

FGD P2P LIPI-Strategi Penguatan Peran Indonesia di Indo-Pasifik
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STATECRAFTING THE ECONOMY: KONTEKS GEOEKONOMI INDONESIA DI INDO-PASIFIK – USULAN AGENDA RISET

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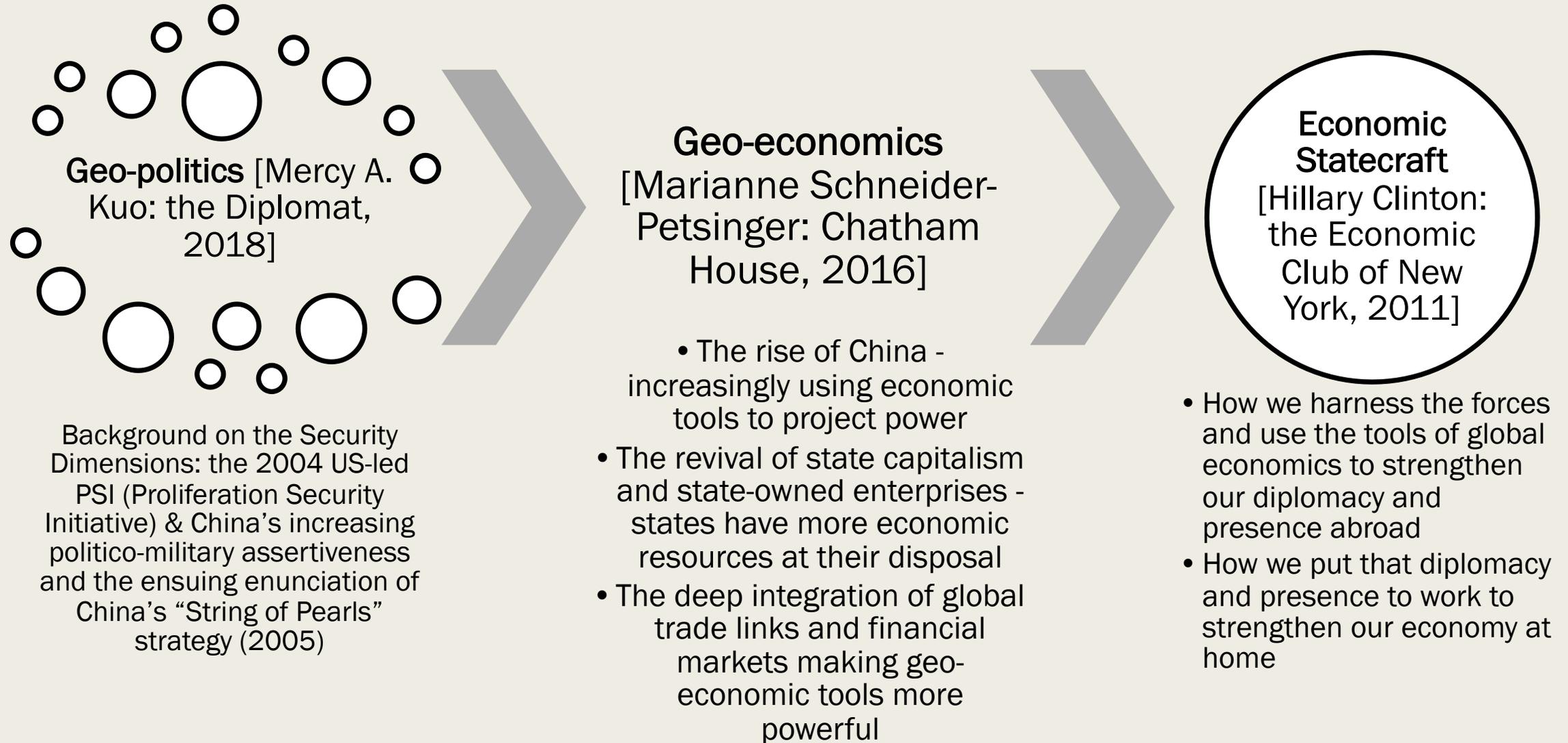
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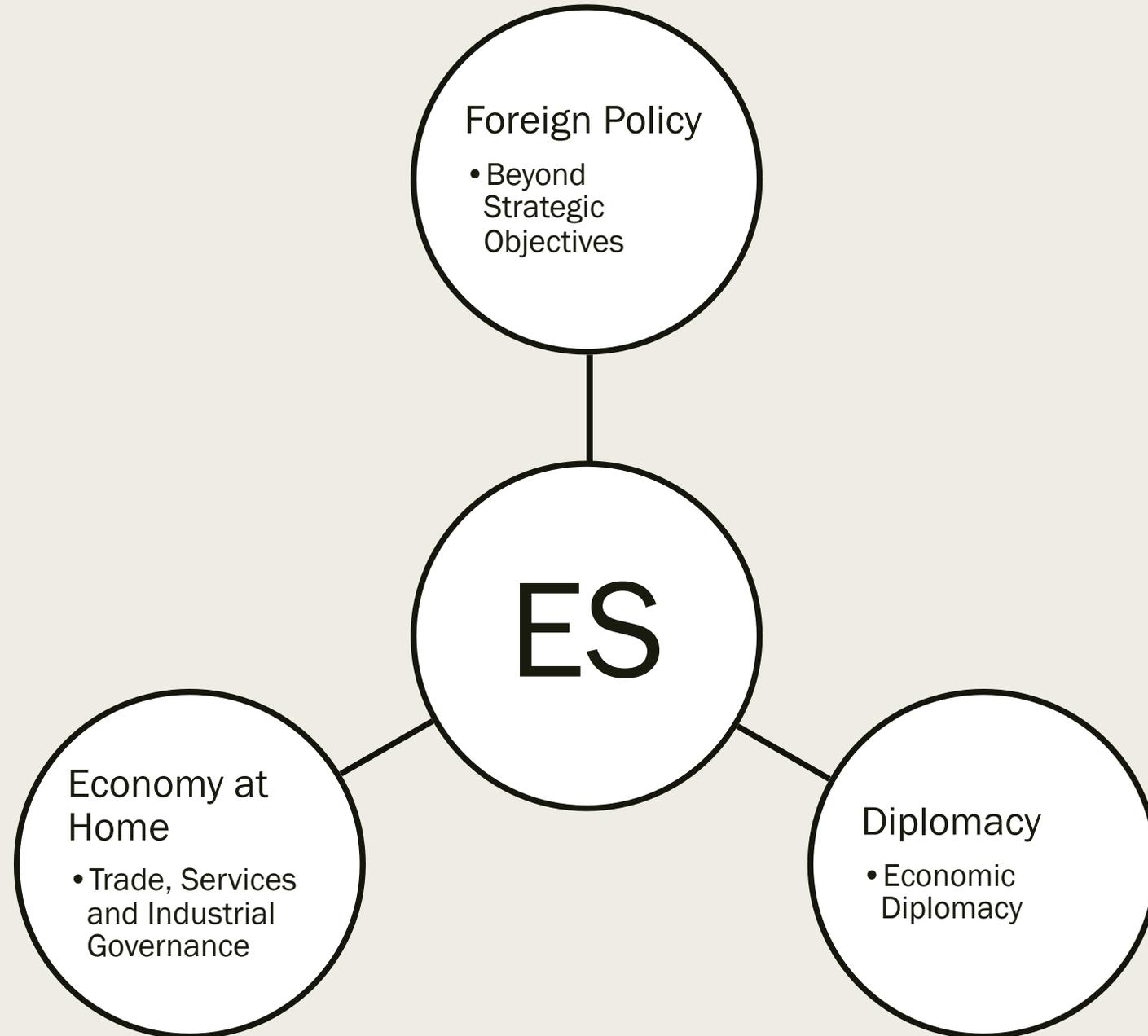
Latar – *Presentation Outline*

