

1 Challenges for Indonesia in the new world

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The world is finally recovering from the 2007–08 global financial crisis. After contracting sharply in 2009 and increasing slowly in the subsequent years, world real GDP growth returned to 3 per cent in 2017. Ten years after the crisis, it appears that growth is at last showing sustainable signs of recovery. Other challenges remain, however. Trade growth has slowed and, despite an improvement in 2017, remains lower than before the global financial crisis. The slowdown in trade growth has been attributed to cyclical factors and to structural factors such as a lack of productivity growth and the maturation of global value chains. Protectionism is another factor, although, to date, it is not so much the increase in protectionist measures as the high level of uncertainty about trade policy that is affecting trade.

The policy uncertainty stems primarily from the perceived lack of benefits from globalisation. Almost half the world's population – that is, more than 3 billion people – have to survive on \$2.50 or less every day. The richest 10 per cent of the global population owns more than 85 per cent of the global wealth. Inequality has increased even in the countries where poverty has declined. These factors are widely seen as the main causes of the re-emergence of anti-globalisation sentiment around the world, prompting leaders to adopt populist and inward-looking policies. The electoral consequences have been surprising; they include the election of Rodrigo Duterte in the Philippines, the success of the 'leave' campaign in

* A small part of this chapter is drawn from Patunru's opinion column as published in the *Jakarta Post*, 11 September 2017.

the Brexit referendum in the United Kingdom and the election of Donald Trump in the United States. Meanwhile, those in power show an increasingly authoritarian inclination – Erdoğan in Turkey, Putin in Russia and Xi in China, to name a few – often by exploiting the public’s misgivings about globalisation.

In Indonesia, the discontent with globalisation is apparent in rising nationalism, a rejection of foreign interference and a distrust of democracy that is reminiscent of the New Order. The disappointment with globalisation is not entirely unjustified. In Indonesia as in many other countries, globalisation has had both good and bad results. Trade always creates both winners and losers, and in the absence of a well-functioning compensation mechanism and the free movement of labour across sectors, the winners appear to be concentrated disproportionately among a small number of elites. Corruption has only worsened this situation, allowing the dark side of globalisation to dominate. International networks of criminals, for example, have taken advantage of the easy access to digital technology and cheap flights to engage in human trafficking or to abuse the rights of migrant workers (see Chapter 12 of this volume by Hidayah and Chapter 13 by Li). Advances in digital technology (often aided by naiveté on the part of internet and social media users) have encouraged the spread of financial and banking fraud. Fake news is very easy to produce. Enter the double-edged sword of globalisation: improved access to better livelihoods *and* increased vulnerability. Politicians have been quick to take advantage of this chimera, leading to a rise in identity and populist politics, sometimes on the back of globalisation. Calls for nationalism of all sorts are ubiquitous across social media and chat groups, which are themselves almost costless, thanks to globalisation.

ECONOMIC NATIONALISM IN INDONESIA

Nationalism in the economic sphere takes the form of trade protectionism. It manifests mainly in economic policies that aim for self-sufficiency in an array of commodities, including those in which Indonesia is a natural net importer. Economic protectionism in Indonesia tends to come in waves; the most recent one emerged in the early 2000s and, despite some reform initiatives, has gathered strength under the current administration. It can be expected to persist for some time to come, given the coming general and presidential elections in 2019 as well as the worldwide trend towards protectionism.

After the fall of President Sukarno’s ultra-nationalist regime, the New Order government of President Suharto instituted a series of market-friendly reforms, supported by able technocrats under the leadership of

Widjojo Nitisastro. These reforms included opening up the capital market, welcoming foreign investment and relaxing trade policies. But this period did not last long. The windfall revenues from the commodity boom of the early 1970s and the two oil booms in 1973–74 and 1979–80 allowed the government to entertain calls for protection in the form of import substitution, local content requirements, import licensing and export bans. When the oil price plunged in the 1980s, the oil revenue bonanza also disappeared.

