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# The Rise of International Capital

Indonesian Conglomerates  
in ASEAN

**Faris Al-Fadhat**

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*To Ewi and Alia*

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## ABBREVIATIONS

ABIF	ASEAN Banking Integration Framework
ACIA	ASEAN Comprehensive Investment Agreement
ADM	Archer Daniels Midland Company
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIC	ASEAN Industrial Complementation
AIIB	Asian Infrastructure Investment Bank
AIJV	ASEAN Industrial Joint Ventures
APBN	National budget ( <i>Anggaran Pendapatan dan Belanja Negara</i> )
APEC	Asia-Pacific Economic Cooperation
Apindo	Indonesian Employers' Association ( <i>Asosiasi Pengusaha Indonesia</i> )
APRIL	Asia Pacific Resources International Holdings
APSC	ASEAN Political Security Community
ASC	ASEAN Security Community
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASEAN-BAC	ASEAN Business Advisory Council
ASEAN-BIS	ASEAN Business and Investment Summit
ASEAN-CCI	ASEAN Chambers of Commerce and Industry
ASEAN-SAM	ASEAN Single Aviation Market
ASW	ASEAN Single Window
ATIGA	ASEAN Trade in Goods Agreement
BCA	Bank Central Asia
BCIC	Bumiputera Commercial and Industrial Community

BIAC	Business and Industry Advisory Committee
BKPM	Investment Coordinating Board ( <i>Badan Koordinasi Penanaman Modal</i> )
<i>Bupati</i>	Regent or district chief
CAPA	Centre for Aviation
CEP	Comprehensive Economic Partnership
CEPT	Common Effective Preferential Tariff
CIS	Commonwealth of Independent States
CLMV	Cambodia, Laos, Myanmar, and Vietnam
CPF	Charoen Pokphand Foods
CPO	Crude palm oil
CRG	China Resource Group
CSCE	Commission on Security and Cooperation in Europe
CSIS	Centre for Strategic and International Studies
DNI	Negative investment list ( <i>Daftar Negatif Investasi</i> )
DPR	House of Representatives or National Parliament ( <i>Dewan Perwakilan Rakyat</i> )
EAEC	East Asia Economic Caucus
EAGCC	Economic Agreement between the Gulf Cooperation Council States
EC	European Commission
EC	European Community
ECSC	European Coal and Steel Community
EDB	Economic and Development Board
EEC	European Economic Community
EMU	Economic and Monetary Union
EOI	Export-oriented industrialization
EPU	European Payments Union
ERT	European Round Table
EU	European Union
FDI	Foreign direct investment
FTA	Free trade agreements
GAPKI	Indonesian Palm Oil Association ( <i>Gabungan Pengusaha Kelapa Sawit Indonesia</i> )
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross domestic product
Gerindra	Greater Indonesia Movement Party ( <i>Partai Gerakan Indonesia Raya</i> )
GIC	Government of Singapore Investment Corporation
GLC	Government-linked company
Golkar	Functional Groups Party ( <i>Partai Golongan Karya</i> )

Hanura	The People's Conscience Party ( <i>Partai Hati Nurani Rakyat</i> )
HICOM	Heavy Industries Corporation of Malaysia
IBRA	Indonesian Bank Restructuring Agency ( <i>Badan Penyehatan Perbankan Nasional</i> )
IDR	Indonesian rupiah
IMF	International Monetary Fund
Inpres	Presidential Instruction ( <i>Instruksi Presiden</i> )
IPE	International Political Economy
IR	International Relations
ISI	Import substitution industrialization
Kadin	Indonesian Chamber of Commerce
KEIN	National Economic and Industrial Committee ( <i>Komite Ekonomi dan Industri Nasional</i> )
KEN	National Economic Committee ( <i>Komite Ekonomi Nasional</i> )
Keppres	Presidential Decree ( <i>Keputusan Presiden</i> )
Maybank	Malayan Banking Berhad
MERCOSUR	Southern Cone Common Market ( <i>Mercado Común del Sur</i> )
MITI	Ministry of International Trade and Industry, Japan
MNC	Multinational corporation
MP3EI	Masterplan for the Acceleration and Expansion of Economic Development of Indonesia ( <i>Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia</i> )
MPIC	Metro Pacific Investments Corporation
MTI	Ministry of Trade and Industry, Malaysia
NAFTA	North American Free Trade Agreement
Nasdem	National Democrats ( <i>Partai Nasional Demokrat</i> )
NATO	North Atlantic Treaty Organization
NEP	New Economic Policy
New Order	The term Suharto coined for his government, from 1965 to 1998
NSW	National Single Window
OAU	Organization of African Union
OECD	Organisation for Economic Co-operation and Development
OEEC	Organization of European Economic Co-operation
OUE	Overseas Union Enterprise
PAN	National Mandate Party ( <i>Partai Amanat Nasional</i> )
PAP	People's Action Party
Perodua	Perusahaan Otomobil Kedua Sendirian Berhad
PIS	Priority integration sector
PKB	National Awakening Party ( <i>Partai Kebangkitan Bangsa</i> )
PKI	Communist Party of Indonesia ( <i>Partai Komunis Indonesia</i> )
PLDT	Philippine Long Distance Telephone

Proton	Perusahaan Otomobil Nasional
PTA	Preferential trade agreement
QAB	Qualified ASEAN Bank
RCEP	Regional Comprehensive Economic Partnership
RGE	Royal Golden Eagle
SADC	Southern African Development Community
SEOM	Senior Economic Officials Meeting
SME	Small and medium-sized enterprise
TAC	Treaty of Amity and Cooperation in Southeast Asia
TPP	Trans-Pacific Partnership
TRT	Thai Rak Thai Party
UAE	United Arab Emirates
UMNO	United Malays National Organisation
UMW	United Motor Works
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UOB	United Overseas Bank
USD	US dollars
Wantimpres	Presidential Advisory Council ( <i>Dewan Pertimbangan Presiden</i> )
WGIC	Working Group on Industrial Cooperation
WTO	World Trade Organization

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## CHAPTER 1

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# Introduction

Regional economic cooperation has become a prominent feature of the global economic architecture in the post-Cold War era (e.g., Breslin and Higgott, 2000; Hettne, 2005; Wunderlich, 2007). Despite a major challenge to the European Union (EU) in 2016 through the unexpected Brexit vote,<sup>1</sup> regional governance projects continue to proliferate in other regions. In Asia, the election of Donald Trump has seen the United States abandon the 12-member Trans-Pacific Partnership (TPP). However, alternative vehicles for regional economic cooperation are gaining steam in Asia, such as the Association of Southeast Asian Nations (ASEAN)-centered Regional Comprehensive Economic Partnership (RCEP) trade agreement and China's 'Belt and Road' interconnectivity project (Wilson, 2015; Chacko and Jayasuriya, 2017). These add the previous regional initiative by ASEAN in bringing its ten member countries into an integrated market through the ASEAN Economic Community (AEC) agreement. While these may be regional projects, the underlying political support for such initiatives comes from the social and political coalitions at the national level.

This book is concerned with analyzing the social forces and political coalitions driving regional integration projects in Asia. It asks which social forces, within the domestic political economy of Asian states, are driving governments to seek regional arrangements for economic governance. In particular, the book asks how the emergence, reorganization, and expansion of capitalist class have conditioned political support for regional