

Considering Economic Security in Southeast Asia

(Case Study of China Foreign Direct Investment in Southeast Asia)

Zulkhair Burhan

Abstract

DALAM esai ini akan dibahas bahwa sektor ekonomi merupakan bagian penting dalam kerangka keamanan nasional maupun regional. Pendekatan yang akan digunakan adalah *economic security* (keamanan ekonomi). Substansi dari keamanan ekonomi adalah kemampuan untuk menyediakan standar hidup yang layak bagi seluruh masyarakat melalui pembangunan ekonomi nasional maupun regional dengan tetap menjaga independensi ekonomi. Dalam hal ini ada dua aspek penting yang perlu diperhatikan, yakni: daya saing (*competitiveness*) dan kedaulatan (*sovereignty*).

Kedua aspek di atas paling tidak mengisyaratkan bahwa untuk meningkatkan pembangunan ekonomi diperlukan kerjasama yang mutual dengan berbagai pihak (Negara atau non-negara) namun kedaulatan ekonomi nasional maupun regional tetap harus diperjuangkan sebagai pilar utama. Tidak sedikit yang menganggap bahwa di era pasar bebas saat ini, kedaulatan ekonomi seolah menjadi tidak rasional karena begitu terintegrasinya kita dengan pasar internasional. Namun apabila ini diabaikan, maka menurut saya jaminannya adalah pengambilalihan kontrol ekonomi domestik oleh pihak asing yang kemudian akan berbuntut pada disorientasi arah kebijakan pembangunan. Disorientasi arah pembangunan seringkali menimbulkan efek negatif seperti kemiskinan, degradasi lingkungan, ketidakadilan sosial, dan serangkaian persoalan-persoalan lain. Dan tentunya apabila ini terus terjadi, maka yang paling merasakan akibatnya adalah struktur masyarakat yang paling bawah yang seringkali justru tidak mendapatkan akses yang cukup atas pembangunan ekonomi. Saya tidak sedang mengatakan agar kita melepaskan diri dari kerjasama internasional. Namun yang lebih penting adalah bagaimana kerjasama tersebut seharusnya tetap mengedepankan azas-azas prinsipil yang telah termaktub dalam teks-teks konstitusi yang kemudian diterjemahkan baik dalam bentuk kepentingan nasional maupun regional.

Menurut saya, apabila aspek prinsipil di atas diabaikan dalam proses pembangunan ekonomi maka disitulah potensi sektor ekonomi menjadi ancaman (*threat*) akan menjadi nyata. Ancaman tersebut tentu bisa datang baik dari internal maupun eksternal. Dari data yang tersedia dapat dipastikan

bahwa kerjasama dalam kerangka ACFTA (ASEAN-China Free Trade Agreement) lebih banyak menguntungkan pasar China. Hal ini dapat terlihat dengan massifnya investasi China terhadap pasar ASEAN khususnya Indonesia dan berbagai indikator lainnya seperti tingkat volume dagang kedua pihak baik ekspor maupun impor yang sekali lagi cenderung lebih menguntungkan China. Kondisi ini tentu perlu dilihat dan dianalisa secara kritis demi kepentingan yang lebih besar.

Negara-negara anggota ASEAN yang cenderung menjadi “subordinat” dari China dalam sektor ekonomi harus dimaknai sebagai potensi ancaman serius yang membutuhkan management yang baik hingga potensi ancaman tersebut bisa menjadi peluang. Dalam kerangka manajemen keamanan (*security management*) sudah seharusnya ASEAN mengambil peran yang maksimal. Dalam hal ini, ASEAN sebagai organisasi regional perlu melihat peran-peran tersebut dalam kerangka *Regional Security Complex*.

Keywords: *economic security, competitiveness, sovereignty, ACFTA*

Introduction

Southeast Asia as a region play an important role in international arena. It located in strategic position sea lanes between two of the fastest growing economy of the world. And also, a third of the world's trade and half the world's oil are transported via the Malacca Straits, which runs through the heart of Southeast Asia.¹ Not only that, Southeast Asia also known as a region that has a lot of human and natural resources.

Realizing the facts, almost all country in the world are interested to make some cooperations with individual country in the region or ASEAN as the regional organization. Surely, the most influential actors are the Great Powers countries, such as United States, China, Japan and India. The involving of these countries make the region more integrated with the world economy and political system. This condition will implicate to many aspects of the region particularly in security aspect. Due to cooperation not only bring some benefits to the development of the region but also could bring some serious potential threats.

