



**Dialogue** on  
**Globalization**

**BRIEFING PAPER**  
**FES INDONESIA**

**New Powers for Global Change?**

**Indonesia, East Asia and Global Governance**

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## 1 Introduction<sup>1</sup>

The Preamble of Indonesia's 1945 Constitution stresses that one of the three rationales for declaring independence and establishing the Indonesian State is to strive for a just and democratic international order.

That is why Indonesia has adopted an active posture in foreign affairs and international relations. She also tries to achieve her goals and objectives through international institutions. Besides being active at the UN and its sister organizations, she was a founding member of the Non-aligned Movement in 1961. She is also a leader in the Group of 77 of Developing Nations at the UN and has become a member of the Organization of Islamic Conference (OIC). Earlier she initiated the Asia Africa (AA) Conference in Bandung, in 1955, accelerating the process of decolonization. But most of all she has been an active member and an informal leader of ASEAN (Association of South East Asian Nations), because of a recognition that her interests and future are closely intertwined with those of her immediate neighbors. Other regional institutions that she has initiated or helped to form, such as APEC (Asia Pacific Economic Cooperation), the ARF (ASEAN Regional Forum), the APT (ASEAN Plus Three – China, Japan and Korea), and the EAS (East Asia Summit), are also important to her. Particularly the latter ones are seen as her main conduit in regional and global affairs.

Indonesia's foreign policy is first and foremost in the service of her national interests, economic as well as political, especially in the field of security. She understands that to become part of regional and international institutions she needs to surrender some of her sovereignty.

The main Indonesian players in formulating foreign policy are growing and diverse groups of interests and ideas. There are more and more conflicting aims among them, especially after democracy was restored in 1998 following 40 years of authoritarian rule under Soekarno and Soeharto. For instance, there are supporters for the continued opening of the economy, but there are growing anti-globalization sentiments. They latter groups feel that they have been left behind by globalization.

Being a developing nation that is non-aligned, Indonesia has always stressed the importance of multilateralism, and is against military alliances. As has been said earlier, Indonesia today and in the future will particularly depend on ASEAN

and other East Asian Institutions to pursue her objectives in foreign policy, especially as regional integration continues to deepen. These regional institutions already have some bearing on decisions made by Indonesia. Indonesia regards herself as the informal leader in ASEAN, having over 40% of the population of South East Asia. In some instances she will speak out and assert this role, but she has more often tried to lean back and as much as possible to encourage consensus. This leadership by consensus perhaps explains ASEAN's success.

The long-term result of the rise of new powers, China in particular, could be a *concert of powers* in global as well as in regional affairs towards the middle of the 21<sup>st</sup> century. Hopefully for East Asia, this could be established earlier in the region.

Indonesia supports the international system, although she recognizes the need for some reforms. But that will be a long-term effort, and should be a peaceful and evolutionary process. Reforms of international institutions are an ongoing process, and the weight of East Asia will slowly but surely be the defining factor in the changes to come in the international system. South-South cooperation is important to strengthen the solidarity among developing nations, but this can only help resolve the big problems if these countries adopt realistic and pragmatic policies.

The UN system is one that still needs a lot of changes. And so does the Bretton Woods system of institutions, established at the end of World War II and still representing the powers of 60 years ago.

In these efforts, the EU and Germany, as its biggest economy, have an important part to play. They are strategic partners in upholding multilateralism. They also give priority to cultural dialogue and issues of climate change in the bilateral cooperation between EU and East Asia, as agreed upon in ASEM. And these are important issues which have become critical for the next decades.

With this brief introduction, I will now turn to an examination of East Asian regionalism and the region's global governance obligations as seen from an Indonesian perspective.

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## 2 East Asian Regionalism and Global Governance

The long-term vision of East Asian growth and dynamism is positive, but the challenges are huge.

Since East Asia, with Japan, China and India at the core of the development, will gradually become the most important part of the globe economically in the next few decades, the balance of power will certainly be shifting to this part of the world. The shift will occur first in the economic sphere, then in the political field and possibly also in the security field, perhaps sometime in the mid-21<sup>st</sup> century.

The world at the end of the 19<sup>th</sup> and the beginning of the 20<sup>th</sup> century showed that economic growth and dynamism alone were not adequate to create peace and stability in Europe and the world because insufficient attention was paid to the political-security field. This resulted in World War I, followed by the emergence of extremism (Nazi-ism and Communism), then World War II, followed by the Cold War that ended at the end of the 20<sup>th</sup> Century.

