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Defending Foreign Policy at Home: Indonesia and the ASEAN-Based Free Trade Agreements

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Abstract

Scholars have devoted little attention to foreign policy motive of Indonesia's free trade agreement (FTA) policy. This article finds that, under competitive international pressure, Indonesia has instrumentalised some FTAs to serve its "Association of Southeast Asian Nations (ASEAN)-first" foreign policy, specifically to ensure the geopolitical and goeconomic relevance of ASEAN. Three FTAs display this motive: the ASEAN Free Trade Area, later extended to the ASEAN Economic Community, the ASEAN–China FTA, and the Regional Comprehensive Economic Partnership. Domestically, the pro-ASEAN group has supported this motive against other influential domestic actors, especially the nationalist and the pro-liberalisation groups. However, diffused political authority has led to an inconsistent FTA policy across various trade policymaking phases. The "pro-ASEAN" FTA policy has been relatively stronger in both the negotiation and ratification, but substantially weaker in the implementation phases.

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Keywords

Indonesia, FTA, foreign policy, pro-ASEAN group, domestic power struggle

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Introduction

Indonesia has become more active in joining free trade agreements (FTAs). As of December 2019, Indonesia participated in seven Association of Southeast Asian Nations (ASEAN)-centred FTAs, comprising one intra-ASEAN FTA and six ASEAN “Plus One” FTAs.¹ Indonesia also signed four preferential trading arrangements (PTAs) and four bilateral FTAs,² as well as reached substantial conclusion in negotiating FTAs with South Korea and the Regional Comprehensive Economic Partnership (RCEP). Indonesia’s enthusiasm has been consistent with development in the global level, in which no less than 302 cumulative regional trade agreements have been in force to date (World Trade Organisation [WTO] WTO Secretariat, 2020).

However, academic literature in this subject has yet to keep up with this new development. Chandra (2005) and Chandra and Hanim (2010) discuss Indonesia’s cautious FTA policy in the 2000s, which preferred to negotiate in the WTO rather than in FTAs. Furthermore, these works, along with other works from Bird et al. (2008), Marks (2015), and Rüländ (2016), tend to focus on the perceptions and the influences of domestic groups in FTA policy, such as the liberal reformers, the nationalists, and small and medium enterprises (SMEs). Despite providing rich empirical and theoretical insights, these works overlook two important aspects pertaining to Indonesia’s FTA policy. First, they miss the important role of foreign policy motive in driving the country’s FTAs. Second, they do not discuss the role of pro-ASEAN group that defends this foreign policy objective against other domestic actors in a competitive power struggle setting. This article aims to fill these research gaps by analysing three case studies: the ASEAN Economic Community (AFTA-AEC), the ASEAN–China FTA (ACFTA), and the RCEP. The AFTA-AEC is important since it is Indonesia’s first FTA. Meanwhile, the ACFTA and the RCEP are Indonesia’s largest FTAs in the first and second decades of the twenty-first century, respectively.

This article proposes three arguments. First, Indonesia has instrumentalised FTAs to achieve a foreign policy objective, namely maintaining geopolitical and geoeconomic relevance of ASEAN. Second, this objective has been propped up at home by the pro-ASEAN group, which interacts with the nationalist and the pro-liberalisation camps. As indicated by their names, the pro-ASEAN group embeds Indonesia’s FTAs with the “ASEAN-first” foreign policy, the nationalist group is cautious to the impact of FTA’s market opening, and the pro-liberalisation group (including the liberal reformers) seeks economic gains from FTA-induced liberalisation. Third, decentralised political institutions have led to an incoherent FTA policy: strongly “pro-ASEAN” in the beginning, but weak in the implementation level.

In elaborating these arguments, this article consists of several sections. The theoretical framework follows the introduction, whereas the third section discusses how international factors shape Indonesia’s “ASEAN-first” foreign policy. The fourth section discusses the domestic arena by emphasising domestic actors and society-centred political institutions. The next three sections are devoted for the three case studies, respectively. Each section analyses how international and domestic factors shape Indonesia’s FTA policy. The last section concludes the article.

Theoretical Framework

This article puts forward two research questions: (1) how do geopolitical and geoeconomic changes shape Indonesia's FTA policy? and; (2) what interests do domestic actors (the pro-ASEAN, the nationalist, and the pro-liberalisation groups) pursue, and how do domestic political institutions shape the attainment of their interests? Answering them requires a comprehensive theoretical framework that incorporates both international and domestic factors.

In his famous article, *The Second Image Reversed*, Gourevitch (1978) discusses the relationship between international relations (IR) and domestic politics. In his opinion, IR specialists tend to discuss domestic politics insofar as the latter affects international politics and foreign policy. In other words, domestic politics is the "cause." Gathering insights from comparative politics, Gourevitch (1978) counters that international factors may become the cause, rather than the consequence, of domestic politics. Various international factors – international state system, international economy, and military intervention – influence domestic outcomes, such as regime type, coalition pattern, and policy. For example, post-World War II's bipolar international system led to the establishment of democratic and socialist regimes in West and East Germany, respectively. Moreover, the Interdependent School argues that cross-border and issue-based challenges, such as trade or climate change, have broadened policy decisions from a small circle of defence-related elites to technical ministries, local governments, and non-state actors.

Regarding foreign economic policy, external pressure comes from broader geopolitical and geoeconomic shifts, most notably, the end of the Cold War and Asian financial crisis. Similarly, related to FTAs, Solís and Katada (2009) argue that Asia-Pacific countries have faced multiple competitive pressures, ranging from economic rivals that have secured overseas market access to political rivals that have exerted regional leadership. They further elaborate that countries have used FTAs to level the playing field in economic competition, to hedge against potential adversaries, and to strengthen co-operation with security partners. Chandra (2008) finds that members have used ASEAN-based regionalism, concomitantly the AFTA, not only to reduce negative impacts of globalisation, but also to improve both state's autonomy and bargaining positions in multilateral arenas.