Economic Security as An Approach

The end of cold war influenced the broadening of the security concept. The approaches of security studies isn't dominated anymore just by traditional approaches, such as military approach. The complexity of economy and

¹ Teo Chee Hean, ASEAN and Asia's Regional Security Architecture, Military Technology;

political issues also generated some approaches in security concept. Nowadays, we're introduced with human security, co-operative security, mutual security, and also economic security.²

These are some definitions of economic security:

“Economic security is best defined as the ability to provide a steady increase in the standard of living for the whole population through national economic development while maintaining economic independence. There are two sides of economic security: competitiveness and independent economic sovereignty”.³

“The ICRC defines economic security as the condition of an individual, household or community that is able to cover its essential needs and unavoidable expenditures in a sustainable manner, according to its cultural standards”.⁴

“Economic security is the condition of having stable income or other resources to support a standard of living now and in the foreseeable future. It includes probable continued solvency, predictability of the future cash flow of a person or other economic entity, such as a country employment security or job security. Economic security, in the context of politics and international relations, is the ability of a nation-state to follow its choice of policies to develop the national economy in the manner desired. Historically, conquest of nations have made conquerors rich through plunder, access to new resources and enlarged trade through controlling of the conquered nations' economy. In today's complex system of international trade, characterised by multi-national agreements, mutual inter-dependence and availability of natural resources etc, Economic security today forms, arguably, as important a part of national security as military policy”.⁵

Seeing the definitions of economic security, the essential point of all definitions is economic security related to human security as basic need. That's why this approach is really significant to be used as a way to approach the security concept in substantial mean. But in this essay, I will use the definition by Jiang Yong to analyze the influences of China in Southeast through Foreign Direct Investment.

As explained above, according to Jiang that economic competitiveness is the important thing in a country or regional's development. Competitiveness is a vital thing to be integrated in the international market. It's also significant to stimulate the growth of national economy.

The other aspect of economic security is economic sovereignty. This aspect is really significant for a country to maintain national economy of

² Joseph Yu-shek Cheng, *Journal of Contemporary China* (2006), 15(46), February, 89–111

³ Jiang Yong, *Economic Security: Redressing Imbalance*,

⁴ www.icrc.org/Web/Eng/siteeng0.nsf/htmlall/.../ICRC_002_0954.PDF, accessed on September 29, 2010 http://en.wikipedia.org/wiki/Economic_security#Economic_security_of_countries,

⁵ accessed on September 30, 2010

outside “big” intervention. The point of economic sovereignty is in the way how a country put the control of the national economy in their hand and run it based on national interest for people welfare and prosperity. Economic security includes; 1) what can be termed 'non-distributive' economic authority, which is inherent and cannot be shared with other nations, 2) 'distributive' economic power, which can be shared with others. According to Jiang, the term 'non-distributive' economic authority refers to how a country have a strategic decision making to control over the economic system and natural resources. And the term 'distributive' refers to the decision for economic and industrial and the devising non-essential economic institution.⁶

I think the two aspects of economic security above is interested to be analyzed. Because the two aspects could be contradictive each other. But in the other side, these aspects could be applied in same time, supporting each other. Talking about competitiveness, surely we refer to the system of free market that almost all country around the world that use it as the way to run their economic system. Then, the free market system always related to how a country or region open the domestic market as a conditional to be integrated with world market system. And the consequence of opening market is the reduction of national sovereignty due to many of internal economy aspects will be took over by the outsider. I think, in this case why economic security is relevant to redress the imbalance of contemporary economic system.

Then, I will use the approach to know whether the decision of ASEAN to be cooperated with China in frame of ACFTA (ASEAN-China Ftree Trade Agreement) could be the potential threat of economy.

