Indonesia's Role in ASEAN-Centered Regionalism: Challenges for a Middle Power in Asia-Pacific

Chin-Ming Lin
Tamkang University
113922@mail.tku.edu.tw
chinmlin@gmail.com

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Abstract

Indonesia is the 5th largest economy in Asia which has been designated as one of the "middle Powers" known as KIS—Korea-Indonesia-Australia. Indonesia is a classic middle power, a newly democratic and rapidly developing country with significant military and diplomatic capacities. Its cautious and balanced attitude in dealing with such issues as the South China Sea dispute has proven somewhat effective in restraining more hawkish behaviors of other ASEAN members.

Indonesia has been active in promoting a sense of collective leadership among Southeast Asian countries, a sense of collectivism not only in addressing issues particular to the sub-region, but also in contributing positively toward conducive conditions in the Asia-Pacific as a whole. While continuing to keep the development of regionalism as open as possible by including bigger powers such as China, the United States and India in the region, Indonesia appears adamant in its efforts to also solidify ASEAN's position in affecting Asia-Pacific affairs.

This paper will address Indonesia's role, as a middle power, in engaging in strategies toward ASEAN regional integration. We would recognize a common underpinning of several key ASEAN institutions and practices in the principle of "regional resilience", which was a stated principle of the 1977 Kuala Lumpur Declaration and is closely related to Soeharto's doctrine of "national resilience". We will raise several criteria concerning middle power elaborated by Jonathan Ping and test whether Indonesia can successfully face the challenges in influencing regional integration, especially in the forthcoming ASEAN Economic Community.

Keywords: middle power, dynamic equilibrium, statecraft, Asia-Pacific regionalism

What is a middle power? Could Indonesia be designated as a middle power? These are not easily answerable and commonly undisputable questions. Notwithstanding the ambiguity, Indonesia is the 5th largest economy in Asia and has usually been designated as one of the "middle Powers" known as KIS—Korea-Indonesia-Australia in Asia-Pacific. Indonesia is commonly understood as a classic middle power, a newly democratic and rapidly developing country with significant military and diplomatic capacities. Its cautious and balanced attitude in dealing with such issues as the South China Sea dispute has proven somewhat effective in restraining more hawkish behaviors of other ASEAN members.

In this paper, we want to answer, partially, the question of what being a middle power by raising several criteria concerning middle power elaborated by Jonathan Ping (2005) and test whether Indonesia can successfully face the challenges in influencing regional integration with respect to her dealings in South China Sea disputes and her strategies in intra-ASEAN trade integration.

What Is a Middle Power?

The middle powers are those located in the middle. The middle of *what* is not important beyond the requirement that it provides power. Power, theoretically, could come from an infinite number of sources. Practically, however, strategic territory, military or economic resources, ideology and/or level of relative economic development are commonly believed to provide power in the contemporary world. A definition of a middle power is legitimate if it includes the source of the power and identifies a middle position.

Holbraad (1984) demonstrated, in his benchmark text *Middle Powers in International Politics*, the problem of defining middle power. Holbraad's historical research is based on the work of Martin Wight (1978). Jonathan Ping (2005), by following the path of these scholars and re-conceptualizing definitional tools through reviewing the works of contemporary scholars and statepersons, has ranked states into *great powers*, *middle powers* and *small powers*. Ping's method of defining middle powers combines statistical definition, PP (perceived power) definition and statecraft-based definition.

The goal of statistical definition is to locate the middle point within a base of power and, as such, is evolutionary and at the same time dependent on an existing hierarchical power structure. At the top of the hierarchy is a great power, which is taken as a benchmark by which others are judged. Therefore, great powers have their ideological, economic and other characteristics embedded in hierarchical power structure. The statistical measures of a historical period therefore are "take off/from" great powers and result in bias towards those states that emulate great power activ-

ity. Statistical definition is, therefore, necessarily analogously a great power(s) "prelacy".

PP or normative definition involves creating, implying, or prescribing a norm or standard by which to classify. It is based on subjective judgements about the status of a state and is rarely verifiable. Primarily used to discern the relative position of states within bases of power that cannot be statistically measured, PP was the first form of MP definition. This form has acted as a hypothesizing philosopher around which statistical measures have been built. Botero's geographic and security based PP definition, for example, is now statistically testable (Botero, 1956).

Statecraft (also called middlepowermanship or behavioral) definition is a comparative approach which finds similarity, and thus definition, for the actions of MPs. Rather than prescribing norms or standards, the statecraft-based definer will conduct case studies or surveys in order to identify a commonality of behavior. Once found, this provides a definition which has been developed from a selection of states surveyed. In this, statecraft definition is dependent on an existing list of MPs because it does not recognize, and cannot differentiate, size. Statecraft definition therefore begins from and is an extension or exploration of existing definitions of MP. It is usefully employed as an auxiliary.

