

The Intertwining of Domestic Actors and Interests: A Case of Indonesia's Economic Diplomacy toward ASEAN China Free Trade Agreement

¹Tirta N. Mursitama, ³Syamsul Hadi, ²Imadudin Abdullah and ²Ayudhaning P. Dewanto

¹Department of International Relations,

²Department of International Relations, Centre for Business and Diplomatic Studies,
Bina Nusantara University, Jl. Kemanggisan Ilir III No. 45,
Palmerah, 11480 Jakarta Barat, Indonesia

³Department of International Relations, University of Indonesia, Depok, Indonesia

Abstract: This study examines the domestic actors that involved in the negotiation of ASEAN-China Free Trade Agreement (ACFTA) from Indonesian side. Each actor has interests that intertwine from one to another in pursuing national interests through economic foreign policy. Researchers define Indonesia's national interests in ACFTA in terms of economic and power. Using qualitative method, this research used mainly in-depth interview in collecting primary and secondary data and information from relevant agencies. This study found that each actors of foreign policy decision making has competing one over another as they pursue their own interests. Therefore, the term coordination among related domestic actors is an expensive, yet costly activity. As it is very important, it should be encouraged to smoothen Indonesia's foreign policy making. Finally, researchers found in the case of ACFTA, Indonesia's national interest has materialized in terms of both economic and power. It does matter for both Indonesian and Chinese business in the region.

Key words: ASEAN-China Free Trade Area, domestic actors, National interests, foreign economic policy, international business, Indonesia

INTRODUCTION

In 2010, Indonesia officially has set up a free trade with China through the ASEAN-China Free Trade Area (ACFTA). Later on, this policy triggered a substantial controversy, due to the fact that ACFTA will affect all walks of society from big scale economic actors to the lowest class, especially the Small-Medium Scale Industry. Miller (2008) observed that there are three prerequisites of free trade that might bring mutual gain for the parties within, namely the minimum level of unemployment, balanced trade and minimum level of capital movement.

First in term of employment in West Java alone, as many as 171,000 labors have lost their job due to the closing of 271 textile factories affected by global crisis. It is predicted that there will be other 50 factories that have to be closed in the province as the impact of ASEAN-China FTA.

Secondly from the balanced trade perspective, there are still a lot of similarities in production sector between Indonesia and China. The only difference is China's production is carried out in large industry while that in

Indonesia predominantly is produced by Small-Medium Enterprise (SME) which has led to imbalanced trade as a result. Apart from that Indonesia remains a small fuel supplier for China.

Thirdly in term of capital movement, it is undeniable that the system which is still in recovering after seriously hit by Asian Crisis 1997 is yet to be capable of coping with the dynamics of financial mobility. This anxiety however is exacerbated with the amount of portfolio investment (especially hot money) and the trend of foreign company's income repatriation. Upon Miller's perspective over these three facts, it can be concluded that Indonesia will not be part of nations that will benefit from ACFTA.

Technically, there are still different voices both from the government, as well as economic actors in general. However, contemporary economic diplomacy is diplomacy which articulates two interests at the same time, namely the state and business actor as a whole. In fact, state-firm diplomacy should actually be the core of the actors involved within (Wibisono, 2006) and articulates national interest in every foreign policy.

Therefore, the main issue to be highlighted in this research is: How is the implementation of national interest aspect in Indonesia's foreign policy, particularly within the ACFTA case study? The purpose of this research are, firstly to track down Indonesia's economic diplomacy process in the ACFTA negotiation process, particularly in international, as well as domestic framework in accordance with the foreign policy formulation theory. Secondly, to observe the involved parties and the efforts done in the economic diplomacy.

The research significance can be seen from two perspectives. Firstly from the state's perspective, this research will serve as a lesson for a foreign policy making structure which takes into account national interest aspect. Secondly from people's perspective, this research will raise awareness over the fact that representation aspect in foreign policy formulation is vital.

