

CHAPTER I

INTRODUCTION

1.1 Background

Indonesia is one of the member countries in the Association of Southeast Asian Nations (ASEAN). That Indonesia is known to be small country and a middle-developed country, Indonesia still holds the central role as to have the largest territory, population, market, and Gross Domestic Product (GDP) among other 10 ASEAN member states.¹ ASEAN is a collective alliance of South-East Asia countries with one of its purpose, to increase economic growth of all member country.²

The Regional Comprehensive Economic Partnership is a trade deal that is initiated with the purpose of establishing Free Trade Agreement between 10 ASEAN members (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and its plus 1 FTA partners namely ASEAN + Australia, ASEAN + New Zealand FTA, ASEAN + China FTA, ASEAN + India FTA, ASEAN + Japan FTA, and ASEAN + Republic of Korea FTA. This partnership was first introduced by Indonesia during the 19th ASEAN meet as the chair.³

¹ Annamaria, Artner. "ROLE OF INDONESIA IN THE EVOLUTION OF ASEAN." The Journal of East Asian Affairs, vol. 31, no. 1, 2017, pp. 1–38. JSTOR, www.jstor.org/stable/44321271. (accessed 28 January 2021)

² "Overview - ASEAN | ONE VISION ONE IDENTITY ONE COMMUNITY". ASEAN | ONE VISION ONE IDENTITY ONE COMMUNITY, Last modified 2021. <https://asean.org/asean/about-asean/overview/>. (accessed 30 January)

³ Donna, Gultom. *PB | RCEP: The Opportunity For Indonesia And Steps Of Its Implementation, An Insider'S Perspective*. Ebook. Centre for Indonesia Policy Studies (CIPS), 2020. <https://c95e5d29-0df6-4d6f-8801->

In 2012, the first round of negotiation was started within these 16 states in the 21st ASEAN Summit which was hosted by Cambodia in which when the first joint declaration was kicked off and the mission of RCEP was established.⁴ The declaration of RCEP was to achieve comprehensive, modern high quality and collective benefit of economic partnership cooperation in initiating trade and investment in the region to contribute towards the global economic growth and development.⁵ During the 2017 meet in Manila, an agreement was signed by 10 ASEAN member countries that state the “key element” to boost the talks on the free trade deal that these states will remove by least 92% of their trade barrier over the next 5-10 years duration and the 6 FTA members agreed to “recalibrate” their position for this agreement.⁶ After 8 years of negotiations with all member states, the RCEP agreement was finally signed virtually in the ASEAN Summit with the total of 15 countries in November 2020. The negotiations that takes place annually during these years covers the trade in goods, services, investment, economic and technical cooperation, competition, intellectual property, e-commerce, dispute settlement, small and medium enterprises (SMEs) and other

[1d6926c32107.usrfiles.com/ugd/c95e5d_5aa4cc5e97514e6088413e1fc8c93b04.pdf](https://www.usrfiles.com/ugd/c95e5d_5aa4cc5e97514e6088413e1fc8c93b04.pdf). (accessed 30 January 2021)

⁴ "Regional Comprehensive Economic Partnership (RCEP) - ASEAN | ONE VISION ONE IDENTITY ONE COMMUNITY". ASEAN | ONE VISION ONE IDENTITY ONE COMMUNITY, Last modified 2016. https://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership/ (30 January 2021)

⁵ "Joint Declaration On The Launch Of Negotiations For The Regional Comprehensive Economic Partnership". ASEAN.ORG. Accessed 27 February 2021. <https://asean.org/wp-content/uploads/2016/10/SEOM-AFPs-Bali-Annex-4-Joint-Declaration-on-the-Launch-of-Negotiations-for-the-RCEP.pdf> (2 February 2021)

⁶ "Challenges For Indonesia In The Asia-Pacific Region". Jstor, Last modified 2018. <https://www.jstor.org/stable/10.2307/48573498/> (2 February 2021)

issues.⁷ RCEP could benefit ASEAN member in boosting their confidence as the center of global value chains and global investment, initiate cooperation or Foreign Direct Investment (FDI), and also increasing the capacity of economic reform and to reinforce regional development overtime.⁸ Initially, India was supposed to be included in this partnership, but in 2019 India decided to pull out from this cooperation due to the concern of low tariffs would have impact on local producers. But the spot remains open for India to rejoin the trade pact.

