

CHAPTER I

INTRODUCTION

A. Background

Indonesia has maintained the interactions between China and Taiwan since the early 1950s after the independence of Indonesia (Ku, 2002). There were no significant obstacles in the relations between both countries at the time. However, after Indonesia's recognition of China and its One China Policy, the ROC Consul General Office in Indonesia was immediately shut down. As the impact, Indonesia would never exchange the diplomatic relations between Taiwan.

After the recognition of One China Policy from Indonesia, Taiwan and Indonesia struggled to continue in maintaining the relations (Ku, 2002). As Taiwan still had to support Chinese Community in Indonesia, the relations between both countries should have still been keeping good. However, there were some riots caused by anti-Chinese that made the relations between both countries even tenser in the 1950s. The tragedy made the relations between Indonesia and Taiwan could not be brought forward at that time.

At the time when Indonesia's relations between China is frozen because China was suspected of helping Indonesian Communist Party (PKI) in doing the coup to the Indonesian military, Taiwan began to restart the relation between Indonesia. Both countries also conducted trade exchange when there was a tension between Indonesia and China (Ku, 2002).

Indonesia and Taiwan started to build the economic cooperation since the diplomatic relations could not be conducted. It was also because Indonesia's

policy in the Suharto era was concerning more about the economy than politics (Leifer, 2014). In the era of Suharto, Indonesia's relations between countries had to be able to support the economic development in Indonesia. Therefore, Taiwan could have the opportunity to enter Indonesia and restart the relations. Indonesia's relation with Taiwan was also a form of support towards the Suharto's era of New Order.

In 1971, Taiwan placed its representative office in Jakarta as a form of the official relations that has restarted. Exactly on May 1st, 1971, the Chinese Chamber of Commerce (CCC) was established, following the establishment of Indonesia Chamber of Commerce (ICC) on June 1st, 1971 in Taiwan (Ku, 2002). In 1989, the name of CCC was replaced as Taipei Economic and Trade Office (TETO).

Indonesia and Taiwan realized that it was impossible to cooperate in political aspects; so, both countries maximized the relation that only can be conducted in the economy. For more than 50 years, both countries have developed the economic cooperation greatly. It was proven by the fact that Taiwan became one of the top ten investors in Indonesia in 2016 (Sundaryani & Wirayani, 2016). Even though the relation was only limited by the economy, Indonesia and Taiwan were once having good relations.

Taiwan has invited Indonesia to widen the economic cooperation by arranging the Economic Cooperation Arrangement (ECA). ECA was initiated by Taiwan and it is a form of FTA. Before the realization of applying of the ECA, the

study was conducted to find the feasibility of the ECA in Indonesia-Taiwan relation.

On May 9th, 2012, there was the signing of the joint feasibility study about Economic Cooperation Arrangement (ECA). It was signed by the head of TETO, Andrew Hsia and the head of Indonesian Institute of Sciences (LIPI), Prof. Dr. Syamsuddin Haris (CIER, 2012). The feasibility study of ECA in 2012 was the continuation study of 'Dynamics and current status of Indonesia-Taiwan relations' that had been conducted in 2010-2011 by The Research on Politics, Indonesian Institute of Science (P2P LIPI) and Chung-Hua Institution for Economic Research (CIER) (CIER, 2012).

The first research that was conducted in 2010-2011 focused on the dynamic relations between both countries and explored the opportunities of the industry cooperation conducted before the research. There were the researchers from P2P LIPI and CIER that worked together to research the potency of Indonesia-Taiwan relations. Those covered the Small and Medium Enterprises (SMEs), automobiles and electronics, agricultural sectors, and human resource development (CIER, 2012).

In 2010, Taiwan arranged the similar idea with Singapore by having a study about the potential relations of Taiwan-Singapore (Kabinawa, 2015). It resulted the signing of Agreements between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Partnership (ASTEP) on May 2013. By the realization of ASTEP in 2013, Singapore became the first country that succeeded the ECA.

Nowadays, Taiwan is trying to tighten the relations between ASEAN countries, not only Indonesia. The FTA is expected to happen between Taiwan and ASEAN countries. Moreover, after the signing of ECFA Taiwan between China, Taiwan can be able to propose the cross-strait relation, such as with ASEAN that is possibly allowed by China (Minh, 2010).