The purpose of this research is, first to trace Indonesia's economic diplomacy process in negotiating ACFTA, particularly as domestic framework in accordance with the foreign policy formulation theory. Secondly, it aims to scrutinize the involved parties and the efforts done in the economic diplomacy and third, to scrutinize political aspect of ACFTA implementation from its benefit and shortcomings.

Economic diplomacy through ACFTA: Indonesia's diplomacy remains impartial, i.e., it is more dominated by foreign environment rather than internal policy articulation. As Wibisono (2006) put it in multilateral diplomacy challenges, it is focused on international environment aspect. A number of dynamics taking place are observed as phenomenon shaping Indonesia's foreign policy in linear manner, such as the weakening of multilateralism, the increase of world arms, trend of science, the decreasing of natural resources, the rise of ICT (Information, Communication and Technology) and competitive world (Wibisono, 2006). However internally, there is no sufficient discussion on the importance of raising domestic aspects in foreign policy formulation process.

Cooperation with China indicates a very evident political aspect. As for international context, Wibowo (2009) argued that there is intention from both parties to gain benefit both from China and Southeast Asia in economic framework. Researcher also underlines the high intensity of interaction between both parties led to the creation of China's development model known as Beijing Consensus for Southeast Asian countries. In fact, this consensus is located in semi-free market framework and illiberal politics.

Meanwhile in the initial calculation process of the prospect of ASEAN-China FTA implementation, Yue (2004) predicted that there will be a significant increase of efficiency in the region. However, this policy is not enough if the implementation of this agreement is not supported with more micro economic cooperation between China and ASEAN countries. Researcher suggested the importance of agreement to enhance capacity, competitiveness and domestic advantage amongst all relevant countries.

Both side's interests as observed from various economic and political possibilities to actually run free trade. Xiaohong comprehensively explained all the complementary aspects, including China's own political interest to expand its regional network to enhance efficiency for industrial raw material and market expansion. On the other hand, Indonesia has already set rather lower tariff compared to other developing countries. For this, Indonesia is considered excellent to run free trade thanks to the large demand for other developed countries (Soesastro and Basri, 2005).

Wang and Chan (2003) found that most of the people believe that by the rise of cooperation in trade, industry and investment through ACFTA, both parties (ASEAN and China) will also strengthen their integration. Nevertheless, there are several things to be noticed, including the fact that industrial and trade structure between both countries are more competitive rather than complementary. In investment field, both also act as competitor to each other in attracting foreign investment. In the beginning, ASEAN grew from energy resource trade-based economy then in 1990s the region has shifted its focus on manufacture industry. At present, both regions operate in rather similar trade sector.

ASEAN itself is considered as a forum with bright future in the economic integration process. However, the process of growth and liberalization of trade until recently is still lagging behind. It is due to this reason that Daquila and Huu (2003) argued that Singapore has played a very important role in boosting this. Moreover, ASEAN also as a good prospect in building regionalism in East Asia.

Ba (2003) highlighted the increasing relations between ASEAN and China recently and identified relational pattern into 4 main phases. The 1st phase happened between 1967-1978, i.e., during the cold war, during which the relations seemed still fragile. The 2nd phase, 1978-1989 is marked with the US invasion to Vietnam. The 3rd phase, 1989-1997 and the last phase, 1997 until now, the relations between both regions initially was marked with high political tension. However, over

time many developments happened in economic relations between the two. Therefore, historical factor becomes very important because it can help us to understand comprehensively the dynamics of China-ASEAN relations.

Rajan (2003) argued that China's progress and openness toward global economy opens up opportunity for integration efforts by ASEAN by boosting their growth. China's participation in WTO will also open the country's chance to provide service in construction and infrastructure sectors, particularly to conduct development in Southeast Asia. Rajan (2003) suggested that China-ASEAN relations can be enhanced as it there is the so called production sharing factor. By enhancing specialization of market and production, the cooperation heading toward free trade between the two will create a good growth. This study can be made as comparative literature which shows us that China's role, apart from its trade aspect, actually has wider spectrum, including the infrastructure development in Southeast Asia and the development of production sharing basis between the two regions. These aspects will be taken into account to provide a general assessment on the creation and implementation of ACFTA.

