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Economic nationalism for political legitimacy in Indonesia

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Abstract

Global surveys indicate that massive disillusionment with economic globalisation, upheld by the liberal order, which is ignored by governments in European, Asian and Latin American countries, has paved the way for the ascent of nationalist forces. This trend is also visible in Indonesia. President Joko Widodo (Jokowi) has consolidated power against opponents who exploit nationalist, populist and religious causes. On the international front, Jakarta has been actively engaged within a variety of multilateral organisations where liberal institutionalist agendas are enforced. Therefore, it is worthwhile considering the influence of internal and external environments on Jokowi's economic policy which is getting increasingly nationalistic. This article argues that nationalist economic practices have emerged as the Jokowi government's response to domestic and international challenges which can have an impact on its perceived legitimacy. The discussion proceeds in five steps. To begin, this article presents a comparative perspective to understand the position of Indonesia in the developing international political economic context. This is followed by an overview of the definition of economic nationalism and its connections to domestic politics and foreign relations. The third section is about the Indonesian government's efforts to put economic nationalism into effect. The next two parts investigate how the inside and outside dynamics generate Jokowi's inward-looking policies. The conclusion emphasises what can be learnt from the Indonesian case.

Keywords Constructivism · Economic nationalism · Indonesia · Political legitimacy

Introduction

The emergence of nationalist rhetoric and actions in resource-rich countries has been accompanied by various developments in the world economy. Political economists shed much light on states' internal processes. For example, Wilson (2015c,

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2018) and Haslam and Pablo (2016) notice that political factors derived from differences in institutions, ideology and national politics play significant roles in shaping the patterns of nationalist resource management and economic development. Other scholars, such as Boyle (2016), Foa and Mounk (2017), Colantone and Stanig (2018), identify the phenomenon of anti-liberal values and order as one arising within societies and political movements in countries in Europe, Asia and Latin America. Economic globalisation is believed to have brought about negative effects on local economies, especially on those unable to compete with powerful foreign economic actors. Because the losers' interests are not satisfactorily compensated by their governments, nationalism, populism and protectionism turn out to be an attractive political alternative to the perceived failure of the liberal system. Subsequently, right-wing politicians acquire popularity and ascend to state power. They do not acknowledge the merit of democracy and free trade.

This trend ³ anti-liberal order is also visible in Indonesia. The current government led by President Joko Widodo (Jokowi), who was inaugurated in October 2014, has enacted a range of nationalist mechanisms in the state's strategic trade and investment sectors. This policy seems to be enduring within the domestic political system which is being plagued by an ideologically driven struggle for popular support. Jokowi has consolidated power against his opponents, who have championed nationalist, populist and religious causes. On the international ² front, Indonesia is actively participating in various institutions. Jakarta utilises the Association of Southeast Asian Nations (ASEAN) to navigate the evolving regional structure. Nevertheless, the process of transformation involves the greater economic powers of the Asia Pacific, so it has presented more constraints on the scale and scope of Indonesia's foreign policy aspirations. Therefore, it is worthwhile considering the influence of internal and external environments on Jokowi's economic policy.

Previous studies on Indonesia's rising economic nationalism provide useful insight. The works by Patunru and Rahardja (2015) and Aspinall (2016) relate the elite's mindset of anti-foreign capitalism to the bitter historical experience of the late 1990s financial crisis. Warburton's analysis (2017, 2018) reveals the practicality of the nationalist-oriented arrangement for the regime's political interests. Elaborating on these points this article argues that nationalist economic practices have emerged as the Jokowi government's response to domestic and international challenges which can have an impact on its perceived legitimacy. This article proceeds in five steps. The first section presents a comparative account to understand the position of Indonesia within the developing international political economic context. This is followed by an overview of the concept of economic nationalism and its connections to domestic politics and foreign policy. The third section focuses on the Indonesian government's efforts to enforce economic nationalism. The fourth and fifth parts examine how internal and external dynamism generates Jokowi's inward-looking policies. The article concludes by emphasising what can be learnt from the Indonesian case.



Indonesia in a comparative perspective

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In order to explain the significance of the case of Indonesia's rising nationalist policy regime, it is necessary to compare what happens in Indonesia and other countries, especially those endowed with natural resource wealth and able to exploit their riches to shape both regional and global economic orders. The best example of these countries is the BRICS grouping. The group consists of cross-regional economic powers, Brazil, Russia, India, China and South Africa, which have been successful in developing an alternative global South governance and collective leadership beyond the established Anglo-American model (Stuenkel 2015). One of the key components to the emergence of the BRICS is their mastery of natural resources, particularly minerals and energy, enabling them to foster domestic economy and bolster diplomatic capability and strategies, known as resource diplomacy, to influence foreign policies of other states. Bearing this in mind, many label the bloc as resource powers, of which Brazil, Russia and China are likely to become energy superpowers (Wilson 2015b: 227). Besides Indonesia and the BRICS, relevant comparisons can be made with the non-BRICS Asia Pacific leading minerals and energy producers, mainly Australia, Malaysia and Thailand, with whom the Indonesian government has engaged in various bilateral and multilateral resource cooperation schemes.