- Indo-Pacific and “Economic Statecraft” – Tinjauan Geoekonomi
 - *Argument to Propose: From “Geo-politics” to “Geo-economics”*
 - *Key Elements in Economic Statecraft (ES)*
 - *From foreign policy, diplomacy to economy at home*
- Statecrafting the Economy – Questioning “National (Economic) Interests”
 - *Responses and Challenges to ES*
 - *Redefining “Strategic Objectives”: Adopting Economic Diplomacy (ED)*
 - *Indonesian/IDN ED Contexts: Qs to Raise and Discuss*
- IDN ES Agenda in the Indo-Pacific – *a Food for Thought - Usulan Agenda Riset*
 - *Institutional Setting & Key Agenda: Maritime Fulcrum, Trade, Tourism and Investment/TTI Promotion, Liberalization Scheme*
 - *IDN ES/ED and Indo-Pacific Economic Stakes*
 - *A Caveat: Current Pandemic Setting: Covid-19 Recession*

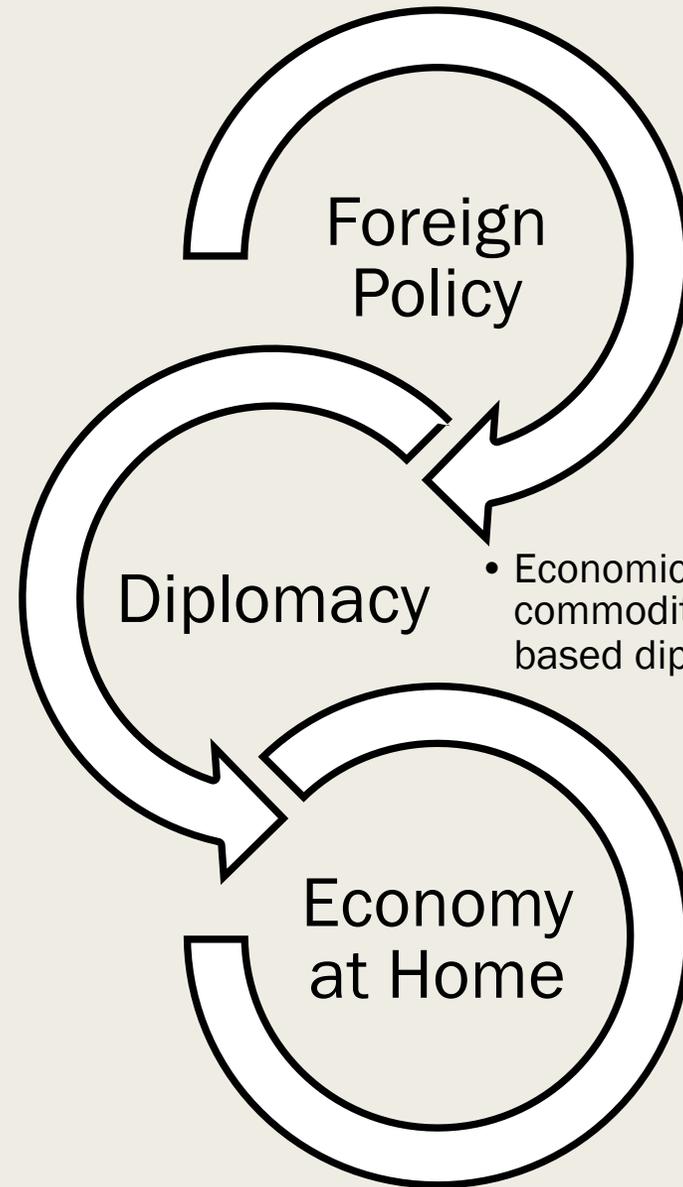
INDOPACIFIC - from Geopolitics to Geo-economics: Statecrafting the Economy – a Retroactive Timeline, an Argument to Propose



Key elements in economic statecraft [ES]



Towards a Trading Nation: moving beyond “strategic objectives” – adopting commodity and industrial- based diplomacy



- Beyond Strategic Objectives & Geographical Dimensions: moving beyond realist/neo-realist application of economic means of power by states so as to realize strategic objectives

- Economic Diplomacy: relevance of commodity, services and industrial-based diplomacy