Gourevitch (1978) further analyses that international factor alone is not sufficient to explain a country's policy response. Different countries most likely face similar external conditions, but respond differently.³ Consequently, another factor must be at play, and this is where he discusses the role of domestic politics or the "coalitional analysis" argument. He postulates that domestic interests and institutions are equally important to explain the responses of a country. Different domestic entities commit various political actions to fulfil their interests, and institutions either facilitate or constrain the attainment of these interests. Therefore, while international factor indeed matters, a policy is also the outcome of power contest in the domestic level.⁴

Specifically, both economic bureaucrats and export-oriented business groups are most likely to support FTAs for economic competition purposes. More importantly, for

this article, foreign policy officials (or the larger “pro-ASEAN group”) may utilise FTAs to secure foreign and security policy ends (Solís and Katada, 2009: 16). It is the aim of this article to show how this pro-ASEAN group pursues these ends at home, notably in its relations with other equally influential actors: the nationalist and the pro-liberalisation groups.⁵ Regarding institutions, Gourevitch (1978) shows that “state-centred policy network”-type institutions centralise policymaking authority in a small number of agencies, whereas “society-centred policy network”-type institutions disperse authority to a large number of agencies. While the former produces potentially simple but exclusive decision-making processes with predictable results, the latter allows more actors to participate, but with more complex decision-making processes and unpredictable policy outcomes.

The “society-centred policy network”-type institution is more suitable to the Indonesian case since many academic works on democratisation-Indonesian foreign policy nexus highlight corresponding characteristics. They discuss multiple centres of power, complex decision-making procedures, and the growing importance of civil society, media, and the legislature (Fortuna Anwar, 2010; Gindarsah, 2012; Rüländ, 2009; Sukma, 2012). Thus, in contemporary Indonesia, no single actor dominates decision-making processes (Bird et al., 2008). The key is to identify the distribution of authority (what power resides in the executive, legislature, judiciary, and local governments) in various trade policy-making phases (negotiation, ratification, and implementation).⁶

From the explanation above, three factors are pertinent to explain the outcomes of Indonesia’s FTA policy. First, internationally, geopolitical and geoeconomic pressures have made Indonesia support ASEAN-based FTAs. Second and third, domestic actors and institutions also affect Indonesia’s response. The power struggle among the pro-liberalisation, the nationalist, and the pro-ASEAN groups within decentralised-type institutions has resulted in an incoherent policy response.

International Pressure and Indonesia’s Foreign Policy on ASEAN

Indonesia was one of the founding fathers of ASEAN. In the 1960s, President Suharto’s priority was to restore Indonesia’s international credibility, so that he could neutralise Indonesia’s previously pro-communist and confrontative images, as well as secure international aid for economic development. Restoring regional stability was important for this goal. Through a regional institution called ASEAN, Indonesia, as the largest country in Southeast Asia, was willing both to undergo a policy of self-restraint against its smaller neighbours, and not to return to President Sukarno’s *konfrontasi* approach (Emmers, 2014: 546). In the following years, Indonesia quickly recognised ASEAN’s importance to maintain strategic autonomy during the Cold War era. Regional stability could not have had been achieved, had the extra-regional powers brought proxy-war politics to Southeast Asian affairs. Therefore, as both the Declaration on Zone of Peace, Freedom and Neutrality (1971) and the Treaty of Amity and Cooperation (1976) showed, ASEAN and Indonesia made a political statement that Southeast Asian affairs should be

determined independently by its members. It is no wonder that the New Order government designated ASEAN to be the first among several concentric circles of Indonesia's foreign policy.

In the post-Cold War era, new international challenges have potentially downplayed ASEAN's importance and Indonesia's quest for strategic autonomy. Economic interdependence and the proliferation of diplomatic forums have provided avenues for major and secondary powers to exert influence on Southeast Asia (Ciorciari, 2009: 159). A rising China has also been a point of concerns. Indonesia and other members have adjusted accordingly by establishing the ASEAN "Plus X" framework (consisting of, among others, the ASEAN Regional Forum [ARF], the ASEAN Plus Three [APT], and the East Asia Summit [EAS]), which creates a dense network of institutions to communicate and co-operate with extra-regional countries. Various ASEAN-centred and bilateral FTAs are also a part of this framework, which are designed to stimulate diversification of economic partners (Ciorciari, 2009: 173–174).

Former Indonesian Foreign Minister, Marty Natalegawa (2009–2014), has introduced the "dynamic equilibrium" concept, which postulates that the framework fosters three aims: (1) to avoid regional domination by a single power; (2) to socialise a rule-based regional order, as well as habits of co-operation and dialogue; and (3) to maintain ASEAN centrality in the region (Weatherbee, 2013: 18–19). All these objectives are essentially a continuation of the strategic autonomy goal. In the parlance of IR theories, the ASEAN "Plus X" framework is a part of Southeast Asian countries' hedging (Kuik, 2008), institutional balancing (He, 2008), or balance-of-great-power-influence (Ciorciari, 2009) strategies.⁷ With institutions, small and medium powers in Southeast Asia have persuaded extra-regional countries to reduce military conflicts, and to develop trust among them. Furthermore, this strategy ensures that all ASEAN partners have interests not only in maintaining peace and stability, but also in reaping the benefits of economic interdependence (Ciorciari, 2009: 169–170).⁸

Indonesia has pursued these pro-ASEAN and strategic autonomy goals in at least two cases: the APT/EAS and the emergence of the concept of the Indo-Pacific. The first case took place at the turning of the new millennium, as China was eager to transform the APT forum, which consists of ten ASEAN members, China, Japan, and South Korea, into the East Asian Community (EAC). The EAC adopts the equal-footing principle, in which all members share equal rights and obligations, including to set the agendas and to host the summits (Kim, 2010). Aware of China's domination and potential dilution of ASEAN's significance, Indonesia (along with the Philippines and Japan) invited Australia, New Zealand, and India, and created the ASEAN "Plus Six" framework or more commonly known as the EAS (Hadi, 2013: 192–193).⁹ The EAS co-exists with the APT, yet the former clearly adopts the ASEAN centrality principle: its meetings are held alongside with the ASEAN Annual Summits, and its agenda-setters and hosts are ASEAN members only (Hadi, 2013; Kim, 2010).