By combing the developed/developing schism and the concept of "potential MPs", a corollary hypothesis of static and dynamic MPs results. A static MP would be one that is moving statistically relative to other states across time. By acknowledging statistical change and developed/developing MP, potential MP and also the failing (collapsing) MP can be identified.

Within statistical definition, therefore, two questions can be posed. Firstly, can subject states be classified as *rank-equilibrium* or *rank-disequilibrium* MPs, if MPs at all? Secondly, is it possible to label these states as static or dynamic? This could be determined by a historical statistical analysis. The bar graphs below (Figures 1 and 2) display the theoretical rank-equilibrium and rank-disequilibrium MPs.

These two questions provide the hypothesis for defining as MP which can evolve, and an inherent or natural MP. A rank-disequilibrium MP might have the potential to develop into a great power with rank-equilibrium statistics, and, as such, could be dynamic or not naturally a MP, while rank-equilibrium MP is possibly a static MP and theoretically an inherent theorized as one that has MP statistics in many of the measures and, as such, lacks great potential to develop further. An unnatural MP, therefore, can be theorized as one that has MP statistics in few of the measures and as such has great potential to develop further.

Within these theories, therefore, is an original idea of the *true* or *natural* MP, which is unable to evolve beyond the MP classification. The identification of such MP

would have the utility of excluding those countries that are transient MPs owing to an underdeveloped economy, potential aneurysm, great power support and oppression or other setbacks.

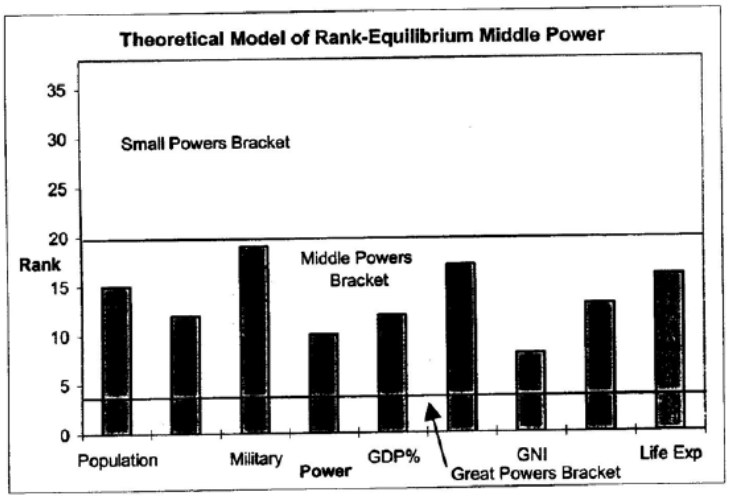

Figure 1 Theoretical model of rank-equilibrium middle power
Source: Ping (2005).

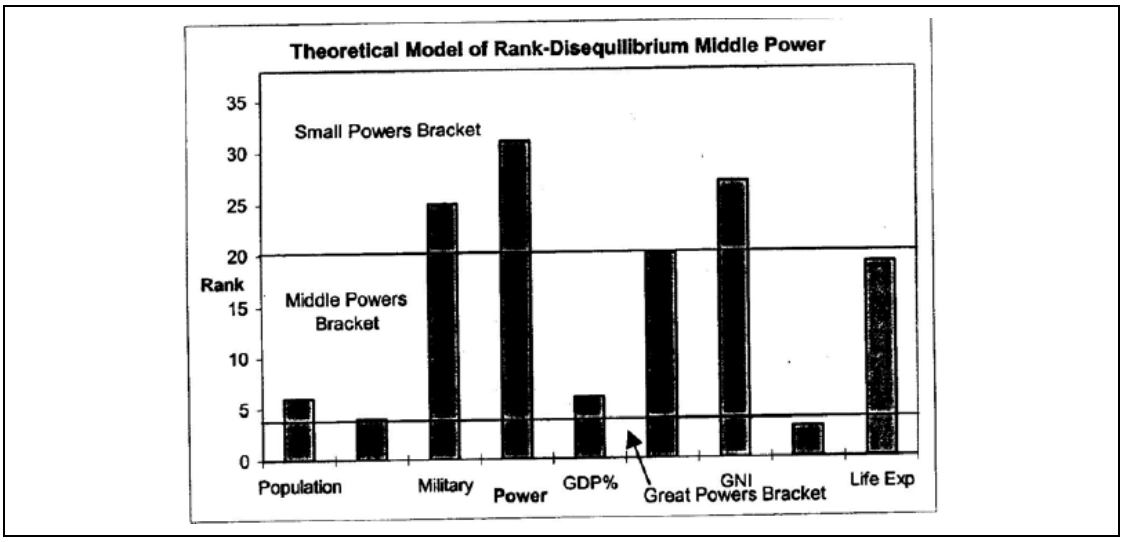

Figure 2 Theoretical model of rank-disequilibrium middle power
Source: Ping (2005).

