

Indonesia and the Concept of Regional Power

Shafiah F. Muhibat

From a centrally governed, army-dominated state, Indonesia has evolved significantly since 1998, though the pace has been at times painfully slow. In addition to that, many have argued that Indonesia's regional and global profile is rising. Since 2003, Indonesia has been the driving force behind political and security community building in the Association of Southeast Asian Nations (ASEAN), even as it strengthens bilateral partnerships with major powers such as the United States, China, and India. Indonesia has also been vigorously engaged in many global issues such as climate change and been a fervent supporter of global institutions including the G-20.

Putting Indonesia in the discussion of regional power is important because it is one of Southeast Asia's key leaders and is also an active participant in Asia's emerging regional security architecture. This paper seeks to analyse Indonesia's emergence as a regional power through two aspects: (1) Indonesia's domestic profile, including recent developments in politics, economy, and defence and security; and (2) Indonesia's rising global and regional profile.

Conceptualizing Regional Power

Discussing power at the global level has to incorporate the great powers in its calculations because of the consequences of their coali-

Shafiah F. Muhibat is the Chief Editor of The Indonesian Quarterly; and a senior researcher at the Department of Politics and International Relations, Centre for Strategic and International Studies.

tion behaviour. In comparison with merely regional powers, others respond to great powers on the basis of system level calculations about the present and near-future distribution of power.¹ Middle powers, by definition, lack the resources to engage with every area of international politics – such is the preserve of great powers. However, they display foreign policy behaviour that stabilizes and legitimizes the global order, typically through multilateral and cooperative initiatives. A rapidly growing population and sustained economic growth are one plausible set of distinguishing characteristics of the emerging middle. Countries with those features demonstrate growing domestic demands for exports from other developing countries, are more likely to provide aid and foreign direct investment, and tend to become major destinations of international labour migration. From a somewhat different perspective, institutional stability and an effective state apparatus might constitute crucial features of the emerging middle.² Middle powers by themselves are unlikely to have overwhelming influence on the international stage; rather, they exhibit a strong regional orientation favouring regional integration. As such, when discussing the emerging middle concept it is advisable to state clearly which arena they are being considered with respect to.

Regional powers (or regional leaders) are considered powerful in their own regions, irrespective of whether they represent regional relationships of enmity or amity. They shape the polarity of a regional area. Formal acceptance of great power status by peer states is a criterion to identify great powers in the international system. Regional powers are pre-eminent in areas of the world without being able to extend their interest as globally.³ Moreover, the role of regional powers is linked to the notion of “pivotal states,” as these states are so important regionally that their collapse would cause regional disorder.⁴

The extent to which economic power is a necessary condition for holding the role of regional power remains unclear in the academic

¹ Barry Buzan and Ole Waever, *Regions and Power: The Structure of International Society*, (Cambridge: Cambridge University Press, 2003), p. 35

² Peter Evans and James E. Rauch, “Bureaucracy and Growth: A cross-national analysis of the effects of ‘Weberian’ state structures,” *American Sociological Review*, 64 (1999), p. 748-65.

³ Samuel P. Huntington, “The Lonely Superpower,” *Foreign Affairs*, 78 (1999), p. 23-41

⁴ Robert S. Chase, Emily B. Hill, and Paul Kennedy, *The Pivotal States: A New Framework for U.S. Policy in the Developing World* (WW Norton, 2000).

discussion.⁵ Nonetheless, stable and competent states have a higher degree of influence on the global economy, and are better able to engage in regional leadership, establish South-South partnerships, and broker deals within global institutions.⁶

Regional powers are expected to play the role of regional peace-makers and police as well as taking on the role of a moral authority, as they have the responsibility for keeping their backyard neat and orderly sometimes with a measure of support by great powers.⁷ There is also the expectation that regional powers support and promote acceptable rules and norms in terms of which regional politics and relations are conducted.⁸ Regional powers are the key players, often creators, of regional governance institutions. The leader's regional influence will depend on its ability to determine the cooperation agenda, which can be achieved either through a cooperative or unilateral way.