In other study, Ravenhill (2006) disagree if it is said that China-ASEAN relations does not work properly in term of economics. Observing a number of data, researcher found that both actually can work in balance without zero sum game taking place. The rise of China's manufacture industry was initially considered as a threat for the manufacture industry growth in Southeast Asia. However, researcher sees it differently and stresses the vital role of Southeast Asia in supplying raw material and half-manufactured goods to China which supports China's economic growth significantly, including the role of Foreign Direct Investment (FDI) and the creation of regional production network between China and ASEAN.

Furthermore, Womack (2003) tried to observe China Southeast Asia relations in rather comprehensive theoretical manner. Researchers refers to the role of leadership in China, rather than observing historically per se. Researcher embarked from the realism-structural perspective which makes as its foundation the strengthening of China's military and economic capability toward the formation of relationship pattern with Southeast Asia which includes balancing and bandwagoning patterns. Then, comparing with the interdependency theory, researcher found an asymmetric relationship pattern between ASEAN and China. In the conclusion, Womack found that the relations between the two become asymmetric because China has more dominant power compared to its ASEAN counterpart

which eventually led ASEAN to see China as a power threatening the existence of Southeast Asian countries.

Unlike other researchers who often emphasize on economic and geopolitical aspects, Greenwald (2006) provide a rather interesting review as he utilizes legal perspective in the analysis. Researcher argued that the biggest challenge of the formulation and implementation of ACFTA is ASEAN weakness in term of enacting its law structure. Researcher is not convinced enough to say that ASEAN and China has solid capacity to enact the legal mechanism formulated properly within the ACFTA. Greenwald (2006) then attempts to see from China's enrollment to WTO whether within the ACFTA context both parties will be able to comply. On the other hand, many local agreements are not even implemented so far.

MATERIALS AND METHODS

This study utilizes qualitative method. Various perspectives are taken into consideration to build sound analysis on the reality scrutinized in this research. This research is categorized as case study. The problem highlighted here is the aspect of Indonesia's national interest and foreign diplomacy strategy in ACFTA case which is a new research and worth to be investigated in detail (intrinsically).

The method applied in this research is a mixture between content analysis and interview. Other data are obtained from in depth interview and other primary data collecting conducted to several relevant agencies, such as Ministry of Trade, Industry, Foreign Affairs as well as Indonesian chamber of commerce and industry. There are 4 respondents in total. Each person represented each institution.

Researchers asked the most knowledgeable person or person assigned by each institution to give formal response for the interview. The respondents comprised of director general level, director, deputy director and head of section. Each interview last between 30 min and one and a half hour. The interviews were recorded and transcribed.

In this research, a coding is conducted toward categorization of appropriateness with the foreign policy pattern that is adjusted with national interest framework. From the interview conducted to sources from different background, this method is the strength of this research and analysis from several studies, official documents and relevant references, some limits were obtained which can be made as reference to give national interest framework in the economic diplomacy process being studied. In particular, national interest is focused on economic interest and power.

RESULTS

The dynamics of domestic actor's roles and interests in ACFTA formulation: This part will elaborate the actors, process and pattern of Indonesia's economic diplomacy in the formulation of Indonesia's decision to enter ACFTA. The analysis on the formulation in domestic level has different actors with their respective roles and interests.

In domestic level, there are several agents/actors having roles in the process of ACFTA formulation both from government entity, as well as public entity from government entity are: Ministry of Foreign Affairs and Ministry of Industry and Trade (currently separated ministry, yet during ACFTA negotiation was still under one ministry) played central role in the formulation process of ACFTA policy. Both government agencies play their respective roles in formulating ACFTA policy. Meanwhile from public entity includes Indonesian chamber of commerce and industry (KADIN) which played important role in the process of policy formulation. Chamber of commerce acted as actor delivering people's aspiration to the government.