China in the Region

The relations between China and ASEAN passed fascinating phases. Since 1967, there have been four phases of Sino-ASEAN relations: (1) a period of domestic political consolidation during which ASEAN concerns about China were largely internal (1967-78); (2) a period of de facto Sino-ASEAN alignment against Vietnam's intervention into Cambodia (then Kampuchea) (1978-89); (3) a period of mutual engagement "after Cambodia" (1989-97); and (4) the current post-economic crisis stage of relations (1998-present).⁷

The long way of the relations between ASEAN and China was framed by many aspects. But nowadays mostly of the relations frame is in economy aspect. Recently, on 1st January 2010, ASEAN-China Free Trade Agreement (ACFTA) was officially effective. ACFTA is an agreement between 10 ASEAN

⁶ *ibid*

⁷ Alice D. Ba, China and ASEAN: Renavigating Relations for a 21st-Century Asia, Asian Survey, Vol. 43, No. 4 (Jul. - Aug., 2003), pp. 622-647

2. The potential loss of revenue from tariffs. Plunging ourselves in free trade, we tend to continue reducing and even eliminating tariff rates. In ACFTA, decreasing tariff to 0 percent will reduce state revenues. Meanwhile, massive free trade scheme since mid 1990 has led to loss of potential income—at least starting from free trade within the framework of the World Trade Organization (WTO), ASEAN Free Trade Area (AFTA), Indonesia-Japan Partnership Agreement (IJEPA).
3. On the side of Indonesia's export also has its own constraint. Free trade scheme in ACFTA will only make Indonesia's economy to be trapped in the snare of export-oriented model. It have been discussed in various global alternative economic forum, that it is not export-oriented model that improve domestic economy. This fact raises a very strong dependence on the market and international prices, while fluctuations and market uncertainties are not always in the favor of people nowadays. In most cases, market mechanisms and international prices have no correlation whatsoever to the cost of production. This is also questioning who benefits from this situation? The market and international prices are mostly controlled by big companies and/or transnational corporations (TNCs). It is sometimes so oligopolistic or in cartel-like model.
4. Consequences to the environment, as well as on emission reduction commitments of both countries are not contributing to halt climate change impacts. This agreement has the potential to increase carbon emissions rather than to reduce it. In case of Indonesia, it is clearly inconsistent with the commitment to decrease emissions 26 percent as has been targeted by the GOI. On the other hand, for the sake of profits from exports, China will boost its industry—which will add to China's poor reputation as one of the world's largest emitters. Briefly, ACFTA potentially exacerbate the climate injustice and would be counterproductive to the efforts of sustainable development and global justice.
5. The issue of process. There was no public consultation process, particularly to the Parliament as the legitimate representation of the people. This caused a lot of contradictions with the wishes and aspirations of the parties that will get benefit and those who will suffer losses related to this ACFTA. This is also a bad influence on peoples' trust to their own government. Earlier this year, the government tried to review the options ranging from ACFTA delay until renegotiation. Rice has become porridge. Demonstrations, rejection and criticism of this agreement will be larger and larger because the impacts of this agreement will harm the peoples' livelihoods in many aspects.¹²

¹² <http://www.spi.or.id/en/?p=153>, accessed on Oktober 1st, 2010

members with China to create a free trade area in order to eliminate or reduce tariff or non-tariff trade barriers, increasing service market access, investment rules.⁸ The initial framework agreement was signed on 4 November 2002 in Phnom Penh, Cambodia, with the intent on establishing a free trade area among the eleven nations by 2010.⁹ This agreement officially means that China is more integrated to ASEAN market. The early phase of this trade agreement known as Early Harvest Program (EHP), implemented on January 1st 2004. This programme is committed to cut the tariff for ASEAN agriculture products that go to China's market. Surely, this is such an alarm for ASEAN agriculture sector, especially for the peasant. When it (EHP) comes to agriculture, the trends are clearer. Even without the FTA, for instance, the Philippines already has a \$370 million deficit with China, said Bello.¹⁰

Before talk too much about the implementation of ACFTA in the region, particularly in Indonesia, let's see the characters of ACFTA. ACFTA is the a bilateral free trade agreement (BFTA) between China and ASEAN. Bilateral Free Trade Agreement is WTO-plus scheme, means that the agreement is not only about to open the access of market ruled by WTO but also includes liberalization & foreign investment protection, Intellectual Property Right Protection, government procurement, & non trade issues such as financial liberalization.¹¹

Mostly, the study about ACFTA still see the impact of this agreement in conventional economic perspective that always to emphasize the potential benefit for ASEAN by this agreement. Most of the trade observer said that even in short-time ACFTA will produce tight competitiveness between ASEAN and China due to the similarity in many aspects. Then, both of country employ cheap labor as comparative advantage. But on the other hand, there are many critics for ACFTA implementation.