The political and socioeconomic power of middle-income countries has grown significantly over the last decades. A newly emerging middle is changing the global balance of power, as middle-income countries comprise about two-thirds of the world's population, and their economies account for growing export demands. Middle-income countries have also started to play bigger roles as regional powerhouses and independent actors in various arenas of global governance. The G-8 has metamorphosed into the G-20, recognising that to be more effective and more legitimate its membership had to include existing and emerging middle powers. Yet, middle-income countries simultaneously demonstrate the highest rates of social inequality in the world.

Indonesia's Domestic Profile

Indonesia's recent developments include both reassuring and disconcerting trends. On the one hand, the country has made consid-

⁵ Robert Kappel, "On the Economics of Regional Power: Comparing China, India, Brazil, and South Africa," German Institute of Global and Area Studies (GIGA) Working Paper No. 145 (2010).

⁶ James Scott, Matthias vom Hau, and David Hulme, "Beyond the BICs: Identifying the "Emerging Middle Powers" and Understanding their Role in Global Poverty Reduction," Brook World Poverty Institute Working Paper 137 (2010), p. 5.

⁷ Daniel Fledes, "Conceptualising Regional Power in International Relations: Lessons from South Africa," German Institute of Global and Area Studies (GIGA) Working Paper No. 53 (2007), p. 10.

⁸ Ibid.

erable progress in consolidating its democracy and economy during President Susilo Bambang Yudhoyono's first administration. Since Indonesia's shift to democracy in the late 1990s, there have been two presidential elections, three parliamentarian elections, and hundred of sub-national/regional elections. In light of these improvements, some observers have expressed hope that Indonesia will soon join ranks with other leading emerging markets, particularly those of the BRIC (Brazil, Russia, India, and China). On the other hand, some of this optimism may be premature in the view of ongoing issues such as the never-ending corruption cases.

Indonesia ranks 38th economies in the 2013 Global Competitiveness Index (GCI) ranking, with an index of 4.53.⁹ Since 2005, the country has progressed in each of 12 categories of the index. Its 10-position improvement in the overall ranking is the highest of all G-20 countries. Indonesia now compares favourably with the BRICS, with the notable exception of China. Indonesia precedes India, South Africa, Brazil and Russia and sits midway within ASEAN, well behind Singapore and Malaysia, far ahead of the Philippines and Cambodia, but at par with Thailand and Vietnam.

Among Indonesia's strengths, fast growth and sound fiscal management have put the country on a strong fiscal footing.¹⁰ Basic education is accessible to nearly all with recent improvement in quality. Efforts must now turn to improving access and quality of higher education. Among the factors that will become critical in the coming years, the efficiency of the goods market is relatively well assessed, thanks to a competitive tax regime and intense competition. However, bureaucracy and trade barriers still stand in the way. Another clear advantage is the large size of Indonesia's market. As one of the world's 20 largest economies, the country boasts a vast and growing middle class.

While Indonesia's democracy has received much acclaim for institutionalising fair, free, and peaceful elections, which promotes its stature as the largest democratic state in the region, important challenges still lie ahead. Infrastructure is among the most glaring shortcoming,

⁹ "Infrastructure Boosts Indonesia's Competitiveness," *The Jakarta Post*, 5 September 2013.

¹⁰ World Economic Forum, "The Indonesian Competitiveness Report 2011: Executive Summary," http://www3.weforum.org/docs/WEF_GCR_Indonesia_ExecutiveSummary_2011.pdf

as ports, roads and railroads are in poor condition. Electricity supply is extremely unreliable and scarce. The benefits of information and communication technologies remain limited among businesses, as well as within the population at large. The public health situation is alarming on several accounts. The rigid labour market contributes to a high degree of informal employment and unsafe working conditions.

Institutional framework remains homework to be done. Corruption remains widespread, while greater transparency and predictability are needed in the policy-making process. Political controversies indicate that Indonesia's democracy has reached a critical point in its consolidation process, a point where newly institutionalised norms and agencies begin to challenge pre-existing ones. The coexistence of democratic and non-democratic, reformist, and backward-looking forces is bound to accelerate political turbulences

The increasing size of the Indonesian economy in terms of GDP and its active membership in many regional trading arrangements and other international institutions are the basic arguments that allow it to stand out in the international community. Within the last ten years, based on macro-economic indicators, Indonesia has put up a good performance, judging from economic growth, inflation rate, and better performance of banks and financial institutions.