According to the Indonesia Trade Ministry, The RCEP accounts for 30.2 percentage of global economy and 27.4 percentage of global trade⁹ which is known to be the world largest trading bloc or trade cooperation. As the main objective of the RCEP is to achieve a mutual benefit of economic partnership that would support the expansion of regional trade and foreign direct investment that would support the growth of economy and development within the ASEAN member and its FTA partners. The RCEP also promotes greater access to the market which allows Indonesia manufacturer to be introduced to the new market. As a collective agreement, the RCEP has become one of the steps where Indonesia and other ASEAN member states to have an escalation of bargaining power in the international market.

⁷ "Regional Comprehensive Economic Partnership (RCEP) - ASEAN | ONE VISION ONE IDENTITY ONE COMMUNITY". ASEAN | ONE VISION ONE IDENTITY ONE COMMUNITY, Last modified 2016. https://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership/ (accessed 15 February 2021)

⁸ "Challenges For Indonesia In The Asia-Pacific Region". Jstor, Last modified 2018. <https://www.jstor.org/stable/10.2307/48573498/> (accessed 15 February 2021)

⁹ Dzulfiqar Farthur, Rahman. "Indonesia Eyes Double-Digit Growth In Exports, Investment Through RCEP". Thejakartapost.Com, Last modified 2021. <https://www.thejakartapost.com/news/2021/01/20/govt-eyes-double-digit-growth-in-exports-investment-through-rcep.html/> (accessed 15 February 2021)

Jokowi's foreign policy focuses on expanding the engagement in the Indo-pacific region and to further reform the foreign ministry to emphasize the economic diplomacy.¹⁰ Jokowi's mission towards the Indonesia economy was to turn over the balance of trade into surplus.¹¹ The key factor of a country economic growth that is believed by Jokowi is to increase investment and exports. During Jokowi's administration, the economic diplomacy in Indonesia was brought up to the attention and was made into the priority with the purpose of increasing trade and investment between the Southeast Asia's largest economy and its partner countries. Jokowi's mission on prioritizing the economic diplomacy acts through the increase of export of raw materials such as oil, gas and petrochemical products towards the Southeast Asia countries and other partner countries.¹²

In Jokowi's presidency term, he emphasizes the focus of the minister of foreign affairs to put more focus towards the economic diplomacy in Indonesia. To enhance and strengthen the economic cooperation at bilateral, regional, and international level.¹³ Since, Indonesia prioritizes their economy diplomacy in which where Indonesia became more active towards taking economic opportunities with other states, Indonesia economy growth has been growing

¹⁰ Moch Faisal, Karim. "Making Sense Of Indonesia'S Economic Diplomacy". TheDiplomat.Com, Last modified 2020. <https://thediplomat.com/2020/06/making-sense-of-indonesias-economic-diplomacy/>. (accessed 20 February 2021)

¹¹ Marchio Irfan, Gorbiano. "'We All Should Focus On Economic Diplomacy,' Jokowi Tells Indonesian Envoys". The Jakarta Post, Last modified 2020. <https://www.thejakartapost.com/news/2020/01/09/we-all-should-focus-on-economic-diplomacy-jokowi-tells-indonesian-envoys.html>. (accessed 5 February 2021)

¹² *Ibid*

¹³ Moch Faisal, Karim. "Making Sense Of Indonesia'S Economic Diplomacy". TheDiplomat.Com, Last modified 2020. <https://thediplomat.com/2020/06/making-sense-of-indonesias-economic-diplomacy/>. (accessed 16 February 2021)

gradually. In 2020, Indonesia was recognized as a developed country. Even in 2021, Indonesia is a developed country, a constant growth in the economic diplomacy should be maintained.