- Trade Facilitation, Negotiation and Industrial Governance: integrated policy scheme, commodity and industrial sector-based road map towards a **major trading nation**

Responses & Challenges to ES – a Snapshot for IDN Context



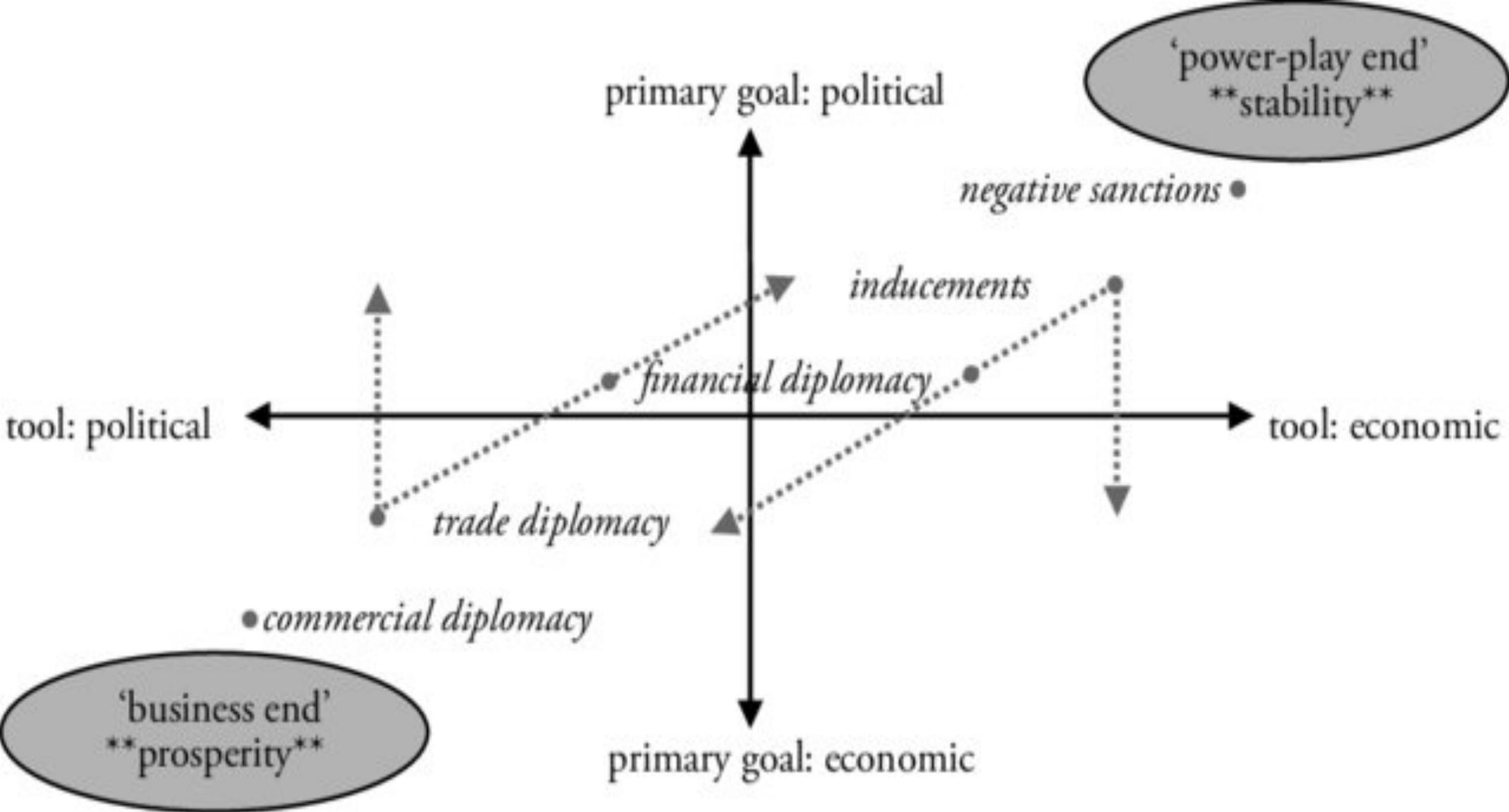
Institutional Setting: Roles of Ministry of Foreign Affairs, and Other Related Key Ministries