In the second case, scholars and state officials have increasingly discussed the Indo-Pacific concept as a new regional construction since the 2010s. The region is geographically larger than the previous notion of East Asia, as it covers a vital sea lane, the Indian

Ocean, and economic centres in Asia-Pacific. China's increasing military presence in the ocean has concerned not only India and Japan, but also the United States. Accordingly, it is possible that the Indo-Pacific issue will eventually lead to a great-power game that ASEAN has tried so hard to avoid. Recognising this, including the exigency of small and medium powers to join the discourse, ASEAN adopted the ASEAN Outlook on the Indo-Pacific (AOIP) in June 2019. The AOIP was of Indonesia's proposal, and the document calls for dialogue, co-operation, inclusivity, and a rule-based framework, rather than rivalry (ASEAN Secretariat, 2019). It also underscores the centrality of ASEAN to be the honest broker and the platform to discuss strategic issues concerning the region (ASEAN Secretariat, 2019).

With all these initiatives, Indonesia and ASEAN have tried to be the norm-setters and consensus-builders (Acharya, 2015). Consequently, rather than coercive and overbearing, Indonesia's projected foreign policy images have been inclusive, open, engaging, and non-threatening (Acharya, 2015: viii; Weatherbee, 2013: 85).¹⁰

The Domestic Landscape of Indonesia's FTA Policy

Domestically, the pro-ASEAN group prods the above-mentioned foreign policy. This group, however, undergoes a complex power struggle against other influential actors (the pro-liberalisation and the nationalist groups) within a diffused institutional setting. Consequently, the pro-ASEAN group is far from dominant. Various actors within the three groups – state or non-state, executive or legislature, central or local governments – exert influence over trade negotiation, ratification, and implementation phases. This section discusses each group's members, interests, source of power, and political actions.

The pro-liberalisation camp consists of two components: the liberal reformers and the export-oriented industries (EOIs). The liberal reformers, who are mostly economists from leading domestic universities and think-tanks, have been historically close to the government. They have always been assigned to economy-related ministries in various New Order and post-New Order's cabinets, for instance, Trade Minister Mari Pangestu (2004–2011) and Finance Minister Sri Mulyani (2005–2010, 2016–now). Trained mostly in Western countries, their credibility lies on professional-technocratic credentials (Robison, 1986). They believe in the so-called "economic reforms" – liberalisation and other business-friendly policies to manage Indonesia's economy.¹¹ In the 2000s, they collaborated with the International Monetary Fund to recuperate Indonesia's post-Asian crisis economic meltdown. They support FTAs not only to lock in liberalisation domestically, but also to roll back protectionist demands from the nationalists. Assuming important economic posts, the liberal reformers heavily involve in various trade negotiations. This group also has authority over operational policies, for instance, the Ministry of Finance (MoF) on tariff elimination. Additionally, the group often uses mass media to produce pro-liberalisation narratives.

Another element within the pro-liberalisation group is the EOIs, with a clear mainstay for overseas market access. Not only do they produce similar pro-liberalisation narratives, but some foreign-invested industries also provide high-quality research and

technical expertise for the government (Yoshimatsu, 2007). Nonetheless, EOIs' support for FTAs is contingent on the FTA partners. For example, aiming for American market, the Indonesian Textile Association has supported the Trans-Pacific Partnership (TPP), but fearing the more competitive Chinese products, it has rejected the ACFTA.

The nationalist group consists of several elements. First, some New Order's nationalist bureaucrats and politicians, for instance, AR Soehoed (Minister of Industry) and BJ Habibie (Minister of Research and Technology), envisioned industrialisation in steel, shipping, and aeroplane sectors (Hadi, 2005: 243–245). Both the Ministry of Agriculture (MoA) and the Ministry of Cooperatives and SMEs (MoCS) also have a populist-nationalist reputation: the former for food self-sufficiency and the latter for *ekonomi kerakyatan* (or people-oriented economy) goals. This element is likely to oppose trade liberalisation provided that it brings cheaper competing products to domestic market. The second element consists of civil society organisations (CSOs) and some academics. They are anxious about FTA's distributive justice, fearing that it will facilitate wealth creation for large foreign companies at the expense of small domestic businesses (Rüland, 2014: 193).

The third element is the oligarchs and the politicians. They were a part of New Order's patronage networks, which received generous government contracts and import protection in exchange for political support (Robison, 1986). After the pitfall of New Order, while still hoping for lucrative state-sponsored projects, they have played money politics for election-running politicians (Robison and Hadiz, 2004). Some oligarchs run overseas businesses, yet, generally, they are cautious about FTAs since the deals open the sufficiently lucrative home market for external competitors. Meanwhile, national and local politicians are likely to be cautious about FTAs to appear populist in front of voters.

The nationalist group implements various political actions. The nationalist bureaucrats usually delay FTA implementation through ministry-specific non-tariff barriers (NTBs), ranging from licensing requirements and pre-shipment inspections to import quotas and standard regulations (Marks, 2015: 302; Patunru and Rahardja, 2015: 18–22). The oligarchs also lobby various government agencies to maintain sectoral trade barriers. Additionally, the nationalist group uses democratic channels, for instance, parliamentary hearings, judicial reviews, and anti-liberal media framing.

The pro-ASEAN group comprises mostly Indonesian foreign policy elites, particularly the president and the Ministry of Foreign Affairs (MoFA). Holding the highest executive authority, the president is responsible for strategic and foreign relations. Indonesia's long-standing support to ASEAN has come largely from the commitment of presidents, among others, President Suharto (1967–1996) and Susilo Bambang Yudhoyono (known as “SBY”, 2004–2014) (Emmerson, 2012: 71–73). However, different challenges possibly drive the presidents to put forward new policy priorities that make ASEAN appear secondary. In this situation, the MoFA is a more assiduous stalwart that ensures ASEAN to be on the top of Indonesia's foreign policy agenda. When President Megawati Sukarnoputri (2001–2004) gave a considerable attention to domestic stabilisation issues due to Asian financial crisis and terrorist attacks, the MoFA

proposed the establishment of ASEAN Political-Security Community (APSC) (Acharya, 2015: 53).