Constrained budgets coupled with a global recession forced the government to change tack. From the mid-1980s to mid-1990s Indonesia experienced bold deregulation, export promotion and currency devaluation. However, the business groups that had prospered during the previous protectionist era still had the ear of government, and were now joined by new cronies (see Chapter 2 by Reid for a long-term view of protectionism in Indonesia). The New Order government granted import monopolies and other preferential treatment to these groups, especially those closest to President Suharto. Then the Asian financial crisis hit the region in 1997, pushing the Indonesian economy into an abyss. Once again bad times forced the government to adopt more liberal policies: import restrictions were removed, tariffs were cut and Indonesia's involvement in international trade agreements increased (see Chapter 15 by Anas and Narjoko).

But the interest in free trade again proved to be short-lived. Protectionism started to creep back in, beginning with restrictive measures on imported agricultural products in the early 2000s, followed by trade regulations and licensing requirements for imported textiles, steel, sugar and cloves. After the global financial crisis, the second Susilo Bambang Yudhoyono administration (2009–14) passed new laws on mining, farming and horticulture, all of which had a serious impact on the openness to trade and investment (see Chapter 5 by Neilson for the case of food and Chapter 6 by Warburton for the case of mining). The Yudhoyono government reinstated many import licensing procedures, tightened restrictions on the distribution of imported goods and banned the export of raw minerals.

Under the current president, Joko Widodo (2014–), the trend towards nationalism has strengthened. The president's own stance, however, appears to be a mixture of pragmatism and ambivalence. Addressing the Leaders Summit of the Indian Ocean Rim Association in March 2017, Jokowi embraced both nationalism and internationalism. Quoting President Sukarno, he stated that 'internationalism cannot live without nationalism' and vice versa – rhetoric that sounds impressive but whose exact meaning is unclear. At events such as the APEC CEO Summit (November 2014 in Beijing), the ASEAN Summit (April 2017 in Manila) and the G20 Summit (July 2017 in Hamburg), Jokowi has been eager to

extend an invitation to foreign investors to come to Indonesia. At other times, however, he has criticised the existing international order. At the Asian–African Summit in Jakarta in April 2015, for example, he argued that the current global economic system – dominated by the World Bank, the IMF and the ADB – was obsolete and it was therefore imperative to build a new international economic order. During a state visit to the United States in October 2015, he said he wanted Indonesia to join the Trans-Pacific Partnership (TPP). He also supports the China-led Asian Infrastructure Investment Bank (AIIB). But he has openly criticised China for its position on the South China Sea dispute. In response to a statement by Beijing in June 2017 that implicitly included part of Indonesia’s exclusive economic zone among the territories subject to ‘overlapping claims’, the president made a practical and widely reported demonstration of Indonesia’s intention to uphold its own claim by holding a cabinet meeting on board a warship in the Natuna Islands (as shown on the cover of this book).

On economic policy, the president’s stance leans clearly towards protectionism. During the presidential campaign, Jokowi’s promises contained a lower dose of nationalism than those of his rival, General Prabowo Subianto. Yet he started his presidency with a heavy use of protectionist measures, mostly through the Ministry of Trade, the Ministry of Agriculture and the Ministry of Industry. It is true that tariffs have remained low under Jokowi, but protectionism in the form of non-tariff barriers has escalated. The Ministry of Trade calculates that the proportion of product lines subject to some form of import restriction rose from 9 per cent in 2011 to 35 per cent in 2016. Studies have shown that non-tariff barriers such as quotas, import licences and export bans are prone to corruption. In democratic polities such as Indonesia, import restrictions can lead to ‘protection for sale’, whereby protection is given to the highest bidders (cronies) or is granted to certain sectors (generally small business or agriculture) in order to gain a political advantage with the public (see Chapter 7 by Damuri and Pangestu). In 2016, in line with a recommendation by the Corruption Eradication Commission (KPK), the Ministry of Trade was instructed to reduce the number of import restrictions and no longer to use quantitative restrictions such as quotas (Presidential Instruction No. 10/2016 on the Prevention and Eradication of Corruption).