Both countries, Indonesia and Taiwan are the members of WTO. WTO regulates about the free trade agreements (FTA) of its member. FTA eliminates the trade barrier, investment barriers, and customs duties (Minh, 2010). As the member of WTO, Indonesia and Taiwan should pay attention to the principles in WTO to make bilateral agreements that are related to FTA.

Besides Economic Cooperation Arrangement (ECA) between Indonesia, Taiwan has formulated the similar idea to enhance the economic cooperation with other countries. Economic Cooperation Framework Agreement (ECFA) between Taiwan and China was signed in 2010 although it has invited many criticisms from many Taiwanese (Bilaterals, 2012). Taiwan has also the FTA cooperation with Singapore, as well as New Zealand (Elisabeth, 2014). There are also other free trade agreements that have been signed, such as Panama, Guatemala, El Salvador, Honduras, and Nicaragua (Reuters, 2010).

B. Research Question

Why did Indonesia interested in studying Economic Cooperation Arrangement (ECA)?

C. Theoretical Framework

In order to answer the research question and as the guide to writing, this thesis will use two theories as for the guide of the writing. The theories that will be used are cooperation concept and concept of national interest. Cooperation concept is supporting the idea of the economic relations between Indonesia and Taiwan. National interest concept is also used in this research that is in accordance with the decision of Indonesia to arrange the Economic Cooperation Arrangement (ECA) with Taiwan.

1. Cooperation Concept

Cooperation in international relations is important since a country will fulfill its needs if there is another country that is willing to work together. It is important to cooperate with each other in order to achieve national interests. The reason is that a country is not able to work alone to make a developed country. A country always needs another country to work together as different countries have the different potency that could also be helpful for another country.

The cooperation between countries can also happen because there is interdependence between countries. The feel of needs here also makes the relations take place. For example, in order to make an export and import success, there should be an interaction between two countries or more. The development of a country also could be helped by having a cooperation with other countries which means it will have different resources that can improve citizen's needs.

The cooperation in international relations does not only happen between countries, but also international organizations, or institutions. There might be cooperation between organizations to organizations or countries to organizations. It happens because each organization or institution also has its own goals in order to make the organizations or institutions grow or fulfill their purposes.

According to Kalevi Jaakko Holsti, international cooperation is defined as follows:

- a. A view that two or more interest, value, and the purpose of meeting each other and could result in something, promoted or fulfilled by all parties.
- b. Agreement of a certain problem between two or more countries in order to utilize the equality or the difference in an interest.
- c. A view or expectation of a country that the policy of a country could help achieve the goals of another country.
- d. A transaction between countries to fulfill their agreement.

So, the cooperation happens because each party wants to achieve its own goals. It is to increase the wealth of a country based on the trust, respect, appreciations. The forms of cooperation are also varied. It can be an integration between countries, diplomatic relations between countries, or economic relations. It depends on the goals that will be achieved. In the relation between Taiwan and Indonesia, it happens to be the economic cooperation as the purpose is to increase the wealth of each country.

Cooperation can happen in many aspects, but this thesis emphasizes an economic cooperation between both countries; Indonesia and Taiwan. Indonesia

and Taiwan's relation is limited by One China Policy that is binding Indonesia and China. The policy, is indeed, affects the relations between Indonesia and Taiwan. Both countries can never have a diplomatic relation. This is why, by the limitation of the relations, Indonesia and Taiwan maximize the economic cooperation that is actually conducted as people to people relations (Heriyanto, 2016).

2. Concept of National Interest

Foreign Policy is an act that a country does as the rule of its own and other countries should follow. Basically, foreign policy is formulated in order to achieve national interests. According to Hans J. Morgenthau, national interest is the minimum ability of a country to protect, keep the identity, of physic, politics, and culture from other countries (Mas'oed, 1990). It becomes the basis of the government or the leader of a country to create the specific policy towards other countries that could be in forms of cooperation or conflict.

While according to Roy Olton and Jack C Plano, national interest is the basic interest and also the important factors in arranging the foreign policy of a country (Muliyawati, 2012). National interest covers the essential elements of a country. The essential elements of a country are independence, self-preservation, territorial integrity, military security, economic well-being (Subagyo, 2011). Those essential elements could become in the matter of foreign policy if it requires a foreign dimension.