The relationship between a rising superpower and the established one, such as that between China and the US, will not be an easy one. However, it does not necessarily need to result in a confrontation, as was the case between Great Britain (the superpower of the 19<sup>th</sup> century) and the US (superpower of the 20<sup>th</sup> century). An important recent development is the establishment of certain principles in the relations between the US and China that originated with the suggestion by the then Deputy Secretary of State, Robert Zoellick, to recognize Chinese stakeholder-ship in the global and international order and in its institutions. This recognition means that the US has accepted that China is a status quo power that is wholly accepting existing rules and institutions that have been accepted globally, even though they have been proposed by the US and the West since World War II. This is now being worked out by Secretary Hank Paulson. It still is in its early stage, but it has started to work, especially on the North Korean nuclear proliferation issue and in international economic relations. This principle will work if China takes this responsibility seriously and if the US accepts some exceptions for China that can be agreed upon through dialogues, since she is a "late-comer".

Today, economies in the world have again become interdependent and more integrated. But the politics should be also right in order to maintain a peace and stability that will ensure the

sustainability of the world's economic growth and dynamism. International institutions and norms have been established since World War II to maintain stable political relationships, but they are in need of adjustments and reforms.

The international system has been endangered by the attack on the US by global terrorism on September 11/2001. Because it looked as if there was going to be a clash of civilizations à la Sam Huntington, due to the danger of a "unilateralist" superpower going it alone and making it possible for the clash to happen, because it was in a state of shock for a few years. But balance, sensibility and nuance appear to have been brought back by the mid-term elections in the US in November 2006.

Regional institutions will also contribute to restoring balance in the global and regional order. And they are becoming more important, because they have deepened their cooperation within a limited region, and could achieve more in a lot more fields of activity than global institutions.

In order that this shift in the balance of power takes place peacefully as regards East Asia, two basic things have to happen. First, it should be done gradually, and it should not be considered as a zero sum game by the established powers, mainly the US and the EU. They continue to have an important role in global governance, because East Asia alone could not maintain global order and institutions in the future. In the end, there will be a Concert of Major Powers to lead and influence a world consisting of established powers and future ones.

Second, the new emerging powers (East Asia) should also prepare themselves well. That means not sharing only stakeholder-ship but also responsibilities. They have to prepare and adjust their own value systems to make them compatible with the existing ones that have become global values, namely rule of law, good governance, democracy, human rights and social justice. They should accept that democracy and social justice are values and principles that are valid not only nationally but also globally, although implementation may be influenced by history, stages of development and values. But the basic criteria should be the same for every country and society.

The change is not going to be easy, and that is why it should be approached step by step and with patience on the side of East Asia. This process has begun with the reallocation of votes in the IMF towards new emerging economies, viz.

China, Korea, Turkey and Mexico, at the cost of some EU members. It has been shown that even this simple "transfer" could be difficult. More difficulties have been faced with efforts to adjust and reform the UN system in accordance with the new, global strategic changes. So patience, compromises and a lot of dialogues are important.

It is an obligation for East Asia to do its part in global governance starting now. One of the objectives of an integrated East Asia is to be able to contribute to the global system, and not be accused of "free riding", benefiting and using the global system for national/regional interests only. On the other hand the established powers, mainly the "West" (US and EU), should also be willing to share global governance and allow the "new forces", mainly the emerging markets in East Asia, to learn and to prepare themselves. China, for instance, needs to understand that its relations with rogue states such as Iran and Sudan or Myanmar will be seen in light of its obligations and new role. Some exceptions could be allowed, as China will need time to adjust and because she was not present at the creation of the global order and institutions after World War II, although she is now willing to accept them wholly. As the "new kid on the block", China is learning, but is in general willing to follow the accepted rules. In fact, she is trying hard to lean back and accept the status quo. This "peaceful development or rise" is an attempt to explain China's new paradigm.

The main challenge for East Asia is to know what should be done in the short term and what could be done in the longer term. This will depend on how quickly East Asian regionalism and the regional community can be established.

Challenges abound to realize the idea of an East Asia Community (EAC). First, it should not be compared to the EU, which is rules-based and driven by strong institutions. As countries in the East Asian region are so diverse, the EAC should first get the members to trust each other through good relations and cooperation. This will take time, and therefore it can be achieved only through a step by step approach over a longer term.

The first phase of cooperation should be in the economic field, because market forces have made the integration of the economies in the region a reality, with trade among them (55%) almost equal to intra EU trade (60%) and already higher than NAFTA (45%). Also, investments in the region have been huge, not only in

China, but also returning to ASEAN. In the first half of 2006, FDI to ASEAN amounted to \$31 billion, half of that going to China, and a substantial portion originating from within East Asia.

However, the next phase of integration needs pro-active government involvement, because politics is starting to affect economic cooperation and could derail everything, as happened in Europe in World War I, because Europe did not get the politics right, especially in dealing with a rising Germany. That resulted in stagnant trade and economic relations in Europe, because of constant conflict for almost one century, until the EU was established, and with it a new Western European regional order and institution, that helped to stabilize Europe during the Cold War, besides the presence of the US through NATO.

