

**THE EFFORT OF INDONESIA
TO JOIN TRANS-PACIFIC PARTNERSHIP
IN THE ERA OF JOKO WIDODO**

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ABSTRACT

This undergraduate thesis explains about Indonesia's efforts to join Trans-Pacific Partnership (TPP) agreement. TPP Agreement is a concept free trade in Asia-Pacific with the highest rules-based 21st century. TPP Agreement is an agenda of America that was submitted on KTT-19 APEC in Honolulu, Hawaii United States. It has fourteen partner's members, they are Australia, Brunei Darussalam, Chili, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United State, and Vietnam. According to Indonesia's ministry of commerce, Gita Wirjawan, Indonesia as APEC's members rejects to join on TPP agreement. But on the other hand the President of Indonesia, Joko Widodo now strengthen and reinforce the process of inclusion of Indonesia in the Trans-Pacific Partnership because Indonesia want to compete with ASEAN countries and other countries that have joined the Trans-Pacific Partnership.

Keywords: Indonesia, Trans-Pacific Partnership, Foreign Policy Making Process, Asia-Pacific

A. Background

Economic growth can be seen through the level of production of goods and services that can be generated for a specific period. Economic growth in developing countries such as Indonesia is often constrained by the problem of financial capital and investment. Indonesia still relies on foreign capital investment to support economic activities. Slow economic growth also affected the increase in world oil prices. The increase in world oil prices is due to the scarcity of crude oil. Scarcity due to depletion of oil reserves and hampers the distribution of oil. The rise in oil prices causes the price of other essential goods to go up. As a result, people's purchasing power has reduced and decline in economic activity of society (Eko, 2016).

Therefore, Indonesian government tried to solve the problem by international cooperation. So that Indonesia joins economic regional forums such as ASEAN, AFTA, APEC, etc. ASEAN (Association of South-East Asia Nation) is an organization that aims to strengthen

regional cooperation in the countries of Southeast Asia. AFTA (ASEAN Free Trade Area) is a forum for cooperation among ASEAN countries that aims to create a free trade area across the ASEAN region. The concept of free trade, among others, include the elimination or reduction of trade tariffs among ASEAN goods thus reducing the economic costs. While, APEC (Asia Pacific Economic Cooperation) is a states cooperation forum in the Asia-Pacific region to promote economic growth, trade and investment among member countries. (Ado, 2016).

Indonesia has not had enough with these organizations. Indonesia then joined the economic cooperation, namely the Trans-Pacific Partnership. Trans-Pacific Partnership was offered by US President Obama at the APEC Summit 19th at the Trump Hotel Waikiki, Honolulu, United States on November 12 and 13, 2011. He offered to join the Trans-Pacific Partnership that offered to the 21 APEC member countries present at the summit, including Indonesia.

The Trans-Pacific Partnership Agreement is a concept of free trade

in the goods, services and investment, and make the Pacific Ocean as the trade turnover. (Voaindonesia, 2013). The partnership is defined as a friend or colleague, which means each member country to join the Trans-Pacific Partnership to work together in the concept of free trade is governed by the Trans-Pacific Partnership.

The Trans-Pacific Strategic Economic Partnership was initially conceived in 2003 by Singapore, New Zealand, and Chile as a path to trade liberalization in the Asia-Pacific region. Brunei joined negotiations in 2005, and the Trans-Pacific Partnership came into force in 2006. In March 2008, the United States joined the negotiations to conclude the investment and financial services provisions. The United States already has Free Trade Agreements (FTA) with Trans-Pacific Partnership members Singapore and Chile and with potential Trans-Pacific Partnership partners Australia and Peru. President Bush notified Congress of his intention to negotiate with the existing Trans-Pacific Partnership members on September

22, 2008, and with other potential members, Australia, Peru, and Vietnam on December 30, 2008. It is now expected that this group of eight countries will define an agreement to which other states can sign on. Also in the year of 2012 Canada and Mexico joined Trans-Pacific Partnership and the last in year of 2013 was Japan joined. (Adum, 2016).

B. Research Question

How are Indonesian efforts in the set of Foreign Policy Making Process on Joining Trans-Pacific Partnership in the Era of Joko Widodo?