Jokowi reshuffled his cabinet in August 2015, and again in July 2016. Three years into his presidency, he had already had three trade ministers: Rachmat Gobel, Thomas Lembong and Enggartiasno Lukita. Given the profiles and actions of the three trade ministers, it would appear that the government swung from a protectionist to a market-friendly back to a protectionist policy stance – but the quick turnover of ministers could equally reflect the absence of a clear vision for trade policy. Jokowi also

replaced the minister of industry, Saleh Husin, with Airlangga Hartarto, but the minister of agriculture, Amran Sulaiman, was retained despite the two reshuffles (and also survived a third reshuffle in January 2018). This is worthy of note, considering that he is arguably the most populist minister in Jokowi's cabinet. The agriculture minister favours an extreme interpretation of food self-sufficiency that precludes any imports of agricultural products. Given that he remains in cabinet, it would appear that Jokowi supports this view.

How do we explain the rise in economic populism and protectionism under Jokowi? To start with, at the beginning of the Jokowi presidency the rupiah appreciated, making the country's exports more expensive and therefore less competitive. The commodity boom ended around the same time, also reducing Indonesia's competitiveness. Both these factors increased the demand for protection. There has also been a bandwagon effect in which Indonesia has followed the trend set by many other countries to employ a more active industrial policy – perhaps in response to weak global demand. The blame partly goes to the failure of the Doha Round of the WTO, which has damaged confidence in the international economic architecture. Some countries have resorted to beggar-thy-neighbour exchange rate policies while others have continued to erect non-tariff barriers. Even though the protectionist measures themselves have not had much of an impact on trade, the uncertainty they have created about the direction of trade policy certainly has had an impact.

Despite the fact that protectionist measures often have negative consequences, they seem to be spreading almost everywhere, including in Jokowi's Indonesia. The recent rice fracas is a case in point. Indonesia's ambition for self-sufficiency in rice is built on false assumptions: that self-sufficiency means food security (wrong – food security can be obtained without self-sufficiency), that it will benefit the poor (wrong – most Indonesians, including poor farmers and landless peasants, are net consumers of rice), that Indonesia has an abundance of rice and hence is a natural rice exporter (wrong – Indonesia has exported more rice than it has imported in only seven years since 1870, which is as far back as reliable data can go) and that the world market for rice is thin (wrong – the world rice market is much larger and more stable now than it was in the 1970s).

Some populist and protectionist fallacies can be debunked with data and economic reasoning but the politics of this issue are far more complicated. This may be because economic nationalism pays politically (exhibit one: Trump), or because the gains from globalisation are diffused and take a long time to materialise, whereas the costs are concentrated and materialise more quickly. In addition, politicians like to frame economic nationalism in anti-colonial and anti-imperialist terms (see Chapter 3 by Aspinall). Or perhaps economic arguments do not really matter, because

politicians view jargon such as ‘food sovereignty’ and ‘food self-sufficiency’ as politically potent rhetoric that can ensure their political longevity (see Chapter 5 by Neilson).

STRUCTURE OF THE BOOK

This book consists of five parts. Part 1 highlights Indonesia’s experience with globalisation, nationalism and sovereignty.

Chapter 2 by Anthony Reid traces the history of Indonesian trade and commerce from the United East India Company (VOC) times of mercantilism and monopoly, to the rise of free trade under the British during the nineteenth century, to modern-day Indonesia. Given its archipelagic nature, Indonesia is an unlikely place for mercantilist exclusivity, argues Reid. In fact, ‘the fundamental reality of the region before 1650 was of multiple port-states competing to attract the world’s traders’ (p. 17). Yet somehow the idea of state monopoly of trade took deep root in Indonesia. The country was the battleground of competing monopolies for centuries as policy collided dangerously with geography. The lesson from Indonesia’s experience, according to Reid, was that state power exercised strategically and pragmatically, in alliance with diverse market forces, could tie together a very plural place without sacrificing economic efficiency.