Regarding source of power, the pro-ASEAN group is entitled to various legal authority over decision-making processes. Article 6(1) and 6(2) of Law No. 37/1999 on Foreign Affairs explicitly state that the president, with assistance from the MoFA, has the authority to conduct foreign affairs. Article 28(2) of Law No. 37/1999 and Article 5(1) of Law No. 24/2000 on International Agreement also appoint the MoFA to be the coordinator of Indonesia's foreign affairs, and require all government agencies to consult with it in negotiating international agreements, including FTAs. Thus, both the president and the MoFA have strong authority on FTA's negotiation phase. Similarly, in relation to ratification authority, Article 10 of Law No. 24/2000 classifies trade agreement as a technical issue to be ratified only by the president.¹² A change occurs through the enactment of Law No. 7/2014 on Trade. For every trade agreement, Article 84(2) requires a joint decision by the government and the parliament on the ratification mechanism, either by a presidential regulation/ decree or a law.¹³ It is no wonder that, before 2014, all of Indonesia's FTAs were ratified by the president.¹⁴ For public audience, foreign policy elites and some academics create pro-ASEAN narratives.¹⁵ ASEAN's democratic agendas have been used to emphasise Indonesia's sense of exceptionalism and leadership, and ASEAN's economic integration to justify Indonesia's competitiveness in the global economy (Rüland, 2014).¹⁶

Membership in the three groups above is not exclusive. A president can be considered a nationalist when he/she must accommodate protectionist demands from political proponents. Moreover, based on economic rationale, the pro-liberalisation group is avowedly pro-ASEAN.

The next three sections discuss the three case studies, respectively. Each section starts with a brief description of the FTA, and then analyses how the three variables – geopolitical and geoeconomic changes, the role of the three domestic groups, and diffused political institutions – affect Indonesia's FTA policy outcomes.

AFTA-AEC (1991–2019)

Launching AFTA in 1992, ASEAN member countries agreed to reduce intra-regional tariffs to 0 per cent–5 per cent by 2008.¹⁷ AFTA's Common Effective Preferential Tariff (CEPT) scheme covers 82.78 per cent of all ASEAN's tariff lines, prompting the reduction of ASEAN's average tariff rates from 12.76 per cent in 1993 to 3.87 per cent in 2000 (ASEAN Secretariat, 1999). In the 2000s, ASEAN deepened its economic co-operation by launching the AEC and by signing the ASEAN Charter. The former aims to create a free flow of goods, services, investment, and skilled labours, and a freer flow of capital. The latter provides a legal standing to facilitate ASEAN's institutionalisation processes.

The vicissitudes of global economy and politics have driven Indonesia's support to both AFTA and AEC. In the late 1980s, Southeast Asia's outward-oriented economies were under pressure from the global economic slowdown, the deadlock of the WTO's

Uruguay Round, and the allegedly protectionist regionalism in Europe and North America. Geopolitically, as the waning of the Cold War had reduced great power rivalry, ASEAN's purpose to pursue strategic autonomy became obsolete. Given the primacy of ASEAN in Indonesia's foreign policy, these developments were alarming. Looking for a regional response, Indonesia supported Thailand and Singapore's idea to negotiate AFTA in 1991. The project has not only promised trade and investment gains, but has also renewed ASEAN's sense of purpose in the post-Cold War era (Stubbs, 2000: 304). Prior to negotiation, Indonesia was indeed cautious for fear of economic domination by Singapore and Malaysia (Faulder, 2018). However, decades of domestic political stability and economic growth under the New Order inspired foreign policy confidence to support the project.

Prior to the establishment of AEC in 2003, ASEAN's relevance was once again at stake. ASEAN did not have the capacity to mitigate the 1997 Asian financial crisis and to solve various regional problems, such as transboundary haze, epidemic disease, and increasing economic competition from China (Caballero-Anthony, 2005). In response, ASEAN has committed to a "damage control" strategy by deepening its institutions further (Rüland, 2014: 189). Launched during Indonesia's chairmanship, ASEAN established the ASEAN Community in 2003, one of the pillars being the AEC.¹⁸ Then Foreign Minister Hassan Wirajuda (2001–2009) affirmed that Indonesia always provided intellectual leadership for ASEAN's institutional evolution to better cope with extra- and intra-regional challenges (Weatherbee, 2013).

In the domestic level, the pro-ASEAN group has upheld this policy against other domestic groups within an institutionally dispersed setting. Collaborating with the pro-liberalisation group, the pro-ASEAN group has been particularly strong during the negotiation phase. Exclusive decision-making has resulted in a fast negotiation process: seven months for the AFTA and eleven months for the AEC (Caballero-Anthony, 2005; Stubbs, 2000: 35). Within the cabinet, only key ministries (the MoFA, the Ministry of Trade [MoT], and the Coordinating Ministry for Economic Affairs) have driven Indonesia's positions on AFTA-related matters, while competitiveness concerns from technical ministries, for instance, the MoCS, have been largely ignored (Chandra, 2005: 555).¹⁹ As for the non-state actors, the foreign policy elites have only involved members of the ASEAN Chambers of Commerce and Industry (ASEAN-CCI) and the ASEAN Business Advisory Council (ABAC), both of them had already had global business orientation, and, accordingly, had no repudiation against the AFTA-AEC (Rüland, 2016; Yoshimatsu, 2007). The ASEAN-US Business Council has even gained a privileged access to various ASEAN meetings, and has lobbied successfully to designate the logistic sector to be a part of AEC's Priority Integration Sectors (Yoshimatsu, 2007). Such exclusiveness has left farmers and SMEs – both belong to the nationalist group – outside the negotiation process (Mugijayani and Kartika, 2012: 212; Rüland, 2016: 1134).

In the ratification phase, both the pro-ASEAN and the pro-liberalisation groups have exercised their legal authority to bypass parliamentary (thus, potentially more inclusive) procedures.²⁰ The president has exclusively ratified almost all of Indonesia's ASEAN commitments, one example being the Presidential Regulation No. 2/2010 on the

Ratification of ASEAN Trade-in-Goods Agreement (ATIGA). A clear hurdle only came about during the parliamentary ratification process for the ASEAN Charter in 2008.²¹ Members of parliament (MPs) and CSOs criticised the government for having no sufficient prior consultations with the public, and the Charter for the absence of sanction for non-compliant members (Fortuna Anwar, 2010: 134; Rüländ, 2009: 382–386). Economically, various MPs turned down the Charter since it offers no solution to protect Indonesia's overseas migrant workers, and to counter illegal logging, poaching, and fishing (Rüländ, 2018: 122–123). Only after intense lobbying from the MoFA and the ASEAN Secretary-General Surin Pitsuwan (2008–2012) did the parliament finally give approval in October 2008 (Rüländ, 2009: 384). This opposition makes Indonesia become the last ASEAN members to ratify the Charter.

