

CHAPTER IV
FOREIGN POLICY MAKING PROCESS CONSIDERATION
ON JOINING TRANS-PACIFIC PARTNERSHIP

This chapter explains the foreign policy making process consideration on joining Trans-Pacific Partnership in the era of Joko Widodo. Indonesia should plan the foreign policy making process to join Trans-Pacific Partnership. Some of the plans, Indonesia should arrange the alternatives to join Trans-Pacific Partnership, then after the alternatives are arranged, a decision maker can make decisions from the alternatives, and finally the efforts or actions will be arranged to join Trans-Pacific Partnership.

A. [The Government Bureaucracy to Join Trans-Pacific Partnership](#)

United States actively offered Trans-Pacific Partnership agreement to the countries especially APEC member countries including Indonesia at the 19th APEC summit meeting at Trump Hotel Waikiki, Honolulu, Hawaii, United States on 12—13 November 2011. At that time, President Joko Widodo strengthen and reinforced the process of Indonesia inclusion in the Trans-Pacific Partnership. Therefore, Indonesia and Joko Widodo as a President should develop strategies and efforts to join the Trans-Pacific Partnership.

The most appropriate alternative to join Trans-Pacific Partnership as a decision is government bureaucracy by giving the facility for investors in order to get a good investment mechanism. Indonesia as a developing country needs

investment in an effort to increase the rate of the national economy. The advantage is not only obtained by the investors but also very beneficial to the country and society in which investors invest their capital. In order to create a conducive investment, the government formulate such strategies in the field of investment policy.

According Law No. 25 of 2007 about Investment, the government give facilities in capital investment contained in Article 18. However, such facilities are not directly provided by the government for all investors. Article 18 paragraph (3) of Investment Law has set the criteria that investors will receive investment facilities (Indonesia, 2007).

Law on Investment formed as a guide to all investment activity is good, healthy, and beneficial for the countries, investors, and society. It is no less important creating a good investment are forms of promotion offered by the host country, both forms of tax and non-tax incentives (Suparji, 2010). The forms of promotions offered in the Law on Investment is investment facilities on Article 18 to Article 24 of the Law on Investment. The provision of this facility is very important to encourage the investment activities with the aim to improve the quality and competitiveness of capital investment. The ease of convenience was intended to attract or bring investors as many as possible to carry out investment activities in Indonesia.

The forms of facilities are classified into taxation and non-taxation. Because each investor who invests in Indonesia has to pay taxes as provided for in the

legislation, the investor may also be granted waivers even freed from paying taxes (Suparji, 2010). Ten forms of the facilities provided to investors both domestic and foreign in this Law offers tax (income tax) through a deduction of net income, exemption or reduction of import duty for capital goods cannot be produced domestically, duty exemption on raw materials or auxiliary for the production of certain exemptions or suspension of value added tax (VAT) on imports of capital goods or machinery that cannot be produced domestically, shrinkage, lightening land and building tax, exemption or reduction of corporate income tax, facilities land rights, immigration facility, and import licensing.

But in Article 18 paragraph (3) of the Law of Investment, such facilities are not given away by the government to all investors but only given to investors who meet certain criteria. Such criteria of which would have to absorb a lot of labor, the work included in the high priority, including infrastructure development, transfer technology, pioneer new industry, locate in remote areas, disadvantaged areas, border areas, preserve the environment, conduct research, development and innovation, in partnership with the Small and Medium Enterprises or cooperatives, and industries that use capital goods or equipment produced domestically.

So that, if Indonesia has provided facilities for foreign investors to invest their capital in Indonesia, it can improve and build its national interests to join the Trans-Pacific Partnership forum. Meanwhile it can open the more job vacancies and has a result of big foreign exchange. Then, Indonesia will have access easily to market its products to the United States, since that until today Indonesian exports to the United States still have constraints.

B. The Actions to Join Trans-Pacific Partnership

The efforts or actions in the set of Indonesian foreign policy making process on Joining Trans-Pacific Partnership in Joko Widodo era after explaining a decision are Joko Widodo try to influence additional members into the group, who will support his decision and he make a tactic to prepare and support his decision

Joko Widodo try to influence additional members into the group, who will support his decision

In 2015, Joko Widodo conduct bilateral visits between Indonesia and the United States. One of the matters that was discussed in the visit of Joko Widodo to United States was Indonesia's intention to join in one of the partnerships in the Asia Pacific region, namely the Trans-Pacific Partnership. After Joko Widodo stated intention of joining the Trans-Pacific Partnership, a lot of pros and cons happened. Various questions and doubts from various parties emerged as Indonesia joining the Trans-Pacific Partnership will harm Indonesia. Therefore, the President of Indonesia, Joko Widodo try to influence the people of Indonesia in order to support the steps in joining the Trans-Pacific Partnership.