In East Asia, some concrete measures of cooperation with rules and regional institutions have been undertaken through the Chiang Mai Initiative to help prevent a financial crisis of the kind that took place in 1997/1998. This is also being attempted through FTAs between ASEAN-China, ASEAN-Japan and ASEAN-ROK, which hopefully will end up in an FTA of East Asia in the medium term.

However, there are many obstacles to realizing the idea. One is China-Japan relations, which have been hampered due to history, nationalism, competition for leadership in the region, and border problems in the East China Sea. PM Abe's visit to China marked a new beginning, and hopefully relations will continue to improve. Economic relations between the two are doing well, and people-to-people relations continue to intensify, especially among younger people. With the new initiative of Prime Minister Abe, youth exchanges will be increased (like that between France and Germany, which has reached over 7 million in 25 years), and a Commission of Historians to study recent history has been established and tasked to come up with results in two years time. Besides, exchanges of leaders will be regularized (Foreign Minister Li was in Tokyo in mid-February and Prime Minister Wen visited Tokyo in April 2007). Also, cooperation among the military is set to start out with visits and dialogues.

Another obstacle is US relations with the EAC. The US has always been an important part of East Asia, economically, politically and security-wise. Therefore, a modality must be found to involve her in the East Asia Community. The US and East Asia Summit members should establish a New Concert of Powers for East Asia.

In the meantime there is also the recognition that East Asia, which has been integrated economically and to a certain extent also politically, needs to have a kind of a G8 or a Concert of Powers that can discuss and decide on the strategic issues of the region with the aim of maintaining peace, stability and development in the region. Decisions taken by the group could be implemented in the various regional functional cooperation forums, depending on the subject matter.

This means that the East Asia Summit (EAS) should be upgraded into a summit on strategic issues that includes the US. Since the Treaty of Amity and Cooperation (TAC) specifies as a condition for membership only a political statement, it should not pose a real hindrance for the US to sign the agreement.

This summit could take place either alternately with the APEC Summit, once in two years, or it could be organized annually back to back with the APEC Summit. APEC, the major Asia Pacific cooperation between the Western and the Eastern Pacific, should be maintained as an important regional institution to keep the Pacific cooperation idea intact. To be relevant again, however, APEC should maintain its core cooperation, which is economic, stressing more "structural" or "behind the border economic" issues than only trade.

There are also considerations to include Russia and the EU at a later stage. Russia's economic interests and interactions, including in the energy field, are mainly with the EU, and it might at least take another decade before her economic relations will include East Asia as well. In ASEM, the EU already has a structure for engaging with East Asia.

ASEAN Plus Three (APT) will be the main regional institution for economic and functional cooperation in the region. In the implementation of its work program it should be pragmatic and open to involving others that have relevance to the program. For instance, on pandemic diseases all the members of the EAS could be included, and on monetary and financial affairs Australia could be invited to participate.

In the security field, the ASEAN Regional Forum (ARF) could be the vehicle for implementation of CBMs and Human Security or non-traditional security matters. But that means that ARF should be action-oriented, and should concentrate on issues including pandemic diseases, and also global terrorism. If successful, the Six Party Talks, on nuclear proliferation in the DPRK could be-

come the embryo for security cooperation on traditional "hard" security matters for East Asia, and could become part of the future instruments of the EAS.

Another constraint is ASEAN's driver's seat position, because ASEAN still needs to strengthen its capacity to be able to drive the process. ASEAN really needs to implement the various measures designed to realize the ASEAN Security Community. Many questions have been raised as to whether ASEAN could really lead the East Asian regional institutions, such as the APT and the EAS, with only 10% of the entire East Asian economy. ASEAN has been put in the driver's seat because the two natural leaders, China and Japan, could not take on the task at this juncture. To be able to fulfill that role, ASEAN's capabilities should be upgraded, and South Korea could support it to give more weight to ASEAN. At this stage the leadership role of ASEAN consists mainly of organizing and chairing the meetings, but actually ASEAN has allowed others, the Plus Three, to come up with initiatives and proposals to be discussed, decided on and implemented. So far, they have been given ample opportunities to set the agenda and take the lead in the work program. In other instances working groups can be co-chaired by ASEAN members and Plus Three members. For the time being, this arrangement seems to be working, and is going to remain in place for the near future.

Despite these constraints and limitations, in the near future East Asia as a regional institution (APT and EAS) should contribute to supporting important global norms and institutions. It has been obvious that East Asia should and would like to participate in supporting the global order, its rules, obligations and institutions. It has only started to do so, and more needs to be done.