In the early years of independence, however, the Indonesian government sought state control of all the levers of the economy. Under President Sukarno theories of autarchy and command economy gained popularity, foreign investment and capitalism were associated with the colonial enemy, and capital and expertise fled the country. After Suharto came to power, the technocrats were able to convince the president to institute market-friendly reforms. Suharto also gradually eased the military out of business with Malaysia and Singapore and built cooperative relationships with other countries in the region. But although policy-making has come closer to economic reality, monopolies and rent-seeking remain alluring to a nationalist lobby convinced that indigenous Indonesians suffer a disadvantage in their own country. In a globalised world Indonesia will thus continue its search for a stable equilibrium between state ambition and economic reality.

In Chapter 3, Edward Aspinall argues that nationalist discourse and policy-making are more prominent under President Joko Widodo than under any other post-Suharto government. Aspinall discusses the core features of the new nationalism along its channels of mobilisation: territorial, economic and cultural. He agrees with Reid that the ‘new’ nationalism is not in fact particularly new. Indonesia’s contemporary nationalism is

shaped—in fact, trapped—by its historical roots. What is different now, according to Aspinnall, is that the contemporary nationalism is strikingly less ideological and less theorised than during either the politically leftist Sukarno era or the politically conservative Suharto era. In the absence of a clear ideology, however, Indonesia still has plenty of ‘recyclers of old tropes’ and ‘promoters of base emotional appeals’ (p. 44), among them the notion that foreign powers harbour hostile designs on Indonesia, and a preoccupation with national dignity. Understanding the new nationalism thus requires an understanding of politics in particular, and of the country’s economic, social and cultural dynamics in general.

In Chapter 4, Shafiah F. Muhibat discusses the dispute between China and several Southeast Asian countries that have overlapping territorial claims in the South China Sea. She explains that Indonesia has become more cautious in this matter, although it has consistently declared that it is not a party to the dispute. Although China does not claim any of Indonesia’s landmass, in 2009 it asserted its ‘historic’ rights over waters that lie within Indonesia’s exclusive economic zone in the province of Natuna, a remote group of islands in the southern part of the South China Sea. In 2016, Chinese fishing vessels operating without permission in Natuna waters clashed three times with Indonesian patrol boats and the Indonesian navy, sparking tension between the two countries. To signify the seriousness with which Indonesia viewed this matter, the Indonesian president visited the area on board a warship (as shown on the cover of this book), and the military held two high-profile exercises in Natuna waters, observed by the president. Muhibat argues that, while the government is taking tougher measures to protect Indonesian interests in Natuna, there is little chance of a dramatic change in its foreign policy on the South China Sea, particularly if it would be likely to jeopardise the relationship with China. Indonesia will continue to maintain its non-claimant position while at the same time emphasising its long-held position that it does not recognise China’s claim to ‘historic’ rights in the South China Sea. It can, however, help to manage the dispute between China and other Southeast Asian countries through the ASEAN framework.

Part 2 of the book provides an assessment of nationalism in Indonesia in practice. The first two chapters discuss sovereignty and nationalism in terms of food protection and mineral protection, respectively. The third chapter reports the results of a recent survey on the perceptions of Indonesians towards globalisation and nationalism.

In Chapter 5, Jeff Neilson examines the ways in which food sovereignty discourses are articulated in Indonesia, exploring their recent emergence and their current deployment by state-based actors. Food sovereignty, or *kedaulatan pangan*, writes Neilson, is a fundamentally endogenous political construct in Indonesia that is only marginally related to its broader global

discourses. It should thus be understood primarily as a rhetorical device to strengthen the role and function of the state, and to reinforce existing associations between food security, state control and national-scale food self-sufficiency. It responds primarily to the scalar and emotive notion of feeding the *bangsa*, the abstract Indonesian term for ‘the nation’. The conceptual malleability and emotiveness of the term *kedaulatan pangan* allow it to be harnessed by different actors for considerably different ends. It also acts to provide a powerful discursive legitimacy for the state, which is able to extend its material control over the *bangsa* even as the problems of malnutrition, the poor’s lack of access to food and geographical inequality remain inadequately addressed.