In 1999, when G-20 was set up, Indonesia had the second lowest GDP among the G-20 countries, with India being the lowest. In terms of the size of economy, Indonesia is slightly larger than other developing countries. Recently, Indonesia has developed in terms of GDP and has a larger GDP compared to those of developing countries and a number of developed countries such as Australia. Within ten years, the economic size of Indonesia has increased 267.53% from 1999 to 2009, which is a 267.53% increase. However, Indonesia remains the second poorest in terms of income per capita relative to the average value of the G-20.¹¹

Based on the G-20 reform agendas for sustained growth especially since the G-20 Summit in Berlin in 2004, Indonesia has stayed focused

¹¹ Zamroni Salim, "Indonesia in the G20: Benefits and Challenges Amidst National Interests and Priorities," in Wilhelm Hofmeister (Ed.), *G20: Perceptions and Perspectives for Global Governance* (Singapore: Konrad Adenauer Stiftung, 2010).

on the improvement of public debt management, fiscal consolidation and transparency, promotion of financial markets stability and the creation of good and clean governance. The government pledged to assure financial market access for low-income households and small and medium enterprises. In addition, the enhancement of private sector involvement in the Indonesian economy by creating a better investment climate and maintaining monetary and financial stability has also been a priority.

In the defence and security sector, due to the military's off-budget revenues, the government is accustomed to a relatively low level of military spending that has only started to pick up in recent years. Despite the continuing financial and budgetary constraints, Indonesia has continued to improve its defence sector. Under its "Minimum Essential Forces" planning strategy, the Indonesian government aims to upgrade the National Armed Forces (Tentara Nasional Indonesia/TNI)'s current force structure and operational readiness to a level enabling it to rapidly deploy military forces for a wide array of national contingencies. According to a 2008 Presidential Regulation, the main priority of Indonesia's defence development programs is "a force level that can guarantee the attainment of immediate strategic defence interests, with the procurement priority given to the improvement of minimum defence strength and/or the replacement of outdated main weapon systems/equipment,"¹²

The Defence Strategic Plan 2010-2014 specifies a defence acquisition roadmap, which is expected to focus on the provision of modern capabilities across land, sea and air forces, with emphasis on air and sea-lift operations. The Plan remains the basis for defence development.

The 2013 defence spending tops that for all government agencies spiking to a record of US\$ 8 billion, which is 6.6% higher than the previous year.¹³ This is a significant increase that would allow TNI to continue the modernization efforts, and, as said by the Indonesian President, is "aimed at improving the readiness and reliability of the TNI in

¹² Presidential Regulations No. 7/2008 on the General Policy Guidelines on State Defence Policy.

¹³ "Indonesia Hikes Defense Budget, Forges Close Ties with Beijing and Washington," *The Jakarta Globe*, 24 August 2012.

safeguarding (our) territorial sovereignty, in executing defensive tasks of the state during peace-time, and in participating in the maintenance of world peace."¹⁴

The Indonesian military is mostly made up of soldiers with sub-standard equipment and resources, which should be the key point in the effort to professionalise the military, including the naval capability. The current priorities for naval development include patrol and transport ships (particularly to replace ageing ships which may cause danger to the operator), logistic capabilities, and the development of an intermediary (bridging) technology. Modernisation is not the only priority, but also re-balancing of the naval capability. The recent years have seen some improvement in Indonesian defence infrastructure, including the building of radar sites along the Malacca Straits and peripheral island chains. Plans for improving and adding regional naval bases for patrols and security operations are moving forward in the budgeting process, albeit slowly. Much more must be invested into Indonesia's basic ability to service and maintain its military before it considers significant overseas purchases.