Commodity, Industrial and Services-based Integrated Policy Schemes & Roadmaps

Redefining “Strategic Objectives”: Adopting Economic Diplomacy/ED

- Shifting paradigm and conceptual evolution of the study of diplomacy, i.e. by focusing on economic matters in order to accommodate:
 - *Key systemic level processes (such as regionalization and globalization)*
 - *The changes to the organization of diplomacy within governments and the development of new forms of diplomatic practice alongside the emergence of `new' diplomatic actors (Lee & Hocking/L&H 2010)*
- The shift from (or mixture between) conventional/traditional realist/neo-realist perspectives to (and) the contemporary understanding of ED
 - *Traditional state-centric realist view:*
 - ED as intergovernmental, conducted by foreign service officials and as a means for advancing the economic interests of the state in foreign countries and the world economy
 - ED as a constitutive relationship between diplomacy and state sovereignty, as well as a constitutive relationship between diplomatic systems and an anarchic system of sovereign states (Barston 1997; Gardner 1969; Marshall 1997; Watson 1982)
 - *Contemporary understanding:*
 - Diplomacy cannot be compartmentalized into separate economic and political activity and that, in practical terms, most countries would find such a separation simply unworkable
 - ED is a key strand in diplomatic strategy and it therefore becomes necessary for states to develop an integrated or coordinated diplomacy

Strands of ED (Western Countries) [Maaïke Okano-Heijmans, 2011]



Indonesian ED Context and Questions to Raise and Discuss

- ED as an Integrated Part of National Diplomatic System (NDS)
 - *Need for a coordinated diplomacy which involves a multiplicity of actors and individuals that are built around policy networks drawn from several government ministries, including the foreign ministry, as well as the private and civil sector actors placed in national, regional and international levels (Hocking 2004)*
 - Beyond simply thinking of the foreign ministry and its officials in overseas missions
 - *The concept of NDS developed by Hocking (2007) better captures the diverse and complex nature of coordinated diplomacy.*
 - ED may be driven by the foreign ministry, but it involves those with economic responsibilities and interests inside and outside of government at all levels of governance.
- Core Issues: Less or Uncoordinated Efforts
 - *Despite claims by key agencies in achieving specific ED goals/targets (see e.g. a report offered by MoFA which also quotes records by MoT in 2017), a **bold leadership** over ED internal/domestic management remains a big concern*
- Major Issues:
 - *Maritime Fulcrum (Questions/Qs on its under-utilized ED scheme, its less-connectivity with other strategic ED sectors (such as investment, logistics and international production/distribution network), its less-apparent linkages with the Chinese belt and road initiative and the Japanese-led infrastructure development projects,*
 - *Trade, Tourism and Investment/TTI Promotion (Qs on effectiveness of targeting non-traditional markets, further integration into regional or global value chains)*
 - *Liberalization Scheme (Qs on the absence of common platform and shared/acceptable benchmark over the scope, pace and limits of free trade agreements)*

Indonesian ES Agenda in the Indo-Pacific: a Food for Thought

- First things first: how to tackle Qs on less/uncoordinated IDN ED
 - *Qs on who should be in charge with the overall IDN ED setting, i.e. by taking a coordinating role, working with partner government agencies/ministries as well as business and civil society groups outside the government*
 - *Institutional Setting Agenda: Redesigning Internal/Domestic ED Governance*
 - Vision (short to medium terms): ED as part of redefined and reoriented free and active foreign policy, i.e. by setting maritime fulcrum as a guiding lighthouse
 - Strategies: (1) organizational (a couple of alternatives: merging ED parts of MoFA and other ministries/agencies, especially those of MoT, Mol, MoMFA, MoA and MoEF, MoTm and BEKraf, MoCI, and ICB/BKPM, or setting up a joint agency to coordinate and/or facilitate ED works among those ministries/agencies), (2) operational (under supervision of MoNDP/Bappenas on detailed and step by step measures towards redesigned ED organization)
 - Previous practice of a directorate general under MoFA specifically aimed at addressing foreign economic relations (i.e. HELN) offers a practical insight
- Key Agenda: Maritime Fulcrum, TTI Promotion and Liberalization Scheme
- Qs on which areas/sectors are to be put first in the agenda and how to prioritize them: TTI promotion over liberalization or vice versa? where the government vision of maritime fulcrum should be put? how it determines and guides the overall IDN ED strategy?
 - A predisposition to over-emphasize TTI promotion and liberalization has contributed to such a less/uncoordinated ED
 - A bold insertion of maritime fulcrum as a strategic move towards a redefined IDN free and active foreign policy would strengthen ED internal/domestic governance