Chapter 6 by Eve Warburton deals with resource nationalism. The global mining boom between 2003 and 2013 caused a frenzy of mineral extraction across Indonesia’s resource-rich regions, particularly Kalimantan, Sulawesi and Sumatra. Indonesia’s central and regional governments enjoyed a huge boost in revenues as a result. But many policy-makers, activists and politicians became concerned that Indonesia’s finite resources were being shipped overseas too quickly and too cheaply, and that not enough Indonesians were feeling the economic benefits of the minerals boom. In response, in 2009 President Yudhoyono introduced a law requiring mining companies to add domestic value to their mineral ores. This was followed by a ban on the export of minerals in January 2014. The new president elected in 2014, Joko Widodo, initially expressed strong support for the ban, as it fitted with his nationalist economic rhetoric. But then, in January 2017, his administration made the controversial decision to relax the ban, jeopardising three years of downstream investment and development. Warburton argues that this decision was taken primarily to support state-owned mining company PT Aneka Tambang (Antam), whose profits had suffered during the export ban, and not because resource nationalism was on the retreat. In other words, it was all about political calculations. In Warburton’s account, resource nationalism should not be viewed as a temporary response to price booms but as part of a re-emergent developmentalist model. This view is consistent with a broader narrative about Indonesia’s struggle against foreign economic exploitation (see Chapter 3 by Aspinall).

In Chapter 7, Yose Rizal Damuri and Mari Pangestu dissect the results of a public opinion survey conducted by the Centre for Strategic and International Studies (CSIS) in 2017. Their analysis reveals that anti-globalisation sentiment is strongest with regard to foreign labour and second strongest with regard to foreign imports. However, Indonesians are broadly welcoming of foreign investment and are strongly in favour of foreign visitors. As expected, those who are younger, better educated, working and relatively satisfied with the current economic state of the

country are more likely to be positive about globalisation. Those who voted for President Jokowi in the 2014 elections also have a more positive attitude towards globalisation. Damuri and Pangestu find that people with good access to information through the media are actually *less* positive towards economic openness. This has important implications for the communication strategy of the government on the issue of openness, and for the possible angles to be used by politicians in proposing their programs.

Part 3 of the book focuses on the impact of and response to globalisation. In Chapter 8, Arief Anshory Yusuf and Peter Warr examine the relationship between anti-globalisation, poverty and inequality. In the decade and a half after the 1997–98 Asian financial crisis (2000–16), the average growth rate of real GDP per capita in Indonesia was marginally lower than the rate during the two decades preceding the crisis (1976–96) but the rate of poverty reduction slowed significantly. In other words, growth became substantially less effective in reducing poverty. Around the same time, there was a huge increase in measured economic inequality within Indonesia. Yusuf and Warr hypothesise that anti-globalisation (or protectionism in general) caused at least some of the slowdown in poverty reduction and rise in inequality. Their research shows that the increase in protectionism both globally and within Indonesia between 2008 and 2015 had a negative but small effect on the rate of poverty reduction. It also increased inequality, but the effect was smaller still. They conclude that anti-globalisation was harmful for both poverty reduction and inequality, but it was not the major cause of either the slowdown in poverty reduction or the increase in inequality observed in Indonesia.

In Chapter 9, Krisztina Kis-Katos, Janneke Pieters and Robert Sparrow assess the gender-specific effects of trade reform, with a focus on the female labour market implications of trade liberalisation in Indonesia in the 1990s. While the 1990s were a period of stagnation in aggregate female labour force participation, in the post-decentralisation era Indonesia experienced an increase in female participation, especially after 2003. The authors find no evidence that international trade has been conducive to improving women's employment opportunities since the early 2000s, in contrast to their earlier finding that 'trade liberalisation in the 1990s led to larger increases in female (but not male) work participation in those districts that were more strongly exposed to falling tariffs on intermediate products' (p. 176). The authors conclude that whereas female labour force participation has been rising slowly in Indonesia since the turn of the century, the relative role of international trade in improving employment opportunities for women seems to have declined between 2000 and 2010. At the same time, the focus of trade activities shifted towards sectors that were relatively male intensive, such as mining, leading to a reduction in

the female labour needs of trade. In addition, female intensity of the labour force increased predominantly in sectors that saw a relative reduction in their exposure to international trade.

