 2017). Indonesia accumulated US\$ 7.7 billion in sovereign green sukuk across eight consecutive issuances from 2018 to 2025, making it one of the most consistent and prominent sovereign green sukuk issuers globally (Ministry of Finance of the Republic of Indonesia, 2025). This evidence supports the argument that Indonesia's status-seeking strategy through green sukuk was successful. By creating and dominating a new niche, Indonesia achieved recognition in Islamic finance that may be difficult to achieve through conventional bonds.

Sovereign Green Sukuk as New Identity

One of the strongest pieces of evidence that Indonesia's green sukuk issuance was driven by identity rather than financial calculation is its consistency. Since its first issuance in February 2018, Indonesia has issued sovereign green sukuk every single year without

exception. According to a Ministry of Finance press release, Indonesia has accumulated US\$7.7 billion in sovereign green sukuk across eight consecutive issuances from 2018 to 2025 (Ministry of Finance of the Republic of Indonesia, 2025). Importantly, Indonesia has never issued a conventional sovereign green bond. Generally, Conventional green bonds are simpler and cheaper to issue than sukuk (Azhgaliyeva, 2021). If Indonesia's primary motivation were purely financial, it would have been more rational to issue conventional green bonds. The fact that it has chosen only green sukuk for eight consecutive years strongly suggests that the instrument choice reflects an effort to form a new identity.

From a constructivist perspective, this consistency is not surprising. Constructivism argues that states act based on identity, and that identity is reinforced through repeated practice. Each time Indonesia issues green sukuk instead of conventional green bonds, it reaffirms its identity as the world's largest Muslim-majority country committed to both Islamic finance principles and global climate governance. The sukuk format is more unique than a conventional bond. It carries a distinct Islamic identity that a conventional instrument cannot substitute. This means that every annual issuance is not just a financial transaction but a repeated performance of identity. Hopf (1998) argues that states reproduce their identity through daily social practice. Indonesia's consistency can also be seen as a way to reduce uncertainty in the anarchic international system. This consistency reflects Indonesia's behavior and identity not only toward investors, but also toward other states and international institutions. International actors will understand Indonesia's position and perspective. Therefore, it will shape how they see Indonesia. Issuing a sovereign green sukuk not only once but for eight consecutive years will convince other international actors about Indonesia's identity. This consistency also leads other international actors to believe that Indonesia is concerned about climate change and global Islamic finance. Ultimately, Indonesia will be recognized as a major actor in both fields.

CONCLUSION

This paper has argued that Indonesia employed green sukuk as a status-seeking instrument, positioning itself at the intersection of global climate governance and Islamic finance. By issuing the world's first sovereign green sukuk, Indonesia reflected itself as a responsible climate actor and an innovator in Islamic finance, using green sukuk not only to fund green projects but also as a symbolic instrument for international recognition. The findings show that Indonesia pursued status from a position of limited recognition, backed by a deliberately prepared institutional performance—including the Green Bond and Green Sukuk Framework aligned with ICMA principles, integration with SDG Indonesia One, and a UNDP

partnership—that secured recognition from diverse audiences, evidenced by an investor base spanning the Islamic market (32%), the EU, the USA, Asia, and Indonesia itself. Eight consecutive years of issuance, accumulating US\$7.7 billion from 2018 to 2025 without a conventional sovereign green bond, further suggest identity-driven behavior rather than mere financial strategy. The case demonstrates that status-seeking need not occur through military power or economic influence alone; states can also gain recognition through niche fields, with sovereign green sukuk giving Indonesia a unique platform to engage simultaneously with climate governance and Islamic finance and to occupy a distinctive symbolic position among leading states. In doing so, this paper contributes to international relations literature by showing how financial innovation can function as a strategy for international recognition, extending the discussion of green sukuk beyond economics to its political and symbolic dimensions, and enriching constructivist and status-seeking scholarship.

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