The statistical groups of rank-equilibrium static, rank-equilibrium dynamic, rank-disequilibrium static and rank-disequilibrium dynamic present two facts, potential future growth and past progress, which allow for consideration of difference over time. This will allow for the classification, of MP, to transcend the evolution of the international political economy by accounting for change/evolution.

Ping introduces a new statistical method for identifying middle powers through

nine statistical measures.[1] He listed great powers, MPs and the small powers from 38 states of the four fora of APEC, ASEAN, SAARC and ECO for the year 2000. Accordingly, he defined the United States, China and Japan as the great powers, Australia, Canada, Chile, India, Indonesia, Iran, Malaysia, Mexico, the Philippines, Singapore, South Korea, Taiwan, Thailand and Turkey as the middle powers, and the last twenty-two as the small powers. Among the above MPs, the rank-equilibrium MPs were taken as those that have at least two-thirds (6/9) of their statistics in the MP bracket. These are Australia, Chile, Indonesia, Iran, South Korea, Malaysia, Mexico, the Philippines, Thailand and Turkey. The rank-disequilibrium MPs are those with less than two-thirds of their statistics in the MP bracket. These are Canada, India, Singapore and Taiwan.

The rank-equilibrium MPs are inherent or natural MPs because they have consistent MP statistical ranking, which indicates that they have achieved MP statistically in most of their endeavors. A rank-disequilibrium MP is either above or below its natural status as established by the comparative ability of all the 38 states included. The dynamic rank-disequilibrium MPs therefore can either become great or small powers depending on how effective they are at statecraft. Canada and Iran are potentially great powers, whilst Taiwan and Singapore are MPs owing to extraordinary statistics and might otherwise be small powers (Ping, 2005: 114)

The MPs can also be divided into static and dynamic MPs. The static MPs (India, Iran, South Korea, the Philippines, Taiwan and Turkey) have remained comparatively statistically stable throughout the twenty-five year period 1975-2000. In comparison with the other MPs, they have performed well enough statistically to remain in the same relative rank. On the other hand, the dynamic MPs are those moving statistically in comparison with other states and in particular the other MPs. The concept of dynamic MPs can be understood to have both positively dynamic and negatively dynamic MPs. The MPs of Asia and the Pacific that have performed statistically very well comparatively over the period are Malaysia, Singapore and Thailand. They are positively dynamic MPs. The negatively dynamic MPs are Australia, Canada, Chile, Indonesia, Mexico and Pakistan. During the twenty-five years these states have under-performed statistically in comparison to the other MPs (Ping, 2005: 116).

It can be summarized that Iran, South Korea, the Philippines and Turkey are all natural MPs that are stable and are likely to remain MPs. Australia, Chile, Indonesia,

[1] His method is to rank each state in all nine statistics (population, geographic area, military expenditure, GDP, GDP real growth, value of exports, per capita GNI, trade as a percentage of GDP, life expectancy at birth) in conjunction with the fixed brackets of great (first four ranks of 38 member states of the listed regional bodies), middle (the following fifteen ranks, i.e., from the 5th to the 19th) and small powers (remaining nineteen at the bottom). If a state appears in five or more of the nine tables in a particular class, then the state is found to be of that class. See Ping (2005: 66-104).

Malaysia, Mexico and Thailand are all natural MPs that are moving either up or down through the MP rankings but are not likely to leave the MP classification. India and Taiwan are not natural MPs but are likely to remain as MPs because they have been stable throughout the twenty-five year period. Canada and Singapore are not natural MPs but are in the category because they have either under-performed (as in the case of Canada) or have over-performed (as in the situation with Singapore). There is a high probability that they will eventually move out of the MP classification (Ping, 2005: 118).

Indonesia: A Natural and Dynamic MP

Statistically, Indonesia has been ranked as a negatively dynamic middle power. The starting point for archipelago statecraft and PP was greatly influenced by the effects of European statecraft and PP, the nature of the decolonization process, and the elements of European statecraft and PP that were left behind. In the latter two, international actors were involved that influenced the archipelago in line with their own policies. This included super-great powers striving for global hegemony, MP's desiring to hybridize their international environment towards their domestic circumstances and inter-government organizations attempting to place their own PP onto international relations.

PP can come from numerous sources such as history, belief in a deity, fear of violence, cultural practices, trust in and the idea of a leader, and, in the twentieth century, ideology and institutions. Indonesia hybridized into the archipelago system based on Western PP institutions and ideology. The power of institutions and ideas such as parliament, legal systems, the rule of law and democracy are very effective in that they are understood as impartial and thus garner great support from the general population as part of civil society. However, the inability to establish institutions that are accepted by the citizenship, and which are effective foundations for domestic statecraft, results in the need to hybridize these towards functional bases of PP. As in Indonesia, the dysfunctional nature of Western institutional and ideological PP gradually gave way to older archipelago forms of PP, especially in relation to leadership and military power (Ping, 2005, 187-88).