The battle between the supporters and challengers of AFTA-AEC has continued in the implementation phase. The MoF issued various CEPT/ATIGA-related tariff reduction schemes, including the Decree of Minister of Finance No. 358/KMK.05/1996 and No. 546/KMK.01.2003. However, the nationalists have used sector-specific and local-level authority to circumvent AFTA-AEC's implementation. Poultry industries have lobbied the MoA to maintain non-tariff import restrictions on farming inputs, and domestic airlines have asked the Ministry of Transport to delay the ASEAN Open Sky Policy (Jones, 2016: 659–662).²² In 2014, a regent in East Java province also prohibited the sales of fruits imported from ASEAN countries in Banyuwangi area (Aziza, 2014). Within such a competitive milieu, Indonesia's FTA policy becomes incoherent. Its pro-ASEAN standing is exceptionally strong in the negotiation, but is weaker in the ratification and, most notably, implementation phases.

To a limited degree, both supporters and challengers of AFTA-AEC have occasionally used mass media to pursue their interests. In 2017, the former Vice-Minister of Foreign Affairs Dino Patti Djalal wrote about the need to popularise ASEAN to grassroots communities (Djalal, 2017). Trade Minister Mari Pangestu and her successor Thomas Lembong (2015–2016) have publicly hailed domestic businesses to alter their FTA mindset from “challenges to opportunities” (Afriyadi, 2015; Prihtiyani, 2011). From the challengers' camp, some CSO activists have framed the AEC as a neoliberal project that stands in contrast with Indonesia's socialist constitution (Prihtiyani, 2011; Khaerudin, 2012). Domestic business communities have also blamed the government for poor socialisation about the AFTA-AEC, and the furniture association has even claimed that the industry was about to collapse (Kompas, 2002; Mugijayani and Kartika, 2012: 212; Rüländ, 2016: 1143).²³

In sum, the nationalists have intensified AFTA-related debates in the national parliament and mass media, yet they failed to block the ratification of ASEAN Charter. The group has also disrupted MoF-induced tariff reduction policies by imposing sector-specific and local-level NTBs. However, generally, the nationalists' resistance has been sporadic and uncoordinated. A large-scale social movement against the AFTA-AEC has never existed to date.²⁴ Populist rhetoric has continued to exist. Yet, media framing and other political actions have led to neither a formal cancellation request nor an interpellation meeting in the parliament, even though Article 11(2) of Law No. 24/2000 allows them to materialise.

ACFTA (2002–2019)

Formally signed in 2002, the ACFTA aims to create a free trade area between the ASEAN-6 countries and China by 2010, and between Cambodia, Laos, Myanmar, Vietnam, and China by 2015. The deal includes the “Early Harvest Programme,” which targets early tariff reduction for some agricultural products by 2004. Some other agreements followed: on Trade-in-Goods in 2004, on Service in 2007, and on Investment in 2009. Under the Normal Track, Indonesia has committed to eliminate 93.39 percent of its tariff lines by 2010 (Ministry of Trade, 2010). As a result, tariff rates for fisheries, wood products, and many other sectors have reached 0 per cent, machinery and transport equipment 0.3 per cent, and textiles, apparel, and leather 0.4 per cent (Marks, 2015: 294).

Geoeconomic and geopolitical developments have shaped Indonesia’s decision to participate in the ACFTA. Geoeconomically, China’s rise has promised an alternative source of growth from traditional Western markets and investment, as well as a powerful partner in multilateral economic negotiations (Cai, 2003: 398–399). Former Foreign Minister Hassan Wirajuda commented that Indonesia preferred being a part of East Asia to the BRICS (Brazil, Russia, India, China, and South Africa) forum, since the former was designated to be the region of the twenty-first century (Acharya, 2015: 4–5). Geopolitically, economic co-operation, such as FTAs, has become a part of ASEAN’s efforts to promote habits of co-operation and dialogue between major and secondary powers. The ACFTA has been important to enmesh China, a possible “threat” factor, with regional institutions, and to socialise it to be a responsible major power that prioritises co-operation, rather than coercion (Goh, 2007; Saw et al., 2005). For Indonesia, securing ACFTA has been important for foreign policy ends, namely to maintain strategic autonomy in East Asia by accommodating a rising power. As a part of this strategy, in addition to ACFTA, Indonesia has also engaged China in various ASEAN “Plus X” meetings, and has recognised it to be the first full dialogue partner of ASEAN. Moreover, concurrently with the AEC, the ACFTA has come about in a perfect timing. When ASEAN’s relevance was questionable in the early 2000s, as a new project, the ACFTA reaffirmed the credibility of ASEAN, and even triggered the signing of other ASEAN “Plus One” FTAs (Ravenhill, 2006: 43).

Domestically, similar with the AFTA-AEC’s case, the pro-ASEAN and pro-liberalisation (mainly the liberal reformer) groups have dominated negotiation and ratification phases. Exclusion of the non-state nationalists, particularly small farmers and SMEs, has led to a speedy negotiation process: the Agreement on Trade-in-Goods has only taken two years (Chirathivat, 2005: 240; Kompas, 2010a; Pambudi and Chandra, 2006: 138–139).²⁵ The government has also claimed to conduct some outreach programmes, yet they have been top-down, have only been held in greater Jakarta area, and have only targeted selected businesses (Rüland, 2018: 174). Within the cabinet, the MoCS has actually warned both the MoFA and the MoT that the ACFTA might hurt Indonesian SMEs much more than the AFTA, but both ministries have simply put it aside (Chandra, 2005: 555).²⁶ As for the ratification phase, the pro-ASEAN group has again used its legal authority. Based on Article 10 of Law No. 24/2000, a parliamentary approval is not necessary, thus President SBY signed the Presidential Decree No.

48/2004 to ratify the deal. In the implementation phase, the MoF has issued no less than six ministerial decrees and regulations, contributing to a reduction of Indonesia's average bilateral tariffs with China to only 0.8 per cent (Marks, 2015: 294; Ministry of Trade, 2010).