Manggi Habir in Chapter 10 looks at the response of Indonesian companies to the shifts in globalisation trends. He focuses on the changes that can be observed during three periods: the formative years of the Sukarno era (1945–65), the development-focused Suharto period (1966–98) and the more open era of *reformasi* (1998 to the present). Habir argues that, even with the country's current protectionist bias, the disruptive impact of globalisation cannot be avoided. Industry players and regulatory authorities have struggled to adapt to heightened competition, to rapid changes in technology and to the changes in how business operates. Globalisation is associated with increased deforestation, pollution and the devastating global financial crisis. Yet it has also increased the efficiency of resource allocation across countries, lifting levels of productivity, growth and development. With advances in technology, this often disruptive and transformative process is accelerating. As a result, there has been a rise in income disparity, leading in turn to a more uncertain and volatile political environment. Businesses generally prefer certainty and thus are usually in favour of maintaining the status quo. In Indonesia, this has translated into two different responses to globalisation: the larger, more established companies are biased towards maintaining the status quo and towards protecting domestic markets; while the new, smaller and less established entrants are seeking to disrupt the status quo and are more tolerant of an open economy.

The three chapters in Part 4 concentrate on the human face of globalisation. In Chapter 11, T. Yudo Wicaksono and Chris Manning discuss the benefits and costs of globalisation for labour in Indonesia. The key channels of globalisation they observe are international trade and investment, with migration playing a supporting role. They argue that, in general, globalisation has been good for labour, although there have been backwash effects for jobs in lagging industries. Moreover, the future for jobs appears less certain than it has for some time as the digital revolution takes hold across the economy. Digital technology will make many unskilled workers redundant and will probably increase inequality. But there are also likely to be benefits for labour, including unskilled labour, from the internet age. To ensure that these benefits are enjoyed by workers, Indonesia will need to be proactive in dealing with the competitive challenges posed by the rapid absorption of this new wave of technology from abroad.

In Chapter 12, Anis Hidayah examines the livelihoods of Indonesian migrant workers in light of globalisation. In particular, she discusses how the Village of Care for Migrant Workers (Desbumi) program is helping to address the problems faced by migrant workers at the village level.

According to Hidayah, most low-skilled migrant workers are women from poor Indonesian villages with little access to decent jobs at home. Unfortunately, these villages have become a major market for job brokers, many of whom use intimidation and other practices that verge on, or constitute, human trafficking. As a result, trafficking often starts at the village level, disguised as a job placement program for migrant workers. Indonesian NGO Migrant CARE established the Desbumi program in 2014 to respond to this situation. Hidayah describes how this initiative is helping to improve the safety of migrants, the returns to migration and the migrant worker system. Among other things, Desbumi provides information on how to have a safe migration, assistance with document preparation, grievance mechanisms and post-migration economic empowerment, supported by compilations of the relevant village rules and regulations and a migrant worker database.

In Chapter 13, Dominggus Elcid Li sharpens the focus of the previous two chapters by examining the link between migrant worker schemes and human trafficking. Although trafficking of migrant workers is widespread in Indonesia, the state's institutions have not yet come up with a coordinated strategy to wipe it out. The free movement of people is part of globalisation, but what the state has failed to anticipate is the threat to vulnerable citizens when human beings are treated as a commodity. In Indonesia human trafficking is considered a crime, but it has yet to be treated as an extraordinary crime. Based on his research in East Nusa Tenggara, Li concludes that Indonesia's state institutions are unable to shield citizens from the risk of human trafficking today. The main problem faced by the vulnerable communities that are the targets of human trafficking is the absence of a clear strategy to prevent labour exploitation in the recruitment areas. Human trafficking networks like to operate in places where vulnerable groups have limited access to resources and no way out of the poverty trap. Rather than relying on civil society organisations to provide an ad hoc solution to the problem, Li argues, the government must develop a comprehensive strategy to deal with the organised crime networks engaged in human trafficking.

