

**Thumbnail Image:**



Nov 04, 2016 by [Anja Eifert](#)

## **Indonesia as an Example of 21st Century Economic Statecraft** <sup>[1]</sup>

### **Indonesia's Rise**

In 2013, Indonesia hosted the Asia Pacific Economic Cooperation (APEC) leadership meeting. Established in 1989, APEC has 21 member states that are committed to promoting trade and economic cooperation in the region. The summit was overshadowed by the absence of President Obama, who canceled his trip to manage the partial U.S. government shutdown. Secretary of State John Kerry attended instead. The U.S. was the only country not represented by its head of government. As a result, the stage was wide open for China's President Xi Jinping, who delivered the keynote address.

The Obama administration understands Indonesia's potential as a strategic stakeholder with significant political and economic clout in an area of increasing geostrategic importance. Its economy averaged a GDP of \$878.2 billion and a growth rate of 6.2% in 2012 (World Bank). The democratic government transition in 1998 advanced economic growth, lowered trade barriers, and advanced foreign investment opportunities. Since 2004, President Yudhoyono has consistently worked towards implementing economic reforms to eradicate corruption, diminish nepotism, and remove bureaucratic hurdles. Indonesia has joined the club of Southeast Asia's rising "tiger economies" alongside Thailand, Malaysia, and the Philippines. Indonesia now constitutes an economic steam engine in the Asia-Pacific and should be regarded as a centerpiece of U.S. foreign policy in its proclaimed pivot towards Asia.

In her 2009 Senate confirmation hearing, former Secretary of State Hillary Clinton outlined the importance of economic means coupled with diplomatic and military measures to enhance U.S. soft and smart power abroad. Walter Russell Mead (2004) framed the issue in similar terms, stating that it is the skillful combination of soft power with sharp (military) and sticky (economic) power that will ensure U.S. hegemony regionally and globally. As part of his Asia

policy in the 1990s, President Clinton detailed a comprehensive foreign policy strategy to engage Asia; he suspended the U.S. trade embargo with Vietnam and improved trade relations with China, measures that expanded diplomatic channels with both countries. Furthermore, Clinton attended the APEC summit *eight times*, thus demonstrating U.S. commitment to the region vis-a-vis economic policies and trade agreements.

A signature of President Obama's foreign policy agenda has been engagement with the Muslim world, of which Indonesia is a part. In his Cairo speech in 2009, Obama spoke of the significance of economic cooperation and engagement with Muslim countries: this included regional business promotion, new market creation, and expanded trade partnerships. Obama may have an edge over Clinton's initiatives in Asia-Pacific countries, due to the Muslim majority in Indonesia, Malaysia, and Brunei. In addition, Obama's special childhood ties make for a unique opportunity to deepen U.S.-Indonesian relations, an example of which is the 2010 *Joint Declaration on the Comprehensive Partnership between the United States and the Republic of Indonesia*.

### **The Essence of Economic Statecraft**

Economic statecraft is at the center of the Obama administration's foreign policy. It is described as "harnessing global economic forces to advance America's foreign policy and employing the tools of foreign policy to shore up our economic strength" (U.S. Department of State). Apart from a Global Economic Statecraft Day celebrated by U.S. embassies and consulates around the world, the Department of State (DoS) has launched various initiatives – particularly in the realm of public-private partnerships – to supplement its commitment to tightening U.S. economic interests and diplomatic efforts.

Bolstering public-private partnerships within U.S. foreign policy is not new. Economic public diplomacy (PD) also allows for the advancement of partnerships between DoS and the private business sector, which includes U.S. small-to-medium-scale businesses as well as multinational corporations like McDonalds, Coca-Cola, Citigroup, and Apple. The latter are global brands that promote and sell their products abroad, highlighting U.S. culture and values. With its burgeoning middle class, Indonesia presents ample market opportunity. What's more, the potential of businesspeople as citizen diplomats needs to be exploited more efficiently by DoS via extended integration of, and cooperation with, various businesses.

Within DoS, the Office of Economic Policy Analysis and Public Diplomacy (EPPD) is dedicated to corporate social responsibility as well as private sector outreach. The Secretary of State's annual Award for Corporate Excellence is given to U.S. businesses that engage local communities abroad *and* promote U.S. values and economic interests. In 2007, the award went to GE Indonesia. With it, the EPPD has the potential to effectively shape U.S. foreign economic policy through its Advisory Committee on International Economic Policy, a body with members from both the public and private sectors. A third initiative is the Innovation Fund for Public Diplomacy, which recognizes original PD ideas in U.S. embassies and consulates in partner with inventive business concepts.

Accordingly, the U.S. Commercial Service backs public-private partnerships in cooperation with DoS. Usually located in U.S. embassies and consulates worldwide, the U.S. Commercial Service for Indonesia exists *outside* the diplomatic mission in Jakarta's central business district. Through specific events such as the "SelectUSA 2013 Investment Summit" and general representation at U.S. and Indonesian trade fairs, the U.S. Commercial Service

facilitates interaction between U.S. and Indonesian businesspeople. Additionally, the U.S. Business Visa Program lowers visa application barriers, expedites the application process, and facilitates U.S. travel for Indonesian entrepreneurs.

Another one of DoS's latest economic PD initiatives is an Information Resource Center at the Pacific Place Jakarta shopping mall. Since 2010, @america has been a space for academic and cultural events that utilize interactive computer technology for its exhibitions and information sessions. It is a prime example of successful private-public partnership, with Indonesian and U.S. companies (Google, Microsoft, and Starbucks) co-sponsoring the endeavor.

With the predicted rise of Indonesia into the major leagues of the international economic community, engaging Indonesian business leaders should be a critical pillar of economic statecraft for what Hillary Clinton called "America's Pacific Century."

### **Tasks for the Future**

By encouraging U.S. businesses to invest in Indonesia and facilitating trade partnerships, the Obama administration has laid the groundwork for its vision of 21st century economic statecraft in Indonesia. However, the potential of added PD has yet to be fully explored. Initiatives such as the Innovation Fund for Public Diplomacy are a good start, but DoS could do more, such as: (1) create closer cooperation with the Department of Commerce in crafting, financing, and implementing sustainable economic PD that goes beyond short-term commitments and into building and sustaining communication and transportation infrastructure; (2) offer additional funding for entrepreneurs and start-ups through investment incentives for U.S. businesses; (3) implement increased grants and bilateral exchange agreements targeted at experts and professionals to work in Indonesia; and (4) create and sustain a network of public-private partnerships to finance internships and open professional training opportunities for future leaders in the U.S. and Indonesian business landscapes.

Engaging Indonesian entrepreneurs in an environment conducive to U.S. business interests and foreign policy goals necessitates attendance by the head of state at regional economic summits like APEC. Attending the annual leadership meeting in Indonesia would have furthered U.S. efforts for improved integration and cooperation while also providing a forum for President Obama to accelerate U.S. membership in the Trans-Pacific Partnership. Most notably, President Obama and President Yudhoyono need to reaffirm their commitment toward a comprehensive U.S.-Indonesian partnership. If the U.S. sincerely wants to realize its economic statecraft potential and consolidate its status in the Asia-Pacific region – while curbing that of China – it must propagate deeper engagement with words and deeds.

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