Ministry of Foreign Affairs (MOFA): The Ministry of Foreign Affairs plays quite an important role though in ACFTA in particularly not as significant as in other issues, such as international politics, regional and international conflict, as well as multilateral agreement. The role of MOFA in the formulation of ACFTA is studying the political impact of ACFTA and giving backup to political strategy through negotiation (Interview MTAL, 13 May, 2011).

The role played by the MOFA in ACFTA issue is not central compared to other foreign issues. In line with the foreign relations law and presidential instruction, foreign economic issue is delegated to the relevant department, in this case Ministry of Industry and Trade (MIT). Unlike political, social and cultural issues which are still led by the MOFA, foreign economic issues, including Free Trade Area becomes the main domain of the MIT. The role of MOFA is only providing political strategy backup including negotiation strategy during the ACFTA negotiation process (Interview MTAL, 13 May, 2011).

In playing its role to study the political impact of ACFTA, MOFA tried to study and analyze the opportunity and challenge that Indonesia will gain and face. In term of opportunity, MOFA noted several opportunities for Indonesia by joining ACFTA. The first point is ACFTA with population of 1.9 billion people, total PDB of US\$6 trillion, average trade growth of 30% and total estimation of trade value of US\$ 4.5 trillion will be

one of the largest FTAs in the world. The agreement can give positive signal for international world that ASEAN and China cooperate through FTA to move the world economy.

Moreover, MOFA considers China as strategic partner as it is the 3rd largest trading partner of ASEAN with percentage of trade contribution reaches 11% of ASEAN total trade. During the same period, ASEAN-China FDI value was US\$ 60 billion. With such a large and dynamic economy, China needs supplies of raw material, goods and service from ASEAN and such a condition can make ASEAN as a new engine for the rapid economic growth. Thus, the abolition of tariff and non-tariff barriers between ASEAN and China will decrease the trade transaction cost, enhancing economic efficiency and make ASEAN and China attractive as investment destination (MFARI, 2010).

MOFA also considers ASEAN and China can still increase their cooperation commitment to be more open from the one agreed in WTO, especially related to liberalization of agricultural product trade, as the agricultural products of both parties are complementary to each other. ASEAN can benefit China's plan to expand the cooperation to reduce ASEAN perceived-threat of China's very rapid economic growth. This can be materialized through various special accesses given so that ASEAN can enter China's domestic market. From geopolitical perspective, MOFA considers ACFTA can be a balancing power toward big countries influence, such as US, Japan, Korea and India. ACFTA rapid growth has pushed the 4 countries to propose various forms of economic cooperation (MFARI, 2010).

The agreement in service sector can increase China's investment value in ASEAN, particularly in various sectors and subsectors which are the commitment of both parties, as the commitment given by ASEAN has already surpassed that given to GATS/WTO. Particularly for agriculture sector, China's population with the highest economic growth in the world and abundant reserve is a big opportunity for ASEAN, especially Indonesia, to benefit from that market in order to increase the trade volume caused by income tariff decrease to China as well as to enhance the volume and investment value.

As illustration after the ACFTA is agreed, particularly for Indonesia in the beginning of ACFTA implementation in 2004, agricultural sector has made trade surplus of US\$ 2.4 billion as compared to the total import which is only US\$ 800 million. The bilateral trade volume of Indonesia and China averagely has been growing 20%, since 2001 and the trade volume value in 2008 increased 25% from that of 2007 which means an increase from total US\$ 24.9 billion to US\$ 31.5 billion.

That total trade is the highest record ever achieved by both parties. The percentage of export contribution from Indonesia to China from Indonesia's total export also increased from 6.43% in 2004 to 9.87% in 2009. In the condition where world FDI is sharply in decline investment flow between China and Indonesia still develops rapidly. It can be proven in first semester of 2009 when the non-financial investment from China to Indonesia increased until US\$ 100 million while Indonesia's investment to China increased up to US\$ 65 million (MFARI, 2010).