However, prior to ACFTA's full implementation in January 2010, it was clear that the responses of Indonesian stakeholders were far from uniform. The nationalist bureaucrats (e.g. those in the MoA and MoT) and some populist local politicians (including mayor of Solo city in Central Java province) have used their sector-specific and local-level authority to impose NTBs. The measures include, among others, food security and sanitary standards, import licenses, and Solo city-only additional retribution for Chinese-made *batik* (traditional clothing) (Kompas, 2009a, Kompas, 2010b; Marks, 2015: 302; Viva, 2010b). Such diffused policy authority has undoubtedly caused an inconsistent approach to the ACFTA.

Yet, different from the AFTA-AEC, the ACFTA's case shows that the nationalist camp has taken advantages of Indonesia's democratic space to a larger degree. Industry Minister MS Hidayat (2009–2014), who has been well known for supporting domestic industrialisation, released a report to mass media in late 2009, claiming that the ACFTA had caused declining production and rising unemployment in electronics, furniture, and other industries (Hidayat, 2012; Kompas, 2009c). The snowball continued as the Indonesian Textile Association, the Farmer Council of West Java province, and many others testified that Chinese products had flooded the domestic market and had outcompeted theirs (Kompas, 2009b, Kompas, 2009e, 2010c). Demanding renegotiation of and even Indonesia's withdrawal from ACFTA, farmers and labour unions conducted mass demonstrations in various cities throughout 2010 (Chandra and Lontoh, 2011: 8).

All these nationalist manoeuvres made the parliament arrange several hearing sessions with the government, and two of them were held on 20 January and 26 April 2010. Trade Minister Mari Pangestu and many liberal economists defended that a renegotiation would not only cause uncertainty to Indonesia's investment climate, but would also cost USD 1.2 billion for compensation (Antaranews, 2010; Chandra and Lontoh, 2011: 10–11). Another liberal figure, Finance Minister Sri Mulyani, proposed market-conforming policies, such as providing 23 trillion rupiah for infrastructure fund (Viva, 2010c). As for the pro-ASEAN group, both President SBY and Foreign Minister Marty Natalegawa stated that Indonesia would reaffirm its responsibility in ASEAN by not confronting the other nine members to renegotiate the ACFTA (Newsviva, 2010; Phnompenh Post, 2010). With all these defences, a compromise was reached in which the government would only consult with China bilaterally, and would not raise the issue regionally in the ASEAN Summit (Antaranews, 2010; Viva, 2010a).

Overall, similar with AFTA-AEC's case, the nationalist group has not only been able to impose some counter-ACFTA's technical policies, but also to intensify public debates about the deal. However, it is also clear that ACFTA's stalwarts have taken benefits from the weaknesses of this group. The nationalist mass rallies only lasted in 2010 and have never revived again until the moment of writing. Also, the parliamentary hearing sessions have never resulted in either a formal cancellation request nor an interpellation

meeting. Partly, the group's weaknesses come from the fact that domestic entrepreneurs, CSOs, and the legislature have only limited high-quality research and FTA monitoring capacities (Chandra and Hanim, 2010: 156; Mugijayani and Kartika, 2012: 212; Rüländ, 2014: 194).²⁷

RCEP (2012–2019)

In the 2010s, there were two proposals to create mega-FTAs in Asia-Pacific. The TPP makes 50 per cent of world's gross domestic product and 12 percent of world's population, whereas the RCEP makes 27.3 per cent and 48.4 per cent, respectively (calculated from the United Conference on Trade and Development [UNCTAD, 2012]). The former has twelve members, including the United States, while the latter's members are ten ASEAN countries and six ASEAN "Plus One" FTA partners. Capling and Ravenhill (2012) argue that the TPP displays United States' security concerns, particularly to constrain China's regional influence, and to strengthen its co-operation with allies in the region. Hamanaka (2014) proposes a political rivalry thesis in which the United States exerts "exclusive influence" on the TPP by excluding China and, vice versa, China on the RCEP by excluding the United States. Both mega-FTAs also offer competing visions for regional integration (Wilson, 2015). The TPP's rationale is to create a "high-standard agreement" by incorporating WTO-plus liberalisation schemes, such as investment, intellectual property, and labour and environmental regulations. In contrast, the RCEP offers "special and differential treatments" and "additional flexibilities" to less developed members, as well as claims to be the umbrella of existing ASEAN "Plus One" FTAs.²⁸ While it is true that countries can secure membership in both mega-FTAs (as Singapore and Vietnam did), in fact, some countries have preferred to negotiate one rather than another.

TPP-induced external pressures have made Indonesia negotiate the RCEP only. Not only would the TPP create a space for United States' domination, but it would also potentially undermine ASEAN's unity by dividing its members' negotiating preferences (Gao, 2012: 117; Pakpahan, 2012). In contrary, RCEP's *Guiding Principles and Objectives for Negotiation* document recognises the centrality of ASEAN to be the driver of East Asian regionalism. In fact, it was Indonesia to propose negotiating the RCEP when it assumed ASEAN's chairmanship in 2011 (Jakarta Post, 2017; Pambagyo, 2019). To date, Indonesia has orchestrated ASEAN's institutional balancing strategy to avoid hegemonic exercise by a single major power, as discussed previously in the APT/EAS issue and the Indo-Pacific concept. Moreover, by establishing the Asia–Europe Meeting in 1996, ASEAN engaged both the European Union (EU) and China to institutionally balance United States' post-Cold War domination in East Asia (Rüländ, 2011: 99). In these cases, Indonesia and ASEAN do not wish to antagonise any major powers, but they simply want to improve their relevance and bargaining positions against the latter (He, 2008: 509). Indonesia's view on the RCEP follows this logic against the United States-led TPP.