Agenda # 1 Maritime Fulcrum

■ Quo Vadis?

- *Qs on lack of tangible ED connectivity to the vision of maritime fulcrum, i.e. by making it peripheral in the overall IDN foreign policy*
- *Qs on existing misleading schemes such as IORA (Indian Ocean Rim Association), MISTA (Mexico, Indonesia, South Korea, Turkey and Australia), SSTC/KSST (South-South and Triangular Cooperation) or even certain elements of ASEAN initiatives as suggesting IDN maritime fulcrum ED vision*
- *Qs on lack of practical reference to implement maritime fulcrum as part of IDN ED, yet a couple of near neighbor foreign policy/ED practices (i.e. the Chinese BRI/belt and road initiative and the Japanese overseas development assistance/ODA scheme) offer useful and hands-on experiences on how IDN ED could straightforwardly connect to its wider maritime and marine sphere*

■ Making Way of Maritime Fulcrum to Work

- *Vision 1 (medium to long terms): maritime fulcrum as a guiding lighthouse for IDN ED efforts*
- *Vision 2 (short to medium terms): connecting IDN ED to regional maritime/marine powerhouses (with particular reference to China and Japan as key regional players in Indo-Pacific ED)*
- *Strategies: (1) redefining IDN national economic interests based on a comprehension that it poses a strategic regional maritime fulcrum (recall: relevance, importance and significance of Indo-Pacific); (2) shifting TTI promotion and liberalization emphasis, i.e. from simply transformational-accommodating attitudes to strategic and balanced approaches towards global trade/investment regimes (recall: India-China-Japan/Korea/Taiwan inter-regional value, supply chains and production networks); (3) developing a new kind of “Look East Policy” in light of advantaging the 21st century Pacific era (recall: East Asia/Japan/Korea/China-led continuing industrialization)*

Agenda #2: TTI Promotion & Liberalization Scheme

■ TTI Promotion: Back to Square One?

- *Qs on beneficiaries of current TTI promotion schemes: who are on the list? who are not? what and how to expect equalizing promotion strategies where a broad range of beneficiaries share proportional access and advantages?*
- *Qs on effectiveness of trade promotion schemes targeting non-traditional markets, on how to rejuvenating the traditional ones, synergies among different stakeholders, roles of leading governmental trade agencies*
 - *Qs on services sector/tourism promotion schemes which indicate no specific reference to who is/are and how to deal with our major competitors, and why we need to do so; on how creative economy should be inserted in the overall tourism promotion strategy, sub-ED organizational scheme for tourism promotion?*
- *Qs on absence of coherent investment scheme which indicate further integration of certain/specific economic or industrial sectors into regional/global value chains (RVCs and GVCs), domestically-oriented schemes have hindered greater upgrading and value added of RVC/GVC participation (which also include even areas/sectors categorized as extractive industries/natural resources and conventional/less value added manufacturing industries such as textile)*
 - *Qs on the role of ICB/BKPM as a key ED agency, i.e. too heavy in its domestic affairs (despite its leading role in coordinating and reforming internal bureaucratic processes), less connected to other governmental and non-governmental/business ED agencies/stakeholders*

■ Liberalization Scheme: Plunging & Drawn in a Spaghetti Bowl?