Other than various opportunities that Indonesia and ASEAN will gain from joining ACFTA, there are also several challenges to cope with, including (MOFARI, 2010):

- Many advantages possessed by China, such as high GDP and huge amount of reserve fund, cheap production and living cost and low labor wage which caused some worry about industry relocation from Indonesia to China
- Lack of competitiveness, human resources, productivity and product quality, non-competitive product price, lack of product innovation, difficult market access for national product, lack of capital access and certification of quality standard in term of requirements, long and complicated bureaucracy, time and cost of processing license which makes it hard for national products to compete with products of ASEAN partners
- Lack of transparency and weak law enforcement causing uncertainty in business which eventually causes high cost economy and the decrease of Indonesia's product competitiveness in global market

However in the end, there will be still various opportunities and challenges to be faced in ACFTA and hence MOFA still supports the implementation of ACFTA. This is an important point, despite the fact there are some potential of loss Indonesia will need to address. MOFA believes that the opportunity or political strategic value is higher as compared to if Indonesia did not join the ACFTA.

Thus, it is obvious here that MOFA considers the strategic political consideration as way more important than economic one (being faced with the possibility of loss). Recently, if researchers see the current condition, since 2010 Indonesia proved to bear much more loss in economy rather than gaining benefit from ACFTA.

Ministry of Industry and Trade (MIT): The Ministry of Industry and Trade plays a very significant role in the

ACFTA formulation process, as mentioned by head of East Asia and ASEAN Cooperation, the MIT at that time acted as focal point. In its capacity as focal point, the MIT is the government institution acting as the spearhead in negotiating at ASEAN level. MIT also did coordination at national level both between government agencies and chamber of commerce (Interview ATW, 18 April, 2011).

However even in the MIT, there is division of task and authority between industry and trade sectors. The function of industry division is to conduct study on the domestic industry readiness in facing ACFTA, as well as supervising domestic industry. During the formulation of ACFTA, the industry division has conducted preliminary study and called out industrial groups to respond to the plan of ACFTA formulation.

However as explained by Director of Area II and Regional, Ministry of Industry, the readiness to face ACFTA is not quite as expected (Interview AR, 8 April, 2011). The lack of preparation at Indonesia's domestic level to face ACFTA can be seen from the lack of coordination between ministries related to ACFTA, the missing of calculation and assumption related to Indonesia's and China's economic performance. Furthermore, Antonius also considers that the lack of awareness of the stakeholders toward this issue also contributes to the problem. At the same time, Directorate General Area II also considers that lack of preparation of Indonesia to face ACFTA can also be seen with the numerous clauses referred to WTO agreement. However, clauses can be used as safeguard to anticipate miscalculation or misassumption which might have been done prior to the ACFTA agreement (Interview ATW, 18 April, 2011).

Trade division being the focal point and do coordination with relevant department in doing negotiation with partners. Coordination includes relevant departments from agriculture, marine, finance, etc. In doing that coordination, MIT admitted that all related departments are always being asked for opinions in every negotiation process related to that department. In some occasions, those departments are involved in the negotiation process. Even, the head of East Asia and ASEAN also added that negotiation can be delayed if MIT has not yet received any input or recommendation from the department relevant to the issue being discussed. Furthermore, the setting of product classification which is included into the category of early harvest, normal track and sensitive are also delegated to the relevant ministry. Other role of MIT in trade sector is preparing positioned paper every time they will participate in regional level negotiation.

Having a look at the MIT's role which at that time was still under one ministry, it is visible that their role is very dominant. In term of formulation, interdepartmental coordination until negotiation with the support of the MOFA, MIT played a very significant role in formal process, it seems that coordination and substantial discussion has been properly carried out. Here, there is interaction between technical ministries and it is also likely to have bargaining process related to their respective technical readiness. As this research does not comprise the technical departments which are huge in number, then the discussion on their role is limited. The study on this issue can be made as agenda for future researches to test the bargaining process or competition process between departments.