The MP state of Indonesia, therefore, was given sanction through a process of hybridizing from and being hybridized by the international actors and their precursory statecraft and PP. The central change in the archipelago was the use of ideology and nationalism as a basis for PP (over religious codes and hereditary rules) and the joining of the infrastructure of domestic statecraft with ideological PP within a constitution and institutions. The role of leaders, however, mitigated the institutional and constitutional PP and statecraft in Indonesia, where internal hybridization compromised the external and twentieth-century concepts in relation to (towards) the

precursory PP and statecraft of the archipelago where leaders acted as the core or pivotal practitioners of PP and statecraft.

By applying the theory of hybridization, MPs can be seen to have rationale for their international statecraft and PP which results in the behavioral characteristics, and/or the behavioral characteristics of the statistical natural dynamic MP Indonesia (and the other MPs identified above). These include:

SCOPE: limited, regional or no international statecraft at all.

STYLE: Self-serving, anti-hegemonic, bad international citizenship, threats, rogue behavior, blackmail and thuggery.

FOCUS: Conflict creation and disruption of the international system with the ultimate aim of destroying it.

FORMS and FORA: Bilateralism over multilateralism, abhorrence for and of international institutions, destruction of global norm.

They can also have a practitioner aspect that is undemocratic and repressive, with statecraft proclaimed by an authoritarian or religious leader/leadership set on revolution, terrorism, trading in drugs and weapons of mass destruction, having the ultimate aim of expanding their power regionally and then globally.

The waning of "MP behavior" can be understood as internal hybridization being undertaken and/or the attainment of a form of statecraft which has been successfully hybridized, so that there is no need to conduct international statecraft at all. By combining all three methods of definition and placing statistical definition first, MPs can be understood as hybridizers who can choose any form of statecraft if they can see that it best suits their particular purpose of hybridization.

MPs are self-interested and motivated by the need to recreate their own state. International statecraft is useful to MPs within regional competition with other MPs, regionally, in order to standardize external sources of hybridization, and, hemispherically and internationally, in order to hybridize the international political economy in line with (towards) their own domestic statecraft and PP. If acting as a good international citizen gives a Western democratic migrant settler MP (such as Canada or Australia) the chance to hybridize the international political economy to suit their own internal structure, then this is because it serves their own interests.

MPs are producing and trading in resources and primary commodities, as well as producing manufactured goods. They are necessarily trading states and require the ability to trade globally. However, they cannot be entirely dependent on it or on one commodity or trading partner, otherwise they are vulnerable to the effects caused by dependency and are prone to becoming small powers.

MPs have developed to MP status through hybridization and then have used conflict in their statecraft to keep themselves in the middle. Taking up too much ex-

traterritorial statecraft and PP can result in a complete loss of control and a fall into small power status. Does this idea of excess hybridization or not enough hybridization and the resultant mis-alignment with the international system correspond to the statistically static and dynamic MPs? Here we may look at Indonesia as an exemplary MP.

Indonesia is possibly not hybridized enough at the moment and thus stuck in a struggle between systems. While Malaysia had fixed its exchange rate and reassert political stability during the Asian financial crisis of 1997-1998, Indonesia reacted in a polar opposite way to that crisis. It allowed its currency to be devalued, took on enormous public and private debts, lost control of its political system and lost territory (East Timor). The reassertion, however, came in its hybridization of democracy, of the IMF's terms of assistance and the military operation in Aceh. Indonesia may not have democracy in the Western sense, but will have a hybridized version that includes all of the past.

Indonesian internal hybridization can be seen to have led to external hybridization. Sukarno's use of nationalism and then communism to regain the loss of control suffered from under Dutch colonialism had succeeded, but had failed beyond that specific goal. Indonesian communism's failure as a basis for international statecraft led to the Indonesian state's need to hybridize back towards the international system and the Western hegemon in order to survive regionally and maintain its MP status. Soeharto developed a hybridized system based on the U.S. Indonesia's statecraft then progressed to the international system and tried to hybridize the international system toward its own state through a regional organization (ASEAN) and an international organization (the Non-Aligned Movement).

MPs therefore use conflict when they have been (or are about to be) hybridized too much. When MPs are threatened (almost overwhelmed by divisive internal elements or by the external global political economy and hegemonic system), they use conflict against the threat and against those who want to impose a form of statecraft and PP onto them. Externally, whether this is the hegemon or other regional MPs that they are in competition with, they can use conflict to reassert the precursory and shared factors of their state against the effects of too much change. If MPs have no effective statecraft or PP models internally from which to hybridize, they are capable of hybridizing with new external models in order to resist the imposition of hybridization by extraterritorial forces.