First, on non-proliferation, East Asia has a real problem with North Korea. The six-party talks have been the focus of regional efforts in North East Asia, and the major East Asian institutions such as the ASEAN Plus Three, East Asia Summit and ASEAN Regional Forum have strongly supported these efforts, especially in giving political support to the six-party talks and implementing the sanctions as laid down by the UN SC. This was shown at the last ASEAN Plus Three Summit in Cebu in mid-January 2007.

Second, on maintaining an open global trading system, East Asian countries should strive for a successful conclusion of the WTO Doha Development Round. APEC in Hanoi has reiterated its commitment to do so, and East Asia should also

push very hard for this. The chances are slim, but it is important for East Asian countries, given their dependence on open trade, that efforts be continued until every venue has been tried out. This includes support for the US president's "fast track" authority to negotiate and finalize the Doha Round. Relying on bilateral and regional FTAs alone will not be adequate, because the trade distortions, diversions and discrimination they created could only be overcome by the multilateral agreement. Time is running out, and the fate of free trade for the next five years hangs in the balance because the fast track given to the US administration to negotiate on trade will end in July 2007, and with a Democratic majority in Congress and the Senate, another authority will not be easily given to Bush, except for the case that environmental and labor issues are included.

Third, there needs to be greater support and cooperation on matters of global public goods such as global warming and climate change, which has already shown its ugly face in East Asia. Some countries of East Asia that are experiencing fantastic economic growth have also become the greatest polluters. Some serious contributions from East Asia, the fastest developing part of the globe, are becoming a real necessity. The Cebu Declaration of the East Asian Summit is a good start. Implementation is another matter, and ASEAN should push for it, starting with policies for more efficient use of energy, with Japan as the model. It is also recognized that an early US commitment to the same efforts will quicken East Asian's readiness to support emergency actions for climate change in the near future.

Fourth, in tandem with environmental issues, is the problem of energy security and resource availability. Some real efforts and studies are needed to help East Asia to overcome its problems as well as to contribute to a more efficient global market and prevent the outbreak of conflict over energy and other natural resources. The urgency has been recognized in the above-mentioned Cebu Declaration. If East Asia is serious about environmental issues, paired with limits on the natural resources available for its economic development, then East Asian countries really should come up with a new model of economic development that recognizes these limits to growth. China is already taking some actions regarding her transportation and infrastructure development in this respect.

Fifth, efforts on pandemic diseases are important for human security as we have found in the case of SARS, not only for our region but also globally.

Pandemic diseases such as avian flu have become a major challenge for the region. Again, there is agreement on the policies, but implementation and coordination remain a serious problem.

Sixth, other human security or non-traditional security issues are also important to look after: international crimes like human-trafficking, money laundering and the drugs trade. Non-traditional security issues are as important for the region as traditional "hard" security issues. And the region is also more willing to cooperate on these issues. This provides an opening for the ARF to become active and do something about them. It cannot be a "talking shop" forever if it wants to remain relevant for the future of East Asia.

Seventh, and in relation to Sixth, there is the threat of global and regional terrorism. This global challenge needs regional and global cooperation, including from East Asia. This will be a long-term effort, and it will go hand in hand with measures to promote sustainable development and good governance. In the end the "moderate" Muslims should be able to overcome the wrong influences of the radicals on the Muslim community if they could show to their community that "democracy" with "social justice" works in their societies and states, so that there is no more need to establish a theocratic Muslim state.

Eighth, UN reform, however complicated and difficult, also should be supported and confirmed, because the UN system is the only global institution we have, and instead of damaging it by ignoring the necessary changes and reforms - because it has not always been effective - efforts should be made to improve and reform the institution. Since East Asia has benefited from the UN system to a large extent, more support should be provided by the East Asian countries and regional institutions.

Other cases concerning global norms and institutions relate to problems of sovereignty and domestic issues, and must be dealt with by national governments. East Asian regional institutions are not ready at this stage to represent national governments. This could happen only if integration were to become much deeper and countries surrendered part of their national sovereignty on specific issues. On the economic side, governments are willing to do so, and one need to think only of the Chiang Mai Initiative and FTAs, or the need for a dispute settlement mechanism in trade and investment.

In the longer term, if East Asia becomes more integrated, some cooperation on developing global norms and institutions could come about. East Asian countries have to prepare for this future task. In practical terms, members of East Asia regional cooperation from now on have to be active in the development of global norms and institutions.

Until now only Japan has done its part on these global issues, and in the last few years China too has started to be active and has taken on some responsibilities as a permanent member of the

UNSC, including in peacekeeping efforts. Korea also has done well in the last few years. Other countries have been participating in UN peacekeeping and other activities, but this is still rather limited. More should and could be done by the East Asian countries individually and as a regional grouping in the near future.

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