Indonesian chamber of commerce and industry 1999-2004 (KADIN): As an entity representing the Indonesian business people in trade, Indonesian chamber of commerce and industry (KADIN) is always consulted by the government during ACFTA negotiation process. The importance of KADIN is also mandated in the Law 1/1987 on Indonesian Chamber of Commerce and Industry which states that Indonesian business actors operating in state business, cooperative business and private business shall collectively make the organization of chamber of commerce and industry as medium and place for education, communication information, representation, consultation, facilitation and advocacy of Indonesia's business actors, in order to create a strong and highly competitive Indonesian business sector which relies on the concrete advantage of national resources which unifies in balanced manner all the correlation between potential of national economy, namely inter-sectoral, inter-business scale and inter-regional within the dimension of legal order, business ethics, humanity and environment preservation within a market economic order in global economic constellation which is based upon regional strength, business sector and foreign relations (KADIN's Website, 2011). According to that law, it is evident that formally KADIN's role is vital in Indonesia's industry and trade. In ACFTA context, its role in connecting the relations between domestic business entities with government as policy maker is vital.

KADIN in particular has quite tight relations with China. As already known, KADIN is the central actor in the process of recovery of relations between Indonesia's and China's Government. During those years, KADIN became the focal point in recovering Indonesia and China relations. KADIN's strong relations with China can also be seen from the active China's chamber of commerce in Indonesia. This was stated by Head of Chamber of

Commerce, Foreign Relations Division of 1999-2004. He mentioned, Indonesia's and China's KADIN relations in the end of 90's until the beginning of 2000 was very strong (Interview IT, 19 May, 2011).

In the context of ACFTA, respondent also explained that KADIN really supports an economic cooperation framework between China and ASEAN. Researcher argued that there are several benefits Indonesia will obtain by joining ACFTA. The first benefit is the expansion of market which eventually will increase efficiency. It is that economic efficiency which eventually will enhance Indonesia's economic performance as consequence of the more efficient of an economy (Interview IT, 19 May, 2011).

Even though, KADIN supports ACFTA, it still demands the government to prepare domestic competitiveness. The respondent further explained that the competitiveness of a country is determinant for the success of that country in facing free trade. It is this competitive factor which becomes an important point from KADIN. Competitiveness itself is determined by economic performance, government efficiency, business efficiency and infrastructure. Those 4 factors need to be improved by the Indonesian government to enhance Indonesia's competitiveness (Interview IT, 19 May, 2011).

Internally during the period of 1999-2004, KADIN was dominated by big businessmen, such as Aburizal Bakrie, Sarwono Kusumaatmaja, Iman Taufik and Fadel Muhammad. The respondent argued that those 4 people were the backbones of the organization during the above period. KADIN's position to support ACFTA at that time could not be separated from the role of those 4 figures. He also underlined that by agreeing ACFTA, it is easier for him to expand his business to Shanghai, China.

Even though, it cannot be further elaborated in detail but the statement of KADIN's representative who was also part of highest officials in the organization during the ACFTA formulation can lead us to conclude that business actors, especially the big ones are quite convinced that benefit will be gained from ACFTA. The respondent further admitted in the above elaboration that ACFTA has made his business in Shanghai, China, run smoother (Interview IT, 19 May, 2011).

It is likely that the reason KADIN supports ACFTA is due to the fact that its existence cannot be separated from the state corporatism which has been deeply rooted since Soeharto regime. Even if one notices now, major business actors playing roles in KADIN were actually born and grew rapidly during the new order regime (1966- 1998). There is only few, if any new business actors who emerged during post-reform 1998 era that played central role in KADIN.