The South China Sea Conflict

We first discuss the role Indonesia, as a middle power, plays in the South China Sea conflict. Indonesia apparently seeks a balance of force in Asia Pacific in which it, the United States, China, India, Australia, Japan, South Korea and Russia all tried to

avoid conflict either individually or in coalition. However, the preponderance of the United States and China makes such a traditional balance of power improbable, if not impossible. Instead, Indonesia and its like-minded neighbors have set their sight on building a series of regional mechanisms, driven by middle powers, in which no one is dominant and no one is excluded.

This is the main idea behind the "dynamic equilibrium"—the creation and maintenance of a system that builds trust among and norms between all involved. The centerpieces of that system are the expanded ASEAN institutions, including the East Asia Summit (EAS), ASEAN Defense Ministers' Meeting Plus (ADMM+), and the expanded ASEAN Maritime Forum (AMF) as well as the web of burgeoning bilateral and trilateral relationships around the region (Poling, 2013: 1-2). The only way such a system of dynamic equilibrium can be created is through the voluntary step-by-step immersion of each regional player in the multiplicity of overlapping institutions, with no single power predominant. This is why Indonesia pushed for the inclusion of India, Australia, New Zealand, Russia and the United States in the ADMM+ and the expanded AMF. It is also why Indonesia has been hard at work developing an Indian Ocean strategy with India and Australia, and why it takes part in the Indian Ocean Rim Association for Regional Cooperation, which it will chair from late 2015 to late 2017 (Poling, 2013: 2).

At the least, there is a conflict over the interpretation of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), and the legal concept that "land dominates the seas", between China and Indonesia. Jakarta's attempts to find consensus in ASEAN over the South China Sea has rested primarily on diplomatic efforts to engineer a middle-power driven construct, the dynamic equilibrium, that might moderate the growing power imbalance in Southeast Asia. Regarding Indonesia's perspective on China's long-term interests and role in the region, Rizal Sukma (2009) defines dynamic equilibrium as Indonesia's relationship with China in terms of ongoing "strategic ambiguity" (Greig, 2014).

In the South China Sea, Indonesia has on several occasions denied having any territorial dispute with China, but monitors the evolution of the general situation with great care. It is also very involved in the management of these disputes: A modest step toward moving China away from such bullying tactics came with the signing of the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea (DOC). The nonbinding agreement has failed for over a decade to resolve the disputes, but in the eyes of Indonesia and most of its ASEAN members, it remains the best hope of a lasting, nonviolent solution. This is why Indonesian foreign minister Marty Natalegawa made a whirlwind tour of Southeast Asia in summer of 2012 to salvage a modicum of agreement following a breakdown of consensus over the

South China Sea during the July ASEAN Ministerial Meeting (Poling, 2013: 3; Hellendorff and Kellner, 2014).

The particular status of Indonesia in the South China Sea, as a crucial facilitator of negotiations, go-between and mediator, seemed poised to only strengthen with the growth of the country's economy and confidence, at least until 2009. That year, China submitted to the Secretary General of the United Nations a "Note verbale" in which it officially resorted to the now-famous "nine-dash line" to delineate its claims in the South China Sea. This line was originally drafted in 1914 and harnessed by the Chinese Nationalist government in 1947; the Republic of China (Taiwan) still uses it, but as a perimeter to its own claims. Taipei claims ownership and entitlement to the islands and adjacent waters within the "nine-dash line" on the basis of international maritime law. Beijing, for its part, equates the nine-dash line to a claim in itself. Problematically enough, under this categorization, Beijing's territorial claims would encroach on the exclusive economic zone (EEZ) that Indonesia derives from its Natuna Islands.

This was confirmed in May and June 2010, when an Indonesian ship was threatened at gunpoint by Chinese vessels off the Natunas, for having arrested Chinese trawlers. That event substantiated the notion that China considers the "nine-dash line" as delineating "historical waters" over which it enjoys total sovereignty, a contention that defies contemporary international maritime law, including the UNCLOS. This is why Jakarta submitted in turn a *Note verbale* to Ban Ki Moon, the UN chairman, contesting the validity and legality of China's "nine-dash line". This has led to a complicated situation whereby, on the one hand, Jakarta denies having any territorial dispute with China, recognizing that if there is one would give ground to Beijing's claim, and China on the other hand hints at a possible dispute with Indonesia. While Beijing refrained from making its case too vociferously, to avoid having to clarify, and possibly regularize, its position vis-à-vis UNCLOS, a form of "strategic uncertainty" prevailed, allowing Jakarta to uphold its status of neutral mediator (Hellendorff and Kellner, 2014).

Certainly, Indonesia is gearing up to play a bigger role in the South China Sea. In taking on the role of "honest broker" and model, Indonesia does fill a gap in the disputes' management processes: it has built a position for itself that probably no other state/international institution could manage just as well. The administration of Susilo Bambang Yudhoyono has therefore proved well able to implement a "free and active" foreign policy, as required by the domestic strategic thinking tradition. More of the same can be expected under Indonesia's new president, although modalities can differ, as the presidential debate on foreign policy sharply demonstrated. A more confident Indonesia will, in all likelihood, be more assertive in its own case vis-à-vis

the South China Sea and this would be a welcome development (Hellendorff and Kellner, 2014).