National interest is the goal of a country, and it could be in many aspects, such as the economy, security, and ideology.

a. Economic

Economic is one of the national interests that can improve the economy of a country, either in the trade or investment. There are many ways that a country can do to develop its economy; for example, the export-import. By the foreign policy, a country could decide how to conduct it. While to make a foreign policy, there should be a national interest. In this case, the national interest is related to the economy that focuses on export-import.

b. Security

Every country needs a security. It is to protect the nation from any threads that might possibly come. A country should guarantee the security of its citizen because citizen belongs to one of the factors of a country must have. If the citizens feel insecure in their own country, it means that the security level of the country is questionable.

Therefore, to guarantee its security, it needs to be mentioned in the national interest. Security is also crucial, so the country should guarantee it by putting it to the national interest. One of the ways is also to provide the military to prepare there might be any thread outside the country.

Increasing the military base and military equipment is important to get the security in a country. Therefore, the country and its society will not feel worried

about any threats outside because the country has already prepared to fight. More to the point, if the security of a country is achieved, the country could create the balance of power.

c. Ideology

Ideology is the characteristic of a country. If the ideology of a country disappears, the country would have no character anymore. In this globalized world, maintaining the ideology might not be important again. It is because the westernization that is flourishing makes every country look the same.

In national interests, an ideology can be a tool as a consideration to make a relation with other countries. However, an ideology can also be a tool to benefit a country, for example, creating a new ideology to the world in order to smoothen its own foreign policy.

Each country's national interest is different. It depends on which aspect the country wants to reach. Each country also has its own condition that makes national interest could be created. The national interest becomes the basis for the foreign policy of a country.

National interest is the pillar of international relations besides power and actors. According to Hans J. Morgenthau, national interest is the least thing that country could do to protect its own country. National interests also keep a country's dignity, physic, and politics. The National interest of a country could be in a form of cooperation or conflicts. It can be said that to achieve the national

interest, a country could use diplomacy (cooperation) which results to the benefit of the country.

National interest is the main purpose of a decision maker to run the foreign policy of a country regarding cooperate with other countries. Therefore, national interest is a crucial thing for a country. It can be said that the power of a country is depending on whether its national interest is achieved or not. It is considered as a strategy to develop the country.

However, as each country's national interest might be different, it could lead to a difficulty. It also could cause difficulties of a country in taking decisions. The decision of a country is important as it determines the future of its country. Not infrequently, the difficulties could also lead to the conflict. Therefore, a country should be careful in taking decisions.

In this thesis, national interest is conducted in the economic aspect. In the Jokowi era, one of the national interests of Indonesia is to attract as many investors as possible to develop the country. It is in line as Indonesia has tied with Taiwan in more than 50 years, although the relation is constrained by One China Policy that is applied by Indonesia. The fact that there are many Taiwanese investors who have invested to Indonesia is one of the things that helps the relations between Indonesia and Taiwan in order to sustain.

The national interest concept will help to answer and analyze Chapter four, 'Economic Cooperation Arrangement (ECA) will give more benefit for Indonesia'. The benefit of ECA should be in accordance to Indonesia's national

interest. If national interest concept is used to analyze Chapter four, there will be uncovered how much ECA will be beneficial for Indonesia.

D. Hypothesis

Indonesia is interested in studying about Economic Cooperation Arrangement (ECA) with Taiwan because Indonesia will get more benefits in its relation.

E. Research Methodology

The method of conducting this research is qualitative. Qualitative methodology is the exploration of the data. It is used for analyzing the research. The data can be gained from journals, books, articles, as well as the media. The collected data is elaborated to analyze the case.

F. Scope of Research

The scope of research of this undergraduate thesis is limited in 2012 – 2015. This research scope is started from 2012, when Economic Cooperation Arrangement (ECA) between Indonesia and Taiwan has started to be discussed. It was started by starting the joint study that was conducted by The Research on Politics, Indonesian Institute of Science (P2P LIPI) and Chung-Hua Institution for Economic Research (CIER). The joint study of ECA has ended in 2014. This research is limited until 2015, to analyses a little about the postponement of ECA.

G. Organization of Writing

This research has five chapters that will be arranged as follow:

- Chapter I: This chapter contains Background, Research Question, Theoretical Framework, Hypothesis, and Research Methodology that guides the writer to the next chapter.
- Chapter II: This chapter will explain about the dynamic relations between Indonesia and Taiwan.
- Chapter III: This chapter will explain about the Economic Cooperation Arrangement (ECA).
- Chapter IV: This chapter will analyze about the interest of both countries in arranging Economic Cooperation Arrangement (ECA).
- Chapter V: This chapter will conclude all the materials that are written above.