

# **INDONESIA – TAIWAN ECA : A NEED OF STRONG POLICY ACTIONS**

## **KERJA SAMA EKONOMI INDONESIA-TAIWAN: PERLUNYA KEBIJAKAN YANG KUAT**

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### **Abstrak**

Ulasan buku ini membahas tentang kemungkinan diadakannya perjanjian kerja sama ekonomi antara Indonesia dan Taiwan. Meskipun Indonesia dan Taiwan tidak memiliki hubungan diplomatik, akan tetapi dengan melihat berkembangnya investasi dan perdagangan di antara kedua negara, Taiwan dapat dilihat sebagai salah satu mitra penting bagi Indonesia di dalam konteks kerja sama ekonomi. Studi ini memaparkan bahwa pembentukan perjanjian kerja sama ekonomi antara Indonesia dan Taiwan akan memperkuat aliran investasi, dan akan meningkatkan hubungan ekonomi antara Indonesia-Taiwan. Selain itu, perjanjian kerja sama ekonomi dapat dipertimbangkan sebagai sebuah kebijakan yang mungkin dilakukan oleh kedua negara. Permasalahan dalam mendorong lebih jauh kerja sama di antara kedua negara ini adalah adanya kebijakan “Satu China”. Dengan adanya perubahan geopolitik di kawasan Asia Timur, Indonesia perlu mempertimbangkan adanya peluang untuk merumuskan ulang pemahaman Indonesia tentang kebijakan “Satu China”, dan membuat sebuah kebijakan yang kuat untuk mengatur hubungannya dengan Taiwan.

**Kata Kunci:** perjanjian kerja sama ekonomi, hubungan Indonesia-Taiwan, kebijakan Satu China.

### **Abstract**

*This review discuss about the feasibility of economic cooperation agrrement between Indonesia and Taiwan (Republic of China). Although Indonesia do not have yet diplomatic relation with Taiwan, but in the economic context, Taiwan is one of important economic partner for Indonesia, since investment activity and trade between two countries are flourishing. This study promotes that the establishment of Economic Cooperation Agreement (ECA) between Indonesia and Taiwan will strengthen investment flows and enhance Indonesia-Taiwan economic relations. Besides, ECA will be considered as a fesible policy for both sides. The problem in enhancing further bilateral cooperation is the One China Policy. Because of the changing of geopolitical conditions in East Asia, Indonesia needs to consider the opportunity to reformulate the “One China Policy” and takes strong policy action in their relations.*

**Keywords:** Economic Cooperation Agrrement, Indonesia-Taiwan Relation, One China Policy.

## Introduction

Indonesia relations with Taiwan (or Republic of China as they like to be acknowledged) is getting more important in the wake of changing geopolitical environment in East Asia. In the absence of diplomatic relation between Jakarta-Taipei the two side maintain a sustainable economic and social relations.

This book entitled “*Indonesia-Taiwan Economic Cooperation Arrangement: Is It Feasible?*” as a combine research on economic cooperation done by The Centre for Political Studies, Indonesian Institute of Sciences (P2P LIPI) and the Chung Hua Institute for Economic Research (CIER) was just the right timing in the midst of ASEAN Economic Community 2015 to integrate the Southeast Asian nations into one single entity.

## Indonesia-Taiwan Economic Relations

Indonesia-Taiwan economic relations found investment activity and trade was flourishing (Taiwan is Indonesia’s top 10 investors), at the time socio-cultural ties bonded within Indonesian migrant workers and Indonesian students living and working in Taiwan. This existence, described by the book the importance of Taiwan as an economic partner for Indonesia (page xiii).

With the Economic Cooperation Agreement (ECA) we can hope that Taiwan can join other bilateral and multilateral Free Trade Arrangements (FTAs) as an aspiration with their major trading partners. By enhancing Indonesia-Taiwan relations through the establishment of the ECA will strengthen investment flows, as bilateral investment treaties will be considered as a feasible policy option for both sides. Since Indonesia is a net importer of capital is-à-vis Taiwan, so the modern investment agreements covering market access and liberalization will strengthen investor confidence and Indonesia can expect to benefit from the profits as a result from the agreement (page 102).