Indonesia's Position in ASEAN Regional Integration

The perceptions of Indonesian state and non-state actors of ASEAN Free Trade Area (AFTA) in recent years have been changing. The emergence of regional economic crisis in 1997, in particular, has played a major role in changing their attitudes toward ASEAN regional integration schemes. This change of attitude was actually stimulated by the economic crisis in that there was a consensus among Indonesian policymakers that enhanced regional economic integration in the Southeast Asian region would provide a fundamental mechanism to alleviate the economic crisis. As a result, the Indonesian government welcomed ASEAN's initiatives to accelerate the AFTA schedule as envisioned in the Statement on Bold Measures (ASEAN 1998). This statement reflected the realization of ASEAN leaders that the economic crisis would have disastrous effects on the business dynamics and the economies of ASEAN member countries. It is for this reason that the member countries of ASEAN agreed to initiate some concrete measures to minimize the negative effects of the economic crisis. Although AFTA in itself was not able "to address the regional upheaval and was certainly not designed to deal with such events" (Narine, 2002: 186), ASEAN leaders were convinced that the acceleration of AFTA would stimulate economic growth and renewed business confidence, which, in turn, would speed up the process of economic recovery in the region. As it stood, Indonesia managed to place as many as 6,346 items (88.43%) on to AFTA's inclusion list in 2000, and 6,461 items (90.04%) in 2001 (Depperindag, 2000: 27; cited in Chandra, 2008: 150), which reflected Indonesia's genuine commitment toward AFTA.[2]

Table 1 AFTA Common Effective Preferential Tariff (CEPT) List for 2001

	Inclusion List	Temporary Exclusion List	General Exception List	Sensitive List	Total
Brunei	6,284	0	202	6	6,492
Indonesia	7,190	21	68	4	7,283
Malaysia	9,654	218	53	83	10,008
Philippines	5,622	6	16	50	5,694
Singapore	5,821	0	38	0	5,859
Thailand	9,104	0	0	7	9,111
ASEAN 6 Total	**43,675**	**245**	**377**	**150**	**44,447**

Source: ASEAN Secretariat; adapted from Chowdhury (2007), Table 2.

Apart from a need to alleviate the economic crisis, Indonesia was also inclined

[2] However, according to ASEAN Secretariat as adapted from Chowdhury (2007), the number of items in 2001 Indonesia's inclusion list is 7,190. See Table 1.

to strengthen ASEAN economic regionalism through AFTA for the overall benefits accrued from regional integration strategy. Chandra's field research also reveals that, because of its commitment to AFTA, Indonesian state and non-state actors were convinced that the country could move closer to achieving its objectives of sustained economic development and the maintenance of national unity (Chandra, 2008: 150). With its capacity to promote economic growth and competitiveness, AFTA will have positive knock-on effects on the overall economic development of Indonesia, leading to prosperity. This nationwide prosperity will help the Indonesian government to minimize the threat of national disintegration presently posed by several ethno-nations, i.e., Aceh, Papua, etc., which has become a serious post-crisis phenomenon in Indonesia. Moreover, the Indonesian government will also be able to increase its autonomy and bargaining power in international arena through its full commitment in the ASEAN regional integration schemes. In the age of an increasing drive toward multilateralism, pressure groups, i.e., the business community, the academic community, NGOs and civil society organizations (CSOs), in Indonesia are demanding that their government should play an active role in international arena. Greater prosperity throughout the Southeast Asian region will also increase the prestige and power of other ASEAN member countries. Such conditions, in turn, will give ASEAN member countries greater autonomy and bargaining power in dealing with major powers, such as the United States and the EU, in many multilateral negotiations. In the long run, the regional integration strategy is also hoped to contribute to the promotion of Indonesian culture and identity at both regional and international levels. Therefore, the need to minimize the negative impacts of the economic crisis and other important incentives afore-mentioned has acted as stimulants to promote the speeding up of the AFTA schedule.

However, the Indonesian government's commitment toward the implementation and scheduled acceleration of AFTA drew some criticism from various sources in Indonesia. Indonesian domestic pressure groups such as business associations, NGOs, CSOs, for example, were very skeptical of Indonesia's entrance into the AFTA scheme. A year prior to the implementation of the AFTA scheme in January 2002, for example, the Indonesian Chamber of Commerce and Industry (*Kamar Dagang dan Industri Indonesia*, KADIN) expressed its concern about AFTA and made an official demand that the Indonesian government should delay Indonesia's entry into the scheme until 2005 (*Kompas*, 2001). Almost a year after its implementation, the Indonesian government was still receiving stiff criticism over its commitment to AFTA. In the face of possible increases in fuel, power, and telephone prices in early 2003, for example, various Indonesian labor organizations and members of the Indonesian Entrepreneurs Association (*Asosiasi Pengusaha Indonesia*, APINDO) maintained that the In-

donesian government's commitment to AFTA was a proof that the government was more concerned about the country's global position than the welfare of its people (Guerin, 2003). The anti-AFTA sentiment in Indonesia contended that the government should be more concerned about domestic problems rather than giving priority to regional trade liberation issues.