To understand whether these developments are significant, let's make a comparison to other regional powers. Indonesia and other Southeast Asian nations have generally sought to improve their naval capabilities. Compared to its neighbouring countries, Indonesia's navy is sizeable, but ageing. As a comparison, Thailand maintains a modern, advanced fleet at well as the only aircraft carrier. Singapore, another example, has possession of the region's most impressive submarine fleet. Indeed, Singapore is the region's biggest spender with the best-equipped military.¹⁵

There is a growing asymmetry of naval power in East Asia to the advantage of China.¹⁶ The nations of Southeast Asia are building up their militaries, buying submarines and jet fighters at a record pace and edging closer strategically to the United States as a hedge against China's rise and its claims to all of the South China Sea. Weapons ac-

¹⁴ Ibid.

¹⁵ John O'Callaghan, "Southeast Asia Splashes Out on Defense, Mostly Maritime," *Reuters*, 7 October 2012.

¹⁶ See, for example, Ralf Emmers, "The Changing Power Distribution in the South China Sea: Implications for Conflict Management and Avoidance," in *Political Science Vol. 62* (2011)

quisitions in the region almost doubled from 2005 to 2009 compared with the five preceding years.¹⁷ Overall, Asia's defence spending continues to grow and could account for 32% of global military spending by 2016, or US \$480 billion, up from 24% in 2007 unlike North America, the biggest spender in 2007 with 39% of the world arms market would account for 29% or \$435 billion.¹⁸ Further, Asian military spending will be led by China (from US \$120 billion in 2007 to \$255 billion by 2016) and India (about US \$100 billion for procurement in the next five years).¹⁹

Indonesia's Global and Regional Profile: An Emerging Regional Power?

Indonesia's position is strategically important because of its involvement in ASEAN, in the East Asia Summit (EAS) and the Group of 20 (G-20). Signalled by its move to rejoin the United Nations in 1960 and its role as the founding member of ASEAN in 1967, involvement in international and regional institutions have dominated Indonesia's foreign policy. Indonesia's foreign policy makers seem to endorse the institutionalist perspective that international institutions will promote the national interest in the pursuit of national gains. Indonesia's foreign policy has traditionally been conceived in terms of two types of emotion: feelings of vulnerability stemming from domestic weaknesses and fragmentation and or regional entitlement emanating from the country's military struggle for independence, geographical dimensions, large population, strategic position, and natural resources.²⁰ In addition to its vast land area, Indonesia consists of an extensive maritime territory, making it both the largest land and archipelagic state in Southeast Asia. Since the end of 2003, Indonesia has helped push forward pro-active new policies for ASEAN and the wider region, both in enhancing regional integration, and deepening 'strategic partnership' with India and China.

¹⁷ Stockholm International Peace Research Institute, *SIPRI Yearbook 2009: Armaments, Disarmament and International Security*, (Oxford 2009)

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Michael Leifer, *Indonesia's Foreign Policy*, (London: 1983), p. 173

ASEAN

Membership in ASEAN has been particularly important for Indonesia, and it has felt entitled to a position of natural leadership within ASEAN and has been recognised by the other members as first among equals. One of the constant themes in Indonesia's foreign ministry's pronouncements has been that ASEAN is "the cornerstone of Indonesia's foreign policy".²¹ During the New Order period (1967-98), Indonesia played the role of a benevolent hegemon within ASEAN and contributed to a regional stability and security in the region. However, Indonesia's status as a benevolent regional hegemon has significantly diminished since 1997, in relation to the country's financial crisis and the end of the New Order, leading to a loss in regional standing. The consequences of the Asian financial crisis and the collapse of the Suharto regime in 1998 led to domestic unrest and severely reduced Indonesia's role in regional affairs. It has since then exercised benevolent power to the best of its ability in light of its domestic weaknesses and adopted a more active foreign policy.

Indonesia served as a Chair of ASEAN in 2011. It sought to carry out several initiatives during its Chairmanship. The overarching theme of the 2011 ASEAN Summit in Jakarta was an active ASEAN Community participating within a Global Community of Nations. Indonesia concentrated on the objectives of maintaining the centrality and credibility of ASEAN. Indonesia, as the only ASEAN member of the G-20, prefers that ASEAN move beyond its passive and narrow geographic narratives to incorporate a broader global perspective. On security issue, Indonesia suggested it becomes the hub for a network of peacekeeping centres in Southeast Asia, as part of efforts to create an ASEAN Political Security Community (APSC).