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## Issue of One China Policy

The only stumbling block to enhance further bilateral Indonesia-Taiwan cooperation is the One China Policy due to lack of understanding the changing nature of the geopolitical situation in the East Asia region, also the effective integration of interdependent economies to maintain the sustainability’s of economic and trade growth among Asian nations (page 169-195). Indonesian government officials at all level missed the perspective, seeing Taiwan as an economic entity with a strong comparative advantage linking the world great power of the United States, China, and Japan.

Meanwhile the Taipei-Beijing relations in the past two years did change dramatically through exchange of visits of high level officials including ministers level. The so called Wang-Zhang meeting on February 2014 between the Minister Wang Yu-chi Mainland Affairs Council (MAC) and Zhang Zhiyun Director of Taiwan Affairs Office is an important step both parties to attempt reunification of changing geopolitical conditions for establishing and implementing the so-called “One China” as stipulated in the 1992 consensus between Beijing and Taipei.

The 1992 Consensus stressed on the terminology “One China” by stating “Both sides of the Taiwan Strait agree that there is only one China.” So we need also reconsidered that whatever the opinion on both sides of the strait about the “One China” must be regarded as an internal matter issue “problem of China.” What we perceived is that the Wang-Zhang Meeting in Nanjing last year should be viewed as an important political gesture from both sides of the Taiwan Strait to upgrade the relations among them, but on the other hand, there is an opportunity for other nations in the region to reformulate the “One China Policy” without encountering any sovereignty issues that attached to that meaning, including de jure jurisdiction of territorial claims among Beijing and Taipei.

The perspective of reformulating on the “One China Policy” in the context of the study of this book, would be a good solution for Indonesia to solve the complex problem of Indonesian migrant workers in Taiwan (page 191). By reformulating the “One China Policy” there would be an ample of choices for every country in Asia, especially ASEAN, too engaged with Taiwan more extensive in the form of multilateral cooperation except in the form of political and security issues.

In the dynamic environment of Asia region, we agreed that there is a necessity to create more new models of free-trade area (page 177), especially related to the Indonesia-Taiwan relations. This would be justified for two reasons, first, it should be understood that the interdependence and enhancing connectivity in the era of a free trade mechanism and cooperation, ASEAN and its members would always deal with China as the second largest economies in the world after the US. This would also mean that ASEAN-China cooperations would be hand-in-hand playing an important role in the global market. In this globalized market of trade and services it would be a mistake for ASEAN not to include Taiwan in the game since the two sides already produced strong indications to abandon antagonizing each other politically.

Second, the alignment between Beijing-Taipei through ECFA (Economic Cooperation Framework Agreement) that already happen, would give plenty opportunities for both sides that will play a crucial role in the economic development especially in the service industry that boost the service sector of Taiwan by several fold. Meanwhile, the study of Indonesia-Taiwan ECA showed (see page 238), there is a significant increasing of both sides in the service sector of a total around 20 per cent in Taiwan and around 27 per cent in Indonesia respectively.

As an economic entity, Taiwan has a strong comparative advantage linking three major economic countries of the world, namely the United States, China, and Japan. With Japan, due to the colonial legacy, the ties between Taiwan-Japan relations resulted strong technological ties with several high-tech Taiwanese companies establishing strategic partnership with their

counterparts. With China, Taiwan of course enjoys the benefit of having similar culture and language that assimilate the two sides where political sovereignty dispute among them was overshadowed by heavily dependent toward trade and investment with China.

Since the rapprochement between Washington-Beijing and the creating of the Taiwan Relations Act 1978 as a consequence of the One China Policy, the two sides maintain strong ally relationship in terms of economic and security interests. At the same time there are lots of politicians, intellectual elites and businessmen in Taiwan finish their education in the US, where they will always consider Washington is an important core of their daily life.

## **Conclusion**

As indicated in this book, there is a need for Indonesia and Taiwan to adjust relations, recognizing that trading blocs across the Taiwan Strait will have a strong impact on the shift of power in East Asia. Global response to this development not only involves economic integration in the region, but also a shift of power in international politics.

For Indonesia, the question would be does we recognize Taiwan’s growth in the region and overcome pressures from Beijing by having Taiwan in the bilateral and also regional trading arrangements? Does China influence due to the size and scale of their economic achievement will hamper the Indonesia-Taiwan ECA building trading arrangements integrating our economic necessities? Indonesia needs to take strong policy action by establishing new terms of connectivity in the era of ASEAN Community 2015 by recalculating Taiwan as a potential strategic partnership.