Another important factor in analyzing contemporary Indonesian attitude toward AFTA was the introduction of the Regional Autonomy Laws (*Otonomi Daerah*, OtDa), which challenged the AFTA scheme. In 1999, the Habibie administration issued Act No. 22/1999 (UUPD), which is a regional government law, and Act No. 25/1999 (UUPKPD), which concerned with fiscal balance between central and regional governments. Both regulations were officially implemented in January 2001. These two acts were aimed at decentralizing the heavily centralized system during the New Order period. Specifically, Act No. 22 was used to make a fundamental shift in government functions from the central to regional level, while Act No. 25 was implemented in conjunction with the former to focus on fiscal relations between the central and regional governments (Silver *et al*., 2001: 346). They have generated great concern, particularly over the issue of ethno-nationalism. In KADIN's view, for example, the OtDa will complicate the investment laws that could hinder business transactions (Tempo, 2001). Following the implementation of these regulations, many provincial governments have issued numerous laws which have greatly bureaucratized the relationship between officials and the business sector. The Indonesian government, on the other hand, argues that such changes are a natural result of political transition in Indonesia, and should be considered reform euphoria.

At the time of the formation of AFTA, the ASEAN countries accounted for only 10% of Indonesia's total exports. Indonesia increased its export share to ASEAN to about 18% in 2006. Singapore is Indonesia's major ASEAN export market. However, the share of Indonesia's exports to Singapore has remained stable at around 10% since the early 1990s. On the other hand, the importance of Malaysia as an export destination has increased from around 1% in 1991 to close to 5% by 2004.

ASEAN is more important as a source of Indonesia's imports than as a destination of Indonesia's exports. Around 32% of Indonesia's imports came from the ASEAN countries. Overall, ASEAN still accounts for around 24% of Indonesia's total trade; countries outside ASEAN remain major trading partners. Although Indonesia's intra-ASEAN trade has increased in recent years, it only accounts for 11% of total intra-ASEAN trade, well behind more advanced members, Singapore and Malaysia, and 4 percentage points behind Thailand in 2005 (see Table 2). Singapore alone accounts for around 41% of total intra-ASEAN trade, followed by Malaysia with a share of around 22%. Thus, it seems that less developed members are not benefiting much

from AFTA.

Table 2 Country Shares in Intra-ASEAN Trade (%), 2005

	Share (%)
Brunei	0.7
Cambodia	0.4
Indonesia	10.9
Laos	0.2
Malaysia	21.6
Myanmar	0.8
Philippines	5.3
Singapore	40.7
Thailand	14.9
Vietnam	4.6

Source: ASEAN Secretariat.

Given Indonesia's very small share in total intra-ASEAN trade, Indonesia is not expected to gain much from AFTA. One study undertaken by the Ministry of Industry and Trade suggests that Singapore and Malaysia benefit most from AFTA, followed by Thailand and Indonesia (reported in Saleh, 2005). This is in line with their respective intra-ASEAN trade shares. Based on CGE modeling, Feridhanusetyawan and Pangestu conclude, "The creation of AFTA . . . is estimated to contribute little additional welfare benefit . . . to Indonesia . . . ." On the other hand, they find significant welfare gains from full implementation of trade liberalization under Uruguay Round and Asia Pacific Economic Cooperation. However, agricultural liberalization in AFTA is likely to benefit Indonesia as we can expect from Indonesia's potential capability to provide agricultural products for the region (Feridhanusetyawan and Pangestu, 2003: 72).

In a more recent study Hartono *et al.* (2007), also using CGE modeling, found similar results to Feridhanusetyawan and Pangestu (2003). Their simulation results show that real GDP of Indonesia increases by only 0.13% and the welfare gain by only 0.61% from AFTA trade liberalization. On the other hand, real GDP and overall welfare gains from global trade liberalization are 1.31% and 2.64% respectively. More interestingly, unskilled labor income increases by only 0.79% from AFTA liberalization as opposed to a staggering 6.46% from global trade liberalization.

Table 3 Indonesia's Gains from Trade Liberalization (percentage change compared to base-line simulation)

	AFTA Liberalization	Global Liberalization
Real GDP	0.13	1.31

Imports	1.92	8.86
Exports	0.68	3.89
Unskilled labor Income	0.79	6.46
Capital Income	0.64	4.87
Welfare*	0.61	2.64

* Welfare index includes 17 variables, such as inflation, wages, government revenue, GDP, etc.

Source: Adapted from Hartono *et al.* (2007), Table 5.