- *Qs on the direction of existing liberalization schemes (under PTA, FTA, CEPA, BITs), who are their major beneficiaries? how to advance the schemes?*
 - *Qs on relevance of AEC, RCEP and future membership in TPP-11, liberalization benchmarking (recall e.g. ASEAN Sec. Score Card type/model), regulatory harmonization, civil society/wider public engagement in the benchmarking efforts*
- *Qs on connecting liberalization/free trade agreement to the overall IDN ED strategy: lacking coordinated and concerted measures (where process and results of PTA, FTA, CEPA or BITs negotiations often detach from the interests/needs of other economic/industrial sectors), lacking clear directives over hard/soft positioning in certain negotiating subjects/issues*

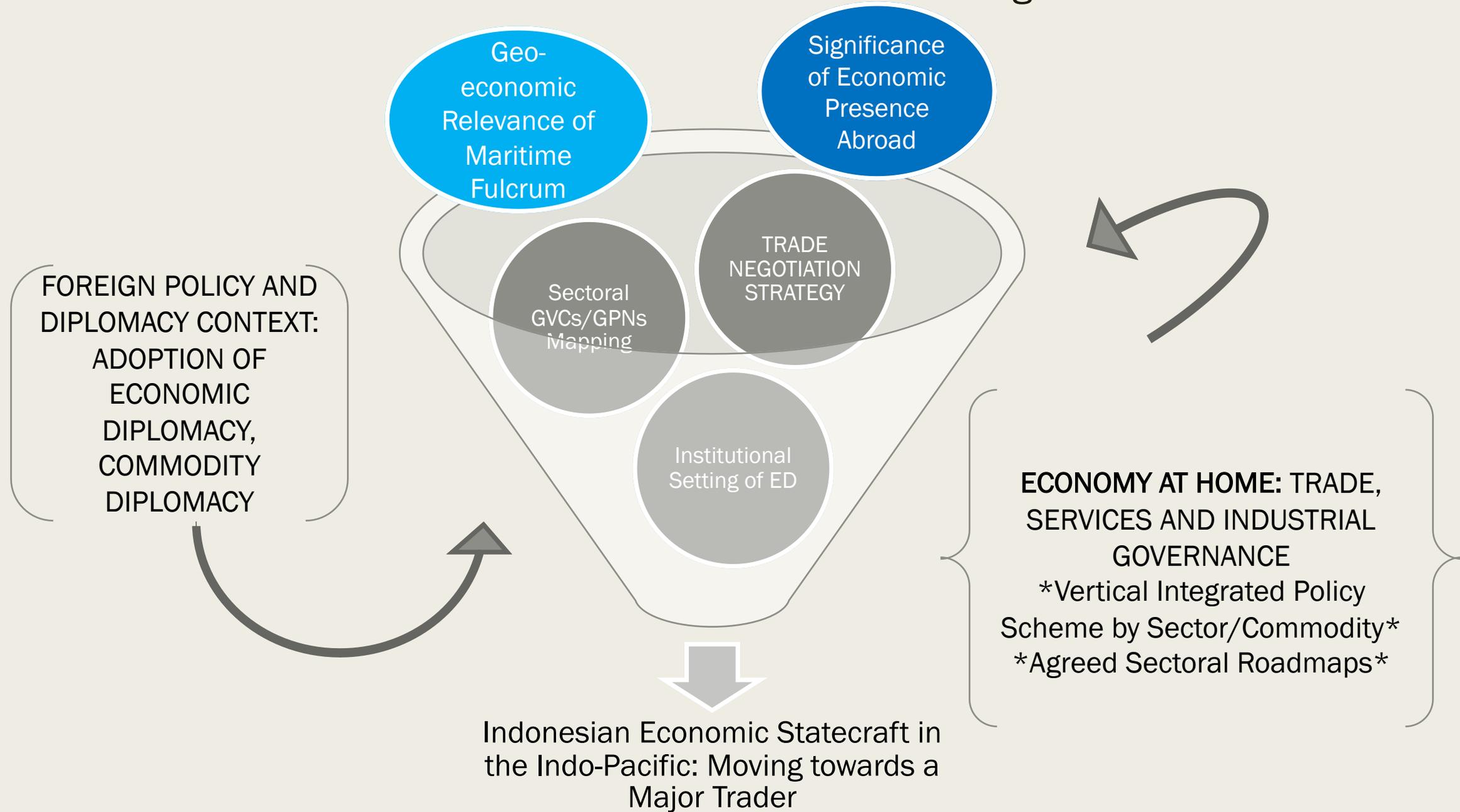
■ Modalities for Mutual TTI Promotion, Creative Industry and Digital Economy– Commodity, Services and Industrial-based Diplomacy