Regionally, Indonesia is well placed to persuade other ASEAN countries to maintain the organisation's unity when dealing with intra-regional issues, and when dealing with external partners. Indonesia needs to minimise the division between ASEAN countries by reminding them of ASEAN's centrality in Asia's regional architecture.

²¹ See, for example *Ibid.*; and Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism* (Singapore: 1994).

G-20

The G-20 was set up by developed and developing countries to find solutions to the global financial crisis and have dialogues on general and specific regulations to secure the countries from future recurrence of crises. Indonesia is the only Southeast Asian member of the G-20. Indonesia views G-20 as very important, and has expressed hope to play part to reform the world's economic architecture and to play an active role in the G-20 process. Many expectations were attached to the Indonesian membership in working together with other G-20 members to solve the problem of global and regional issues.

Indonesia was chosen based on some considerations including the size of its population and economy. Impressive growth rates in recent years have strengthened the perception of Indonesia as a regional power. Domestic consumption is said to be robust, investment figures encouraging, and exports expanding.

Early on in its involvement in the G-20, Indonesia proposed the creation of the General Expenditure Support Fund (GESF), an emergency fund for allowing middle-income economies to secure cost-effective financing for infrastructure and programmes to support MDG goals in times of crises. Indonesia chaired the G-20 working group on the reform of the multilateral development banks. It also co-chaired the working group on anti-corruption, which is tasked with drafting a global action plan.

The position of Indonesia is strategic. As one of the new economic powers in the world, the membership of Indonesia in the G-20 is not only an honour but also a responsibility towards the international community. The Indonesian economy has played a global role and the existence of Indonesia has always been promoted in the world including as having economic and political influences. As a member of the G-20, Indonesia has better opportunities than non-member developing countries in solving the global economic and financial problems.

Indonesia proposed various initiatives within the G-20 process and co-chaired working groups to set up details of the agenda and plan of actions. Indonesia is the initiator of the General Expenditure Support Fund (GESF) that helps to provide the liquidity of funding from the IMF and World Bank for developing countries. Recalling that this mechanism's original purpose was to deliver benefits for develop-

ing nations with strong potential for positive economic growth, the initiative received broad positive responses. All 20 members approved and the IMF and World Bank did not object. Indonesia also played a role as a co-chair of the Working Group 4 that evaluated and gathered information on the Multilateral Development Banks and their efforts to reform. It concluded a draft that consisted of a schedule for the finalisation of general principles and the G-20's Action Plan on the reform process of the Multilateral Development Banks.

However, Indonesia cannot ignore the scepticism posed by some countries against its G-20 membership, which view Indonesia as lacking the competence to contribute as well as lacking the domestic political stability to support its membership.

East Asia Summit (EAS)

Beyond Southeast Asia, ASEAN's role in sustaining ASEAN-driven multilateral frameworks and processes received a significant boost with the participation of the US and Russia for the first time in the East Asia Summit (EAS). Through the EAS process — together with other processes such as the ASEAN Plus Three (APT), the ASEAN Regional Forum (ARF) and the ASEAN Defence Ministerial Meeting Plus (ADMM-Plus) — ASEAN sought to provide an institutional framework for powers both major and minor to engage in cooperative undertaking. More specifically, the EAS is expected to function as a mechanism that would facilitate cooperative relationships among the major powers.

The EAS is a relatively new structure formed in 2005. The United States and Russia are newcomers, and the Bali meeting is their inaugural participation. The fact that EAS is a relatively new institution is both its strength and its weakness. As a new construct, it aptly captures the key power players of the Asia Pacific, but its structure is not fully defined.

EAS competes with other architectures in Asia, some based on security, others on trade. Some of these structures are perceived to be dominated by one or another power, for instance China dominates and drives the agenda of the ASEAN Plus Three, comprised of the ten ASEAN countries plus China, Japan and South Korea, while the United States is seen to be the driving force behind the Transpacific Partnership.