The estimated gains from ASEAN *plus* and other bilateral trade liberalization (Indonesia-China, Indonesia-Japan, Indonesia-Korea, Indonesia-India) are also quite small compared to global trade liberalization. Only in the cases of East Asian FTA and APEC FTA, the estimated welfare gains are reasonable. A very similar sectoral output effect occurs in the case of ASEAN-China FTA. More damaging impact on labor-intensive sectors such as textiles and leather happens in the case of ASEAN+3 and East Asian FTA.

The expected loss from AFTA and ASEAN *plus* FTAs in the labor-intensive sector has significant political economy implications, especially when Indonesia's competitiveness is being eroded due mainly to other labor surplus countries such as Vietnam and China. Between 2000 and 2002 nearly one million workers lost jobs in the textile, garments and footwear (TGF) industries (Chowdhury, 2007: 10). And if we look at it from a longer run perspective, the TGF lost a total of 7.7 million workers from the period of 1985-95 to the period of 1995-2005 (Aswicahyono *et al.*, 2011: 18). Exports in TGF hardly grew and they declined in the wood-based industries (including furniture) from 1995 to 2005.[3] Nevertheless, employment growth was still significant in both these industries, suggesting that some labor-intensive segments were still able to compete in world markets. For example, even though TGF and wood industries contributed less than 5% of the increase in the value of manufacturing exports in 1995-2005, they provided 40% of all jobs associated with exports in this period.

The share of unskilled labor-intensive manufactured exports has been declining since the early 1990s, about the time when AFTA was initiated. This saw the rise in unemployment rate from 4.4% in 1994 to 4.9% in 1996. The rate rose to a peak at 11.24% at the end of 2005 and increasingly declined to less than 6% recently (Trading Economics, 2013). Therefore, it becomes politically difficult to pursue further regional integration when Indonesia is rapidly losing competitiveness in labor intensive manufacturing exports mainly to its ASEAN partners, contributing to rising unemployment and poverty. The persistence of unemployment and poverty may slow

[3] The value of exports continued to increase slowly in the TGF industries in 2000-2005, while they fell in the wood-based industries. See Aswicahyono *et al*. (2011), Figure 8.

down not only regional integration but also multilateral liberalization. There is already a view among academics, officials, business leaders and civil society organizations that liberalization has gone too far (see, *e.g.*, Chandra, 2008). They are demanding that protection should be increased in sensitive sectors such as textiles, chemicals, motor vehicles and steel (Vanzetti *et al*., 2005).

Conclusions

Indonesia, as predicated preliminarily in the paper, is a natural and dynamic middle-power country. It is intrinsically anti-international organizations and anti-regional strong powers, but is incapable of getting rid of the strangled influence of international organizations and regional big powers, as compared with, e.g., Malaysia. Indonesia has been ranked as a negatively dynamic middle power, which simply could not prevent international actors from getting involved in its precursory statecraft of the archipelago where leaders acted as the core or pivotal practitioners of power perception and statecraft.

This has been manifested in its particular status in South China Sea, as a crucial facilitator of negotiations, go-between and mediator, which has prompted it to counteract China's increasingly assertive attitude in there. It has built a position for itself that probably no other state/international institution could manage just as well. Indonesia is gearing up to play a bigger role in South China Sea just because of its MP status which means that when it has been threatened it use conflict against the threat and against those who want to impose a form of statecraft and PP onto it.

Another similar but rather more ambiguous position could also be witnessed in its support of ASEAN economic regionalism. On one hand, the need to minimize the negative impacts of the economic crisis and other important incentives such as promoting economic growth and competitiveness so as to minimize the threat of internal disintegration, to increase its autonomy and bargaining power in international arena, and to contribute to the promotion of Indonesian culture and identity at both regional and international levels, has acted as stimulants for it to promote the speeding up of the AFTA schedule. On the other hand, Indonesian domestic pressure groups have voiced stiff criticism toward its government's entry into AFTA, especially from some organizations of entrepreneurs and labors.

As an MP, Indonesia is self-interested and motivated by the need to recreate its own state. It is necessarily a trading state and requires the ability to trade globally. However, it cannot be entirely dependent on it or on one commodity or trading partner, otherwise it is vulnerable to the effects caused by dependency and is prone to becoming small power. ASEAN is more important as a source of Indonesia's imports than as a destination of Indonesia's exports. As a less developed country in the region, Indonesia also is not benefiting much from AFTA. Indonesia, as an MP, is a

hybridizer who can choose any form of statecraft if it can see that it best suits its particular purpose of hybridization. In the case of economic regionalism, "strategic ambiguity" could have arisen in that, nominally, the central government shall be behaving as "free and active" in its support of regional economic integration while, intrinsically, provincial governments shall be harnessing, thanks to decentralizing laws, local businesses by, for example, enacting their own investment laws which could have hindered international transactions supposedly to be promoted by AFTA and other intra-ASEAN or ultra-ASEAN trade pacts.

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