- *Vision (short to medium terms): redesigned TTI promotion schemes that are mutually linked to liberalization schedule and benchmarks, and shared among key stakeholders*
- *Strategies: (1) Commodity Diplomacy: integrated TTI promotion aiming at both internal/domestic structural/bureaucratic reform and deepened integration to RVCs/GVCs by utilizing existing regional/international commodity/production/service network in particular strategic areas/sectors; (2) developing sub-ED measures, i.e. commercial and trade diplomacy in particular, by designing export destination clusters that are sensitively linked to RVCs/GVCs; (3) establishment of RVCs/GVCs task force(s) in addition and complementary to the existing liberalization/free trade/CEPA negotiating task forces/teams*

Recap: IDN ES/ED in the Indo-Pacific

- IDN ED is (and should be) seen as an inseparable piece of the (redefined) IDN free and active policy where its maritime fulcrum is (and should be) served as the core vision enabling it to be the guiding principle in efforts to promote IDN trade, services industries and (in-bound and out-bound) investment
 - *IDN ED is also (and should be) a key element in the overall IDN liberalization strategy aiming at deepened participation in the current particular areas/sectors of RVC/GVC, including that of services industries, such as tourism, creative economy/industry, and e-commerce & digital economy*
- Developing IDN ES by Adopting IDN ED
 - *State-crafting IDN economy: thinking beyond ASEAN is a prerequisite! Yes, ASEAN might keep its centrality, but IDN is (and should be) roomier than ASEAN, i.e. the room to maneuver is (and should be) larger for IDN than ASEAN*
 - Indo-Pacific offers such an idea, by redefining “strategic (economic) interests and objectives” through practices of trade and commercial diplomacy oriented towards state-crafting IDN economy both at home and abroad in the area
 - *Presidential/Authoritative Ministerial Regular (monthly or bimonthly) Directives on IDN ED (focused on **specific commodity, services and industrial-based diplomacy schedules**) is also a must, i.e. to allow its leading/responsible person(s) or agencies manage effectively and efficiently over a vast and intricate network of IDN ED and NDS*

IDN Indo-Pacific Economic Stakes: Research and Practical Agenda



A Caveat: Current Pandemic, Covid-19 Recession - How Deep Is It? (WEF & IMF 2020)

- The COVID-19 recession has come on the tail of unprecedented lockdown measures that halted the entire in-person “non-essential” economy.
 - *What started as a massive supply-side shock quickly morphed into a demand shortfall, owing to the rapid increase in unemployment, high levels of uncertainty about recovery prospects, online-only shopping, and an increase in personal saving.*
- The historically deep COVID-19 recession appears to have turned the corner in most countries.
 - *Most economies will not return to their previous performance peaks until late 2022.*
 - *Much will depend not only on the evolution of the pandemic and effective therapeutic and vaccine deployment, but also on the monetary, fiscal, trade, and regulatory policies that are pursued.*
- COVID-19 has caused a recession from which global economies are only expected to recover by late 2022, if a vaccine is available.
- Many countries have been deeply affected by the economic scars of this crisis.
 - *Severe **labor market dislocations** are a major concern.*
 - *In some countries, **more jobs were lost** in March and April than were created since the end of the global financial crisis.*
 - ***School closings** also impacted people’s—in particular women’s—ability to participate in the labor market.*
 - *Though fortunately some jobs have since been regained, the **employed share of the working-age population stands much lower** than in early 2020.*
 - *Moreover, the full extent of the impact on the labor market is likely much higher as many employed people are **facing reduced hours**.*