After Jokowi's statement that Indonesia will join the Trans-Pacific Partnership, this was supported by the Vice President of Indonesia, Jusuf Kalla. Jusuf Kalla said that if Indonesia joins the Trans-Pacific Partnership, then this is the way of Indonesia to improve the efficiency of the national economy.

The efficiency of the national economy is necessary to improve the competitiveness of domestic products with foreign products. The vice president also said that the efficiency needs to be done in all areas of production. Otherwise, Indonesian products will not have a high bargaining

power in competing with foreign products such as Vietnam, Singapore, and Malaysia. Similarly, the investment will go into those countries (Utomo, 2015).

So, economic growth in any countries can no longer ignore the side of efficiency due to the high dynamics of competition between countries and continents. Competition policy is made to make the creation of a competitive environment so that economic growth is not only efficient but also welfare.

In addition to Jusuf Kalla's support, Joko Widodo also get support from the Ministry of Commerce, Thomas Lembong. Thomas said that the desire of Indonesia joining the Trans-Pacific Partnership is inseparable from the threat of Vietnam as Indonesia's competitor in the field of footwear and textiles (Utomo, 2015). In addition, Thomas also said that after the merger of Indonesia with the Trans-Pacific Partnership, the Vietnam products will be more competitive in the Indonesian market after the implementation of the ASEAN Economic Community in 2015.

Joko Widodo make an integrative solution tactic to prepare and support his decision

According to Yan Lili Ing, an economic analyst from the University of Indonesia, there are three main challenges likely to be faced by Indonesia in the Trans-Pacific Partnership. The first is all procurement by government and the process should be transparent, predictable, and non-discriminatory. The second is the need for labor arrangements. Trans-Pacific Partnership gives freedom of association, collective bargaining, and the laws governing minimum wage. The third concerns are the copyrights and patents. Trans-Pacific Partnership can provide extensions to copyright and patents including patents on drugs that prevent the

manufacture of generic drugs to more expensive than drugs that have been patented (Wangke, 2015).

If look at the complexity of the requirements to become a member of the Trans-Pacific Partnership, the desire of President Joko Widodo states that Indonesia became a member of the Trans-Pacific Partnership is to maintain the balance of Indonesian diplomacy system. Indonesia has so far been much cooperation with China which is the current US rival. Submission of Indonesia's desire to join the Trans-Pacific Partnership can be seen from the context of safeguarding the neutrality of Indonesia. Foreign Minister Retno P. Marsudi said, the Government of Indonesia did not yet decide the official stance of the Trans-Pacific Partnership because they wanted to see the details of the deal.

The Indonesian governments need to be cautious because there is still much to be addressed before joining the cooperation Trans-Pacific Partnership. Indonesia's export commodities decreased not because of market access but because of declining competitiveness due to high production costs. At the time of declining competitiveness, product diversification Indonesia which has the advantage for exports expanded significantly. Therefore, the most important thing for Indonesia today is managing the policy of increasing competitiveness to secure competitiveness and exports. Indonesia not to engage in regional free trade area that it is only making Indonesia the market share of other countries, especially in the Trans-Pacific Partnership Vietnam and Malaysia have the same products as Indonesia.

Foreign trade agreement has always confronted of Indonesia to a difficult choice. On the one hand of cooperation to make Indonesia a loss. Indonesia does not involved in, Indonesia will be left behind and lose market share. Indonesia already experienced losses in a trade agreement with China which has been running for years. China profit doubled compared to Indonesia. The adverse effects of the Trans-Pacific Partnership is Indonesia would be flooded by the food products of developed countries.

Joining the Trans-Pacific Partnership requires consideration, planning, and concrete mature efforts. One is the strengthening of the manufacturing-based industrial sector which currently still has a weak industrial structure. Currently the national industry has not been able to provide raw and auxiliary materials so it is still dependent on imports. In addition, production costs are still high because the energy, interest rates, logistics, and labor are less supportive. All of these problems can be overcome by investing in the industrial sector supplying raw materials, which have been imported. Additionally, the Trans-Pacific Partnership will also provide the advantage of an increasingly open market access that will be seized Vietnam, Malaysia, and Brunei if Indonesia did not sign the Trans-Pacific Partnership.