Part 5 of the book examines the ways in which Indonesia is navigating the new globalisation. In Chapter 14, Hal Hill and Deasy Pane argue that, after progressively disengaging from the global economy during the first two decades of independence, Indonesia has created a policy regime that has been broadly open since 1966. There were major and successful reform episodes in the late 1960s and the first half of the 1980s, and the economy and polity recovered surprisingly quickly from the deep economic and political crises of 1997–98. But there continues to be widespread ambivalence towards globalisation, and as a result, Indonesia is missing out on some of the opportunities available to more open economies. Hill and

Pane illustrate these issues by examining the link between the policy environment and export performance in Indonesia. In particular, they focus on the three most important footloose manufactured exports for most developing economies: garments, footwear and electronics. They find that when Indonesia embraced globalisation through well-constructed and well-implemented policy reform, as in the 1960s and 1980s, there was a clear policy dividend in terms of stronger export performance, leading to faster employment generation and poverty reduction. When reform regressed, or did not proceed as quickly as in neighbouring countries, Indonesia missed out on these opportunities.

Chapter 15 by Titik Anas and Dionisius Narjoko looks at Indonesia's place and role in the international trade architecture, whether in multi-lateral bodies such as the WTO, in regional organisations such as APEC, ASEAN and the Regional Comprehensive Economic Partnership (RCEP) or in bilateral trade agreements. Anas and Narjoko argue that it is in Indonesia's interest to have a more open trade and investment regime. Indonesia should engage more in cooperative international arrangements, which have proven instrumental in reducing the barriers to trade and in providing the policy discipline to withstand rent-seeking activities. Beyond Indonesia, the authors call for ASEAN to exercise leadership in the finalisation of the RCEP negotiations. This can be done by using the momentum of the withdrawal of the United States from the TPP, which has increased the potential benefits of regionalisation for RCEP member countries.

CONCLUSION AND WAYS FORWARD

Examining Indonesia's position in the new world requires a broad understanding of the extent to which the state and the people engage with the many dimensions of globalisation, nationalism and sovereignty. First, geographic and historical features matter. In considering the best approach to trade and international affairs, policy-makers should take heed of the fact that Indonesia's archipelagic nature makes the country an unlikely place for mercantilist exclusivity. Globalisation today is more complex than ever. But as history has shown, strategically and pragmatically exercised state power in alliance with multiple market forces can tie together a very plural place without sacrificing economic efficiency.

Second, while the current rise in nationalism is not an entirely new thing, it is manifesting in a less ideological and more pragmatic way than in the past. In this regard, analyses should allow for more nuanced interpretations of its manifestations. For example, political constructs such as food sovereignty and food self-sufficiency may constitute necessary

rhetoric by the state in order to strengthen its position with the people. Resource nationalism, on the other hand, may indicate the re-emergence of a developmentalist model.

While it is acknowledged that globalisation can have both positive and negative results, reform should continue to allow the country to make the most of the opportunities to engage with globalisation. At the same time, improving compensation mechanisms and labour market flexibility would help to reduce the risks and costs of globalisation. The labour market issue is especially important because it involves sensitive issues – mistreatment of migrant workers, job losses, a perceived excess of foreign workers – that, if wrongly managed, would further strengthen the public anxiety about globalisation.

Finally, it is important for Indonesia to increase its engagement with the international economic architecture. Even though the multilateral WTO agreement is not working effectively, Indonesia should not risk contributing to the proliferation of costly bilateral agreements. Instead, it should concentrate on upholding the non-discriminatory principles in regional agreements such as the RCEP.