In November 2019, after twenty-eight rounds of negotiations and three summits, the parties of the RCEP finally reached a substantial conclusion (Pambagyo, 2019). Domestically in Indonesia, similar with the previous case studies, the pro-liberalisation and pro-ASEAN groups have continued to drive the negotiation phase. It was Trade Minister Mari Pangestu that initiated the negotiation in 2011, while the MoT's Directorate General for International Trade Negotiation, Iman Pambagyo, has served both as RCEP's Chair of Trade Negotiating Committee and ASEAN Coordinator since February 2013 (Jakarta Post, 2017; Pambagyo, 2019).²⁹ From the pro-ASEAN group, officials from the MoFA and the MoT admitted that the ASEAN centrality was the reason to prefer RCEP to the TPP (Habibie Centre, 2015; National Resiliency Institute, 2013).³⁰ In 2009, President SBY insisted that Indonesia was not ready for the "high-standard" TPP, whereas in 2013, Trade Minister Gita Wiryawan (2011–2014) said that Indonesia would prioritise existing FTAs – the AEC and the RCEP (Jakarta Post, 2013; Kompas, 2009d). These high-profile figures have understandably refrained from directly using the "ASEAN centrality" argument in front of the public. Had they put ASEAN in a direct opposition to the United States, ASEAN's inclusive and non-threatening images would have been compromised. Meanwhile, members of the nationalist camp, the CSOs, criticised the exclusive and secretive natures of RCEP's negotiation processes in several small-scale street demonstrations in 2016 and 2019 (Bina Desa, 2016; Radar Bali, 2019).

Surprisingly, the successor of SBY, President Joko Widodo (2014–now), or more popularly known as Jokowi, announced Indonesia's plan to join the TPP during a visit to the United States in October 2015. President Jokowi seemed to personalise Indonesia's foreign policy by not consulting with the MoFA about this issue (Shekhar, 2018: 237). Initially known for his down-to-earth leadership, President Jokowi has supported domestic labour-intensive industries (including textiles) to level the competition with the Vietnamese in American market (CNN Indonesia, 2016). Nevertheless, the announcement should not be seen as a decisive break from the previous stance, since many officials have later clarified President Jokowi's statement. Foreign Minister Retno Marsudi (2014–now) stated that what Jokowi meant was simply *an intention* to join, whereas an official from the MoT stated that Indonesia would only be ready to enter the deal in ten years (Merdeka, 2016; Republika, 2015). In September 2016, President Jokowi himself moderated his statement by saying that Indonesia was still considering the costs and benefits of TPP (BBC, 2016).

The TPP/RCEP episode practically ended after the newly elected President Donald Trump had pulled the United States out of the TPP in January 2017. The remaining countries, known as the TPP-11, moved forward by signing the Comprehensive and Progressive TPP (CPTPP) in March 2018. Nevertheless, without the United States, the plurilateral CPTPP has lost both its mega-FTA status and strategic significance. Recently, the CPTPP's political importance has been to counter President Trump's protectionism, which has nothing to do with ASEAN's relevance.³¹ For RCEP, the immediate agendas for both the pro-liberalisation and pro-ASEAN groups are to finish legal scrubbing process, to address Indian issues,³² and to prepare for official signing scheduled in November 2020 (Pambagyo, 2019). Meanwhile, apart from a relatively neglected role they played

during the negotiation phase, the nationalists are expected to play a larger role during ratification and, most notably, implementation phases after 2020.

Conclusion

By using Gourevitch's *Second Image Reversed* model (1978), this article analyses international and domestic factors that contribute to the policymaking of Indonesia's ASEAN-based FTAs. Internationally, geopolitical and geoeconomic changes (the end of the Cold War, the rise of China, the establishment of TPP, and so on) have frequently made ASEAN in limbo. Responding to these pressures, Indonesia has supported ASEAN's institutional innovation (the AFTA-AEC, the ACFTA, and the RCEP) to revalidate its relevance. In addition, Indonesia has instrumentalised FTAs to socialise habits of co-operation, and to maintain ASEAN centrality among East Asian major and secondary powers. FTAs are a suitable tool to pursue Indonesia's "ASEAN-first" foreign policy, since, being an economic co-operation, it fits ASEAN's inclusive and non-threatening images. Therefore, foreign policy ends have clearly driven Indonesia's FTA policies. Domestically, a coalitional analysis shows that the pro-ASEAN group has been especially strong during negotiation, and, except in the ASEAN Charter's process, ratification phases. The pro-ASEAN group has not only utilised legal authority, but has also imposed exclusive decision-making processes to secure foreign policy interests at home. This group has often worked together with the pro-liberalisation group, mainly the liberal reformers. However, Indonesia's "society-centred policy network"-type institutions have enabled the nationalist group to disrupt the implementation phase by maintaining sector-specific and local-level NTBs. Moreover, this group has casted anti-FTA narratives and has conducted street protests to renegotiate and even withdraw Indonesia's participation in the ACFTA. In the end, Indonesia's overall FTA policy has become incoherent: it has been strongly pro-ASEAN in the negotiation and ratification phases, but only weakly in the implementation phase.

The Indonesian case shows that decision-making process is important to understand a country's policy response to international pressure. Particularly, on ASEAN-based FTAs, in which foreign policy goals coalesce with contested economic gains, a country's response is a matter of power struggle among domestic groups. Combined with fragmented institutions, a consistent policy from negotiation to implementation phases is unsurprisingly difficult. Mitigating such a problem, Indonesian top decision-makers should no longer foster exclusive policy-making processes. Participatory decision-making and consultative dialogues are going to improve the quality and ownership of Indonesia's FTA policies. Additionally, the nationalists' concerns about domestic competitiveness should be met. Simplified business procedures, high-quality infrastructure, sufficient FTA-related socialisation, and many other issues are the responsibility of the state. With inclusiveness and competitiveness, the problem is likely to lessen.

In the immediate future, Indonesia is going to concentrate on RCEP's signing and subsequent processes, as well as to conclude some bilateral trade agreements with the EU and some Asian and African countries. As the latter's bilateralism does not go against

the ASEAN centrality principle, the pro-ASEAN group seems likely not to object to this initiative. Nevertheless, as long as there is a need to maintain ASEAN's geopolitical and geoeconomic relevance, the pro-ASEAN group is likely to keep using Indonesia's FTAs as a foreign policy tool.