During Jokowi's presidency terms, he aims in improving the development of infrastructure in Indonesia which is part of his nine priority programs "Nawacita". This program aims for economic independence by promoting infrastructure to attract more FDI to Indonesia. These would result the improvement of economic growth and employment rate in Indonesia.

The RCEP is a step in which Jokowi's mission towards the economic growth of Indonesia would come to the surface. By having a free trade cooperation between the 15-member state would increase the level of export from Indonesia towards these RCEP countries. By RCEP, Indonesia would be able to promote their regional supply at the international level with ease of trade due to the free trade agreement due to the increase of market access and the increase of commitment with ASEAN dialogue partners. There will be an increase in the export activities in Indonesia. Due to this increase, Indonesia could bring more interest toward the foreign direct investment especially in the export base investment which is aligned to Jokowi's mission towards Jokowi economic diplomacy.

The purpose of the partnership is relatively connected towards ASEAN mission and towards Indonesia economic diplomacy. That RCEP was just finalized in the end of 2020, it is still in the beginning of its progress, Indonesia and the member states would become more active in playing the role in the

economic sector by the greater market approach and opportunities that is created by this partnership. As the world largest trading bloc, there will also be the improvement of economic relations between these nations. The partnership within Indonesia and other ASEAN member states with other 5 FTA's partner would promote each of the states to have a stronger economy in the global market.

1.2 Research Question

Understanding the importance of economic integration towards Indonesia and how RCEP would be a very promising step for Indonesia to realizing Jokowi's mission towards Economic Diplomacy, the discussion of this research will be as follows:

1. What has the Indonesian government implement towards the Jokowi's economic diplomacy mission, after RCEP was officially signed?
2. Why China, South Korea and Singapore are important for Joko Widodo's Nawacita diplomacy.

1.3 Research Objective

Indonesia is a country which is still in the progress of development of its economic diplomacy. The current president of Indonesia Mr. Joko Widodo had created an agenda which will bring Indonesia diplomacy to the next level named by "Nawacita". In one of the agenda, it is mentioned that one of the economic goals of Indonesia is to become economically independent which could be accomplished by the reduction of trade barriers and tariffs exchange between

states. As Indonesia is one of the ASEAN member states, which is one of the founding nations that established the RCEP agreement. The RCEP will serve as another ground of opportunities that Indonesia could take part in and also evolve its economic diplomacy. The objective of this research is towards the growth of Indonesia economic diplomacy with the role of RCEP now and towards the future and to learn about how Indonesia would be able to achieve its mission towards the economic diplomacy.

1.4 Research Significance

The findings of these research would show how Indonesia has been emerging in the economic sector. These will show the importance of economy sector towards a nation and how by giving more attention to what Indonesia really need now could really improve a state (Indonesia) as a whole.

The increase of economic partnership of Indonesia with other states would also be broaden which means that domestic manufacturers would be introduced widely to many other states in which Indonesia has opened economic partnership. Due to the free trade agreement, the potential of Indonesia to grow economically will also be more significant.

Therefore, the author hopes that this analysis and report would be useful to international relations scholar and those who are interested in learning about Indonesia economic sector and the growth of Indonesia economic diplomacy.

1.5 Structure of Thesis

The first chapter of the thesis would discuss the common information of the RCEP agreement, research question, research objective and the research significance. Alongside with the structure of the whole thesis.

The second chapter will explain the theory and concept that would support the whole research which covers the theory of neo-liberalism and multilateralism. Also, with the concept of economic development, foreign direct investment, and national interest.

The third chapter of this research would cover the methodology used which is explained through the elaboration of research approach, research method and the data collection technique.

The fourth chapter of this thesis would be the main highlight of this research. This will discuss Indonesia response towards the regional comprehensive economic cooperation and analyzing the free trade agreement country's economic cooperation towards its trade, investment, and ease of business factor.

The fifth chapter, which marks the conclusion and recommendations which completes the whole discussion of the chapters. This chapter also shows the recommendations for future studies.