C. Theoretical Framework

According these research question, the writer will answer it with the theory of foreign policy decision making from Marijke Breuning. Breuning (2007) explains that Foreign policy is defined as the totality of a country's policies toward and interact with the environment beyond its borders.

A decision makers according the book from Marijke Breuning have some alternatives to determine its result or outcome. This book explain

the foreign policy decision making has four processes, there are organizing the advisory system, the government bureaucracy, decision making in small group, and colleagues-competitors.

The first foreign policy decision making process is identifying approach to organizing the advisory systems, there are:

First, **formalistic approach**. It organizing the executive emphasizes a hierarchical structure with a clear chain of command. This does not mean that the executive office of every leader who has employed this type of organization could be depicted with the same organizational chart. Rather, it means that leaders who employ this type of organizational structure endeavor to create an orderly decision process. Second, **competitive approach** means that leader who organizes the executive along these lines actively uses multiple channels of information. There is little cooperation between advisors in this type of advisory system. Third, **collegial approach** takes advantage of the benefits that flow from obtaining a multiplicity of views but endeavors to cultivate a spirit of teamwork rather than competition. As in the

competitive advisory system, the leader sits at the center of an extensive informational network (Breuning, 2007, p. 89).

The second of foreign policy decision making process is the government bureaucracy explain the model of decision making, there are:

Rational policy model, organizational process model, and bureaucratic politics model. The **rational policy model** might provide a fairly accurate description of how foreign policy is made. It assumes that foreign policy is made as if a single, rational decision maker analyzes a strategic problem and, once the problem is defined, selects a policy response from among the available options. The **organizational process model** envisions the government as a collection of organizations, centrally coordinated at the top, each with their own specialties and expertise, but also its own priorities and perceptions. Each organization, moreover, has its own customary ways or standard operating procedures. The **bureaucratic politics model** focuses on the role of individuals within governmental organizations and stresses that advisors' perceptions and priorities are shaped by both the organizations that employ them and their personal

ambitions and interests (Breuning, 2007, p. 97).

The third of foreign policy decision making process is decision making in small groups has cabinet government, think tank, and command center.

A cabinet government is a group of ministers who jointly constitute the executive of a country. Officially, cabinets usually have collective responsibility, but the prime minister can become a dominant figure within the cabinet rather than simply one of the collective. Small groups serve a variety of functions in foreign policy decision making. Most popular are two images of the small group: one portrays the advisory group as a **think tank**, where top advisors use the available, but incomplete, information to jointly construct a representation of a foreign policy problem, determine its importance among other foreign policy problems, and debate how best to respond to it. The other popular image of the political decision making group is that of the **command center**, where the group jointly determines the foreign policy actions. In this role, the group builds on the think tank role to develop options, evaluates them, selects the most viable ones, and ultimately makes a decision (Breuning, 2007, p. 99).

The last for foreign policy decision making process is colleagues and competitors with a compromise with suggest integrative solution, subset solution, and dominant solution.

The **integrative solution**, defined as a result that represents the preferences of all members of the group, albeit modified to some degree. In larger groups, bargaining can easily lead to a **subset solution**, in which one faction's ideas end up dominating the preferences of other members or factions within the group. A **Dominant solution** means that only one option is credible. In terms of the poliheuristic theory, it may mean that only one option met the non-compensatory criteria in the first stage of decision making (Breuning, 2007, p. 102).

After explaining four decision making process above, Breuning (2007) conclude that such strategies or action as determining a decision can be divided into three groups, there are efforts to influence the composition of the decision making group so as to reduce the impact of opposing viewpoints, efforts to influence the beginning stages of the

decision process, such as the framing of an issue or perceptions of its relative importance among the various issues the government confronts simultaneously and efforts to manipulate the dynamics of interpersonal interaction within the group.

If this theory is applied on the effort of Indonesia to join Trans-Pacific Partnership in the era of Joko Widodo, several alternatives that Joko Widodo can take to join Trans-Pacific Partnership are (1) Joko Widodo organize the advisory system means that he has employed their staff in Trans-Pacific Partnership to synthesize information and advice for them; (2) Joko Widodo increase government bureaucracy by give the facility for investor with the result a good investment mechanism; (3) Joko Widodo made decision making in small group depend on Trans-Pacific Partnership agencies, then some people working in those organization for information and advice; and (4) Joko Widodo would suggest a solution that defined as a result represents the preferences of Trans-Pacific Partnership all members

group, although modified to some degree.