The EAS is perceived as the most balanced of the regional structures because it is ASEAN based and includes all the major regional

powers – China, India and the United States. In terms of grand strategy, EAS could be the most capable structure for achieving the goal of accommodating the ambitions of major powers, building trust and transparency in key areas including security, political, financial and trade, and binding all by a common set of rules.

During 2011, Indonesia elevated its role as the Chair of ASEAN into coordinating the East Asia Summit (EAS). In November 2011, Indonesia hosted the Sixth EAS, which continues to be a forum for dialogue on broad strategic, political and economic issues to promote ‘common security, common prosperity, and common stability.’ The event also marked the addition of the United States and Russia to EAS. In the context of a world trying to devise a new global order following the 2008 Global Financial Crisis, the EAS is in the midst of an evolving and increasingly convoluted regional and global architecture.

Indonesia employed its pluralist approach to ensure that ASEAN is a driving force in this evolving regional architecture. Indonesia is framing and shaping the agendas of the East Asia Summit by including Russia and the US in this regional architecture. The inclusion of these two global actors would improve the profile of this Summit. It also represents the awakening of the Asian continent as a global economic centre. Indonesia understands that the centrality of ASEAN is crucial in order to maintain a balance of power between the US, China, India and Russia within the EAS. Their involvement would foster commercial and investment activities in this region. Indonesia does not want the role of ASEAN to erode when the transformation of the EAS into the East Asia Community finally begins to take place.

Vulnerabilities as a Regional Power: A Long Road Ahead for Indonesia

Indonesia now wants to raise its diplomatic game, acting the part of a regional power with a global impact. One sign of this is a desire to be ranked among the BRIC economic club of Brazil, Russia, India and China. Another is to be involved in UN peacekeeping missions and to make democracy and human rights a plank of foreign policy. But the country’s rising ambitions are best epitomised by more urgent talk about how Indonesia can capitalise on its membership of the G-20 group of major economies.

More than most admit, Indonesia's international ambitions rest on shaky domestic foundations. To be effective globally, Indonesia must strengthen its institutions at home and provide real leadership in its immediate neighbourhood — in Southeast Asia. Neither of these challenges has been fully met. The truth is that Indonesia is generally moving in the right direction on issues such as democracy, human rights and the elimination of corruption, but stronger leadership at home is needed to institutionalise and practically implement these fundamental Indonesian values.

In terms of economic dynamism, Indonesia has an incredibly opportunity to lead. However, in both economic vitality and security importance, Indonesia pales beside both China and India. Despite the admirable advances of democracy and of sound fiscal management, prosperity is not entrenched. By several measures of development—life expectancy, health care—Indonesia hangs down below the standard of a middle-income country. Although it is ASEAN's largest economy, it has not been a leader on trade, and it has a myriad of microeconomic challenges that its vast potential as a hub for foreign direct investors seeking an anchor venue in the 10 country, 620 million people, \$1.8 trillion gross domestic Southeast Asian market. Indonesia is yet to be deemed stable, which is counter-productive to the country's efforts to raise tourism and investment.

Indonesia's global impact will only be effective if it can lead within Southeast Asia. Indonesia needs to build a stronger relationship between domestic actors if it is to strengthen its position in ASEAN.

As for the elevation through the G-20 to global prominence, the question is what Indonesia can do with it. On the one hand, Indonesia weathered the global financial crisis that gave the G-20 its sense of purpose. On the other hand, that happened more because Indonesia is still badly-integrated into the global economy. Besides substandard infrastructure, its business climate tends to be hostile to foreign investment and its bureaucracy and legal system is shot through with corruption. Poor governance at home has a bearing on soft-power aspirations abroad: a failure to prosper at home would turn the spotlight away from Indonesia's desire to solve global problems, and towards its capacity to generate them.

As a conclusion, strong leadership at home and in the ASEAN neighbourhood is a necessary condition for realizing Indonesia's broader goals. Although the recognition is given, albeit limited, from both the regional states and extra-regional actors, before progresses at home are made, vulnerabilities will remain to question Indonesia's ability to emerge as a true regional power.