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Notes

1. ASEAN or the Association of Southeast Asian Nations is a regional organisation comprising ten Southeast Asian countries. The intra-ASEAN FTA is the AFTA-AEC, which consists of ten ASEAN members only. The six ASEAN "Plus One" FTAs are between ASEAN members and China, South Korea, Japan, India, Australia-New Zealand, and Hong Kong, respectively.
2. The four PTAs are with Pakistan, the Developing-8 (the D-8), the Organisation of Islamic Conference (OIC), and Mozambique, whereas the four bilateral FTAs are with Japan, Chile, the European Free Trade Association (EFTA), and Australia.
3. In another article, Gourevitch (1977) shows that under similar international conditions – falling prices of agricultural and industrial goods between 1873 and 1896 – Germany, France, the United States, and Great Britain responded differently. Germany and France raised high tariffs on both agricultural and industrial goods, while the United States only on the latter. Instead, Great Britain maintained low tariffs on both goods.
4. This article is well aware of the "apolitical problem" posed by Gourevitch (1978). The problem appears since institution-focused analysis discusses procedures and formal relationship among actors only and denies the role of interests (or the political "content" of the dissent) to influence a policy outcome. Therefore, a coalitional analysis should discuss both institutions and interests equally.
5. The stance of the pro-ASEAN group is similar to what Chandra (2008) describes as the "maximalist group." Yet, different from this work that emphasises the perceptions of various domestic actors, this article analyses power dynamics that accrues among them.

6. See also Bird et al. (2008).
7. Hedging is a combination of “risk-contingency and profit-maximising” strategies to respond to uncertain external threats (Kuik, 2008). Institutional balancing is an act of countering threats by using multilateral-regional institutions (He, 2008). Balance-of-great-power-influence is a multidimensional balancing strategy that covers military, economic, institutional, and ideational aspects (Ciorciari, 2009).
8. However, some observers are sceptical about ASEAN’s brokerage role. Goh (2011), for example, argues that ASEAN offers only such minimalist and conflict-averse approaches that it actually hampers a genuine negotiation among the major powers on high-profile security issues.
9. Later on, the “Plus Six” has transformed into the “Plus Eight” with the inclusion of Russia and the United States.
10. Arguably, the unity among ASEAN members is Indonesia’s main challenge to achieve regional autonomy since other members might not share similar strategic and economic aspirations. See Emmers (2014).
11. In the New Order era, many liberal economists received education from the University of California in Berkeley, United States, which results in a derogatory label, the “Berkeley Mafia.” To date, the liberal reformers have been trained in various prestigious universities around the globe. It is worth noting that not all Indonesian economists belong to this camp in so far as they prefer heterodox approach. However, they are far less influential than their liberal counterparts.
12. This article also states that the parliament ratifies a trade agreement only if it fulfils any of the following criteria: (1) it makes new law norms, (2) it entails foreign loans or grants, (3) it relates to peace, defence, and security, and (4) it relates to Indonesia’s territory and sovereignty.
13. Despite the joint decision, a parliamentary ratification is mandatory if a trade agreement makes a fundamental change to the state budget, and/or to existing laws.
14. In February 2018, a CSO coalition filed a judicial review on Article 10 of the Law No. 24/2000 to the Constitutional Court, criticising its executive-heavy nature (Gatra, 2018).
15. Then Foreign Minister Marty Natalegawa has even published several writings on ASEAN issues. See Natalegawa 2011, 2018)
16. In contrast, there are also academics that offer the idea of “beyond ASEAN” foreign policy, see Sukma (2009).
17. Later on, member countries agreed to complete this target by 2002.
18. The other pillars are the APSC and the ASEAN Socio-Cultural Community (ASCC).
19. Due to the nationalists’ pressure, some products, especially unprocessed agriculture products, received a longer transition period than manufactured products under the CEPT scheme (ASEAN Secretariat, 1999). Yet, Stubbs (2000) reported that the general negotiation objective was to keep the list of sensitive items as short as possible.
20. Such executive-heavy decision-making in negotiation and ratification phases is also found in Malaysia. See Syarip (2019).
21. A parliamentary ratification is required since the ASEAN Charter fits the “make new law norms” criterion under the Article 10 of Law No. 24/2000 (see footnote 12). It means that the

- Charter will be the main reference for regulating Indonesia's legal commitment in subsequent ASEAN-related agreements. I thank Andreas Pramudianto for pointing this out.
22. Meanwhile, Nesadurai (2003) discusses Indonesia's foot-dragging implementation on liberalising wheat, cloves, and petrochemical products.
 23. For excellent discussions regarding the framing of various stakeholders on the AFTA-AEC, see Rüländ (2018, 2014).
 24. In 2011, a coalition of CSOs filed a case to the Constitutional Court to revoke the Law on ASEAN Charter's ratification. Yet, in 2013, the judges voted against it.
 25. At least, there are two other reasons that contribute to a fast negotiation process in both the AFTA-AEC and the ACFTA. First, they have far fewer parties than, for instance, the WTO's Doha Round. Second, they cover less ambitious liberalisation agendas than other FTAs, such as the TPP and the RCEP.
 26. The nationalist group has been able to secure a longer transition period for some sensitive products, such as rice, sugar, and textile (Ministry of Trade, 2010). Yet, it has been incapable to pull out Indonesia's participation in ACFTA's negotiation processes.
 27. Yet, there are also claims that the ACFTA issue has made President SBY reshuffle Mari Pangestu to a less important post in 2011 (Basri, 2012; Chandra and Lontoh, 2011).
 28. Syarip (2018) discusses the potentials of RCEP to consolidate existing ASEAN "Plus One" FTAs.
 29. While not repudiating the RCEP, some members of the pro-liberalisation group have actually supported the TPP. The Indonesian Textile Association concerned that Vietnam, its competitor, would secure a better access to American market due to its participation in the TPP (Kompas, 2014). Meanwhile, Anwar Nasution, a professor in economics from Universitas Indonesia, suggested the government to enter the TPP for better market access, reforms, and efficiency (Kompas, 2013).
 30. This foreign policy consideration has also been acknowledged by Edy Prasetyono and Beginda Pakpahan, and both are IR academics from Universitas Indonesia (National Resiliency Institute, 2013; Pakpahan, 2012).
 31. Former Trade Minister Mari Pangestu commented that the RCEP also had a new purpose to stand against protectionism (Pangestu, 2019).
 32. After India's exit in November 2019, other RCEP members have been lobbying the country to stay in the agreement (Pambago, 2019; Pangestu, 2019).

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