After analyzing four alternatives, the most appropriate alternative to join Trans-Pacific Partnership as a decision is the Joko Widodo increase government bureaucracy by give the facility for investor with the result a good investment mechanism. The decision processes according to the rational policy model are Indonesia built the national interest on regional forum outside Trans-Pacific Partnership then in the era of Joko Widodo it strengthens, in the other hand it can open more vacancies and has a result of big foreign exchange. Then after President Obama offered Trans-Pacific Partnership by Obama, Joko Widodo said that Indonesia will join the Trans-Pacific Partnership because Indonesia will have easy marketing access for its products to United States, because until today Indonesian export to United States still has constraint.

So that the action or effort from that decision are decision maker or Joko Widodo try to influence additional members into the group

who will support Joko Widodo decision on joining Trans-Pacific Partnership and Joko Widodo make a tactic to get others to agree in stage on joining Trans-Pacific Partnership.

D. Results and Analysis

Alternative to Join Trans-Pacific Partnership

The most appropriate alternative to join Trans-Pacific Partnership as a decision is government bureaucracy by give the facility for investor with the result 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 investor 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, in Article 18 paragraph (3) of Investment Law has set the criteria that investors will receive investment facilities.

Law on Investment was formed as a guide to all investment activity is good, healthy, and beneficial for both the countries, investors, and society. It is no less important in 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. With the ease of convenience was intended to attract or bring investors as much as possible to carry out investment activities in Indonesia.

The forms of facilities are classified in the form of taxation and non-taxation. Because each investor

to invest in Indonesia have to pay taxes as provided for in the legislation, however, investors 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 that 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,

transferring technology, pioneering new industry, located in remote areas, disadvantaged areas, border areas, preserving the environment, conducting 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 can improve and build its national interests to join the Trans-Pacific Partnership forum. Meanwhile it can open the jobs more broad and has a result of big foreign exchange. Then, Indonesia will has access easily marketing its products to the United States, think that until today Indonesian exports to the United States still has constraint.

Actions to Join Trans-Pacific Partnership

1. 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.

2. 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.

E. Conclusion

Economic growth in developing countries such as Indonesia is often constrained by the problem of financial capital and

investment. Indonesia still relies on foreign capital investment to support economic activities. Global economic developments impact significantly on the economy of Indonesia. Therefore, Indonesian government tried to solve the problem by international cooperation. So that Indonesia has joined economic regional forum such as ASEAN, AFTA, APEC, etc.

Indonesia has not had enough with these organizations. Indonesia then tried to join the economic cooperation, namely the Trans-Pacific Partnership. Trans-Pacific Partnership was offered by US President Obama at the APEC Summit 19th at the Trump Hotel Waikiki, Honolulu, United States on November 12 to 13, 2011.

Trans-Pacific Partnership Agreement is a concept of free trade in the goods, services and investment, and makes the Pacific Ocean as the trade turnover. The partnership is defined as a friend or colleague, which means each member country to join the Trans-Pacific Partnership works together in the concept of free trade governed by the Trans-Pacific Partnership.

The most appropriate alternative to join Trans-Pacific Partnership as a decision is government bureaucracy by giving the facility for investor with the result 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 investor 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.

Finally, the efforts or actions in the set of Indonesian foreign policy making process on Joining Trans-Pacific Partnership in Joko Widodo era after those decision are (1) Joko Widodo try to influence additional members into the group, who will support his decision. After Joko Widodo statement that Indonesia will join the Trans-Pacific Partnership, when it appeared the support from Vice President of Indonesia, Jusuf Kalla and the Ministry of Commerce, Thomas Lembong. Jusuf Kalla said

that if Indonesia really join the Trans-Pacific Partnership, then this is the way of Indonesia to improve the efficiency of the national economy. While, Thomas said that the desire of Indonesia joining the Trans-Pacific Partnership is inseparable from the threat of Vietnam as Indonesian competitors in the field of footwear and textiles, then the Vietnam products will be more competitive in the Indonesian market and; (2) Joko Widodo make an integrative solution tactic, to prepare and support his decision. The desire of President Joko Widodo, Indonesia became a member of the Trans-Pacific Partnership is to maintain the balance of Indonesian diplomacy system.

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