Table 1: Agent, roles and recommendation

Agents	Roles	Recommendations
Ministry of Foreign Affairs (MOFA)	Conducting study on political impact of ACFTA and conducting political strategy backup through negotiation	Indonesian government needs to join the ACFTA
Ministry of Industry and Trade (MIT)	As focal point and coordinator of all relevant parties at national level with other relevant parties	The ministry supports FTA between ASEAN-China
Indonesia chamber of commerce and industry (KADIN)	Serving as the medium for Indonesian business actors and being the representative for Indonesian business actors in policy formulation related to industry and trade	KADIN supports FTA ASEAN-China as it will help expand the market and increase efficiency

Researcher's elaboration

In this context, KADIN cannot be separated from government's interest by supporting ACFTA. If they support government which will make them as major business actors gain benefit, thanks to the trade and investment with big companies they own. Table 1 summarizes the role of agents/actors in ACFTA formulation.

DISCUSSION

This part provides an analysis on Indonesia's national interest in ACFTA formulation based on secondary data and results of some interviews gathered. As has been explained in the previous parts, this research attempts to analyze the implementation of national interest in Indonesia's diplomacy in ACFTA negotiation based on international business and international relations perspectives. Papp (1994) explained that there are several aspects in the context of national interest. Those aspects include economy, ideology, power, national security, morality and legality and common culture. Obviously not all aspects found in a foreign policy but at least in the context of ACFTA negotiation, researchers can learn that there is economic and power aspects which are being the vital aspect contributing to Indonesia's decision in formulating a foreign policy in ACFTA negotiation.

Economic interests: In the context of economic interest, Papp (1994) explained that every policy aiming to enhance the economic position of a country can be regarded as a national interest. The form of economic interest can be seen from the effort to enhance the balance of trade, strengthening industry in a country and guarantee state's access toward oil, gas and other resources.

In ACFTA context, the main goal of Indonesia's joining the ACFTA is to achieve Indonesia's economic interest. All agents, including MIT, MOFA and KADIN consider ACFTA as an attempt to improve Indonesia's economy through economic integration which will

enhance the economic efficiency, as well as expanding market. It is also the economic factor that eventually led all agents/actors in domestic level to give their support to ACFTA.

The government and KADIN consider Indonesia's integration into ACFTA will enhance the country's economic performance. MOFA regards China as strategic partner, as the latter is the third largest trade partner to ASEAN which percentage of trade contributes 11% of the total ASEAN trade. During the same period, the value of ASEAN-China FDI reached over US\$ 60 billion. With such a huge and dynamic economy, the country needs supply of raw material, goods and service from ASEAN and such a condition will make ASEAN as new engine boosting economic growth. Therefore, the abolition of tariff and non-tariff barriers between ASEAN and China will decrease the cost of trade transaction, enhance economic efficiency and makes ASEAN and China become more attractive as investment destination.

Unlike other analysts who are rather pessimistic and reject ACFTA, Suparno (2010) shows his optimism. He argues that Indonesia's loss in this agreement would only happen within short term while in the long run, he believes that free trade will surely benefit all parties with more trade and better welfare for Indonesian people. He also elaborates statistical data to support his argumentation. China absorbs 9.2% of the total Indonesia's non- oil and gas export in 2009. However, China's import from Indonesia is only 1.3% of its total import. China is also the third largest export market for Indonesia since 2009 with non oil and gas export reached US\$ 8.9 million, after Japan (US\$ 11.98 million) and US\$ 10.5 million. China is also one of the main import sources for Indonesia. In 2009, the import reached US\$13.5 million surpassed that of Japan (US\$9.8 million), Singapore (US\$9.2 million), and US (US\$7 million). Regarded from the import structure, he suggests that the majority consists of capital goods and intermediate goods, both of which are very important for the operation and growth of industry in Indonesia (Suparno, 2010).

Another analysis done by Sutara concludes that the determining factors of Indonesia's participation in the ACFTA is the large economic scale that will be created within ACFTA, the high initial tariff structure in ASEAN countries before ACFTA, initial trade condition which has been created between ASEAN countries with China bilaterally, the existence of low product substitution of ASEAN and China and substitution opportunity toward product outside ASEAN and China is relatively high. However, she further explained the heterogeneity or disparity of economic condition between ASEAN

countries with China, as well as geographic factor which is separated with poor transportation infrastructure reduced the benefits that can be gained from ACFTA. Finally, competition of economic structure in long term will lead to the complementarity after the ACFTA trade integration implemented and hence raising more benefit of ACFTA.

