

# Indonesia and Its Economic Diplomacy

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# The challenges of developing countries in economic diplomacy

- The structures of global political economy are still dominated by developed or industrialized countries although their domination is increasingly challenged by the emerging markets especially BRICS.
- Developing countries like Indonesia cannot rely on their own bargaining power in dealing with such challenges and therefore they need to establish global or regional cooperation in order to have a collective bargaining power in order to achieve their common interests in multilateral organizations like WTO.
- There is a close collaboration among governments of industrialized countries, policy makers in WTO, IMF and the World Bank and the global multinationals to achieve western commercial interests.

# Economic Diplomacy in WTO

- WTO is a global organization on international trade with 153 members and observers (*accounting for 90 percent of world trade*).
- The fact that WTO has a dispute settlement panel (DSP) whose decisions are legally binding, member countries can rely on it to ensure discipline and legal certainty within this body.
- Therefore, all member countries should abide by its rules, otherwise they run the risk of being excluded from this global trade regime.

# Strategic Issues in Post-Uruguay Round (WTO)

- New rules and regulations related to limiting protectionist measures such as “dumping” (selling goods at below market prices) and the use of state subsidies.
- Regulations related to market access for textiles and agricultural goods.
- Trade-related aspects of intellectual property rights (TRIPs) including copy rights, patents, and trade marks.
- Trade-related investment measures (TRIMs)
- The complicated issue of trade in services.

# Indonesia and the Doha “Development Round”

- It is important for developing countries and emerging economies as the agreement through the Uruguay Round has not produced real benefits for them
- Demands that US, EU and Japan should reduce their agricultural subsidies to guarantee a more balanced or fair world trade
- Agenda in Doha Round concerns TRIPs by which developing countries have limited access to generic medicines because of strong protection of patents by US companies.

# Indonesia and WTO in 2012

- US applies Family Smoking Prevention and Tobacco Control Act by which ban the production and trade of zigarets with flavor including kretek from Indonesia while excluding American zigarettes with mentol.
- Indonesia has taken this issue to WTO and through Appelate Body 4 April 2012 Indonesia won the case.
- Then US is concerned with Indonesia's CPO which has not met the environmental standard of EPA.

- Taking into account the fact that CPO is a strategic commodity for Indonesia's export, the government has to anticipate the future prospect of this commodity in order to face negative campaign by the environmental NGOs.

# IMF and the World Bank

- By history Indonesia has been dependent on the financial assistance by these two Bretton Woods institutions.
- However, now Indonesia has become more independent especially after recovery from the crisis in late 1990s and recently Indonesia even a commitment of 1 billion USD to the IMF as a symbol of its upgraded status within this organization.
- Indonesian economic diplomacy towards these institutions is focused on efforts to have a more balanced distribution of voting power in order to reflect the changing configuration of economic power after the emergence of new economic powers like BRICS.



# Indonesia dan G 20

- Indonesia's membership at G 20 is a recognition of an economic success over a more than a decade since the economic crisis in late 1990s.
- There are three groups of states within G 20: industrial countries, BRICS and the second layer of the emerging markets including Indonesia.
- In this forum Indonesia needs to promote investment for infrastructures and more access to the markets of developed countries.

# Indonesia and the multilateral fora for developing countries

- Indonesia still needs to build contacts with various multilateral fora of developing countries to strengthen its bargaining position (G 15, D 8, G 33 di WTO, G 77 dan China).
- On top of that developing countries and the emerging markets may become new markets for Indonesian products.

# Concluding Remarks

- The projection that Indonesia will become one great economic power in the near future requires a redefining our concept of economic diplomacy and a repositioning of the Ministry of Foreign Affairs.
- Diplomatic arenas like WTO, IMF, World Bank, G 20, APEC are full of competition among member states.
- Indonesia needs to increase its bargaining position while strengthening the internal foundation of its economy. Indonesia can use BRICS as benchmarks to enhance market power or demand creating power.
- Cooperation among emerging markets is needed to challenge the domination of the developed countries.

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