Indonesian Peasants Union (SPI) look at five matters that needs to be highlighted in ACFTA case:

1. The export-import balance between these two countries is uneven, In the last three years, ratio of export and import balance between Indonesia and China had always shown a deficit figures. Bank Indonesia data (May 2009) states that in 2006 we had a deficit of US\$ 0.993 billion. In year 2007 the number rose to US\$ 2.708. In 2008, the figure skyrocketed to US\$ 7.898 billion.

⁸ ditjenkpi.depdag.go.id/Umum/.../ASEAN%20-%20China%20FTA.pdf, accessed on September 29, 2010

⁹ <http://www.aseansec.org/13196.htm>, accessed on September 29, 2010

¹⁰ http://www.huffingtonpost.com/walden-bello/china-lassoes-its-neighbor_b_490001.html, accessed on Oktober 1st, 2010

¹¹ Daniel Pambudi & Alexander C. Chandra, Dampak Kesepakatan Perdagangan Bebas Bilateral ASEAN-China Terhadap Perekonomian Indonesia, Institut For Global Justice, 2006, Jakarta, Hal. xi

Opportunities or Challenges?

After ACFTA agreement was signed many group of interest “shouted”, especially China, that the agreement will bring “mutual benefits” between ASEAN and China.¹³ But in the other side, let’s see how the government of ASEAN members reacted. In 2002, the year the agreement was signed, Philippine President Gloria Macapagal-Arroyo hailed the emergence of a “formidable regional grouping” that would rival the United States and the European Union.¹⁴ In Indonesia, Industry Minister, Fahmi idris, asked for delay in ACFTA start up. He said that, his ministry’s stance remained firm that the FTA - which will open up various sectors in both mar-kets by gradual reduction of import duty tariffs - would bring more harm than benefits to Indonesia, given China’s superiority over Indonesia with regard to competitiveness.¹⁵ These both statements likely didn’t represent the reactions of all ASEAN members. But it seems that actually there was a consciousness that most of the advantaged will come to China.

The next question is could be the opportunities or challenges for ASEAN and individual members? Surely, the answer will be different between all the ASEAN members. Because the impact of the agreement also different in each country. When the agreement signed, many believed that ASEAN will enjoy the larger market of China for export commodities easier than the country or region that not integrated in Free Trade Agreement scheme. Yet, in this case the answer of the question above will based on the concept of economic security that the two significant aspects inside are competitiveness and sovereignty.

Based on the facts, we can conclude that the the agreement (ACFTA) put some potential threat to economic security. For example, in Indonesia case the application of ACFTA bring some problems to many aspects of people. In agriculture, the agreement will endanger the peasants because the high quality and same product will come in, weakening nasional industry and then creating unemployment, and many things else as explained above. In the case of Indonesia, ACFTA weakened the Indonesia economy and in many aspect many of ASEAN members. So why this is become a challenge for Indonesia and also other members to “protect” the domestic market to be controlled over. As I said above, every country have to co-operate with others but in the term of equality relationship.

¹³ *Op.cit*

¹⁴ *Ibid*

¹⁵ <http://www.thejakartapost.com/news/2009/08/19/minister-asks-delay-aseanchina-fta-startup.html>, accessed on September 30, 2010

“ASEAN Way”

I think, the one think that ASEAN should concern related to BFTA that our region is really interested for many powers to broad their market. So, the other proposals to make agreement will come more. So why ASEAN should concern not only to gain the profits for the region or members of the region, but also for the economic justice for most people that likely do not involved in decision making process.

Then, many agreements has been implemented right now and the loses of people by the economic activities have in serious condition. So, diplomacy of ASEAN should be shifted to become more down to the earth. With that way, this organization can see the reality of the society. The last, I always dream that this organization will build strong solidarity with the members so they can support each other to face great powers domination in the region. In other case like ALBA in Latin America that can support each other and build economic solidarity and out of dominant hegemony of United States. Likely, it will be so hard but this is the one way to bring economic security into reality.

Conclusion

Economic security is not only about “who get what” but it's about human survival. We can't even account how many people become victims due to injustice development. Economic security not only about “what you gain” but more than that about human security. How many of us feel not secure because of poverty and homeless because the rights is taken by the name of development. Then, let's build another world because another world is possible.

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