From this analysis, national interest in economic sector becomes an important factor in ACFTA decision making, particularly from the context of foreign policy formulation in ACFTA case in 2001. The hope that a huge economic benefit will be gained by Indonesia became one of the most important foundations that makes Indonesian participate in ACFTA.

Power interests: In terms of power, Papp (1994) attempts to explain that any policy that may cause a country to have power over other country is a form of national interest. Power itself, for Papp can be explained from various forms from the military capability until economic power. Thus, a foreign policy which eventually is aimed to build power both in economic and military context can be interpreted as an attempt to achieve national interest. ACFTA itself can be made as a new form of power consisting of several countries being member within, Lairson and Skidmore (1997) argue that power can also be seen from a cooperation between states in international context. Therefore, the economic cooperation framework between ASEAN member states and China which forms the ACFTA has implication to the creation of new power which is established from economic cooperation between countries.

Many have predicted that ACFTA implementation will result in the creation of a major power having important role in international politics. The MOFA as the agency that gives recommendation on geopolitical aspect assesses that ACFTA can be a balancing power of major countries like USA, Japan, South Korea and India. ACFTA rapid development has made those countries proposing various kinds of economic cooperation. Moreover with population of 1.9 billion, total GDP of US\$ 6 trillion, average trade growth rate of 30% and estimated total trade value of US\$ 4.5 trillion, ASEAN-China FTA becomes one of the largest FTAs in the world. This definitely will have implication to the global political constellation. ASEAN-China Expert Group on Economic Cooperation (ASEAN-CEGEC, 2001) assesses that the integration of China-ASEAN area will increase the vote of countries in ASEAN-China region in various international forums. Thus, it can be understood that the creation of ACFTA can be made as one of the efforts to enhance Indonesia's power in global political constellation as well.

In their analysis on review of 1 year of ACFTA implementation for Indonesia, Mursitama and Arif (2011) argue that from international political economy perspective, ACFTA is not only an important economic initiative between ASEAN and China which foster economic cooperation between the two regions in term of trade and investment. ACFTA is also an important vehicle for Indonesia to enhance its leadership at regional level, enhancing ASEAN's bargaining power to other regions, as well as Asia toward other continents or other country. And, this is the most important meaning of power in Indonesia's national interest. However, it should not be forgotten that the crucial thing here is how to ensure that the expectation toward the power can manifest into reality and give benefit for Indonesia's domestic constituent, and as a matter of fact, it is also the essence of a national interest.

CONCLUSION

This research has analyzed national interest in Indonesia's foreign policy with ACFTA as the case study. The findings of the research show formulation of Indonesia's economic diplomacy has been influentially shaped by most significant domestic agents/actors and its interests. There has been strong intertwining between domestic actors and its interests. In ACFTA case study, it is concluded that national interest from economic and power prove to play important role in Indonesia's decision to participate in the ACFTA.

The most important agents/actors in ACFTA formulation are Ministry of Industry and Trade (MIT) as focal point with central role. Meanwhile, the Ministry of Foreign Affairs (MOFA) provides support of geopolitical analysis, as well as during negotiation process. Indonesia's Chamber of Commerce and Industry (KADIN) as industry association, plays supporting roles in giving more market and business consideration that argue that ACFTA would expand the market and increase efficiency.

RECOMMENDATIONS

This research has revealed how the ACFTA formulation works and who were involved from Indonesia's domestic side, particularly referring to formal/official agencies. It can be seen that the role of official agencies remain central and determinant. On the other hand, key individual actor, society in general, as well as small and medium scale business actors who might involve and play roles in this process has not been discussed in this analysis. Even though, general observation reveals that their role has been limited.

Whether, it happens due to their own lack of capability or it is the system that hampers them to contribute would be a good topic to be studied in future research, particularly in time when promoting ASEAN for the people or people-oriented ASEAN is being the trend.

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