The uniting feature of the emerging resource powers (the BRICS and the non-BRICS Asia Pacific governments) is their application of nationalistic resource policies, although there are differences between some governments regarding internal mechanisms. The first element of the resource powers' nationalist resource regimes is the state corporations which tightly control strategic industries. In Brazil, China, India, Malaysia, Russia and Thailand, oil and gas industries are dominated by the state-owned enterprises (SOEs), and so are the coal industries in China and India (Wilson 2015a: 237). The same management is implemented by the Indonesian government. Of the Asia Pacific major suppliers, only Australia has fully privatised its mining sectors. In the BRICS, Russia and South Africa apply mixed approaches to their mining policies (United States Geological Survey 2016).

The second element is that all governments of these resource powers take an inward-looking approach to resource management. They prioritise material interests of home-grown players, mainly local businesses, energy consumers and political elites associated with resource industries, at the expense of interests of external trading partners. In order to maximise profits from resource sectors, the governments prefer to create selective and interventionist regulations to make the markets work in ways which are advantageous to local industrialists (Wilson 2015a: 238). Downstream processing is widely promoted in all Asia Pacific major mining sites (World Trade Organization 2017). Equally important is the fact that China, India, Indonesia and Russia impose significant energy subsidies to reduce domestic prices. This is undertaken by controlling fuel prices to secure the reserve for internal consumption (International Monetary Fund 2015). The beneficiaries from subsidy policies are of course local industrial firms, small businesses and households, which comprise a large number of domestic energy consumers.



Interestingly, the trends toward de-liberalisation of the pivotal resource sectors of the developing powers is heightening despite the fact that liberalism has expanded worldwide after the collapse of the Cold War system. De-liberalisation has become a common story of the most powerful global economic and military powers, beginning with the White House and President Donald Trump exposing his nationalistic and protectionist stance towards the rest of the world. In Western Europe, Theresa May's Brexit poses a great challenge to the legitimacy of the European multilateral order. These were preceded by the rise to power of right-wing politicians in Central and Eastern Europe. In other parts of the world, the BRICS demonstrates that a different order is thriving impressively while the existing liberal one has proven to be insufficient to meet their interests (Mahrenbach and Shaw 2019: 1–2). The discourses of de-liberalisation are very attractive to Indonesian politicians, particularly those who stand outside the executive government. They manipulate de-liberalisation to appeal to potential voters, and attempt to build a strong political base among the anti-liberalism masses. This has been observable in the rounds of local and national elections since 1999.

The major political competition was represented by two poles. On the one side, there were the reformist forces, mainly Partai Demokrasi Indonesia Perjuangan (Indonesian Democratic Party of Struggle/PDIP) chaired by Megawati Sukarnoputri, and on the other side, there were the exponents of the ousted authoritarian New Order regime. Other smaller parties appeared on the stage and introduced diverse agendas; yet, many of them were short-lived due to the lack of grassroots political capitals. Indonesia's procedural democracy has functioned relatively peacefully, although critical observers are concerned about the broadening influence of the conservatives, the New Order-related political economic actors. The most phenomenal of them is Prabowo Subianto and his Gerakan Indonesia Raya (Greater Indonesia Movement/Gerindra) party.

These developments provide a good entry point for this article in order to discern the causes of the current government's political economic choices. It is important to note that the above comparative overview on the resource powers' nationalistic profile evinces that there is no positive relationship between the types of political system, whether it is democracy or authoritarianism, and the governmental options of conducting liberalisation or de-liberalisation. Democratic resource powers, such as Australia, Brazil, India, and Indonesia, are highly nationalistic in their strategic sector management, whereas Vladimir Putin's undemocratic Russia subscribes to a liberal approach to its non-oil and gas mining industries. To some extent, this article favours Chen and Li's (2018) argument about the dynamic relationship between democracy and liberalisation.

Addressing de-liberalisation phenomena, Fill (2019) argues that in the cases of Austria, Germany and Switzerland, the governments' policy packages leading to de-liberalisation are steered by political parties' interests seeking vote and office. De-liberalisation is intended to compensate for the negative impacts of the ongoing liberalisation processes on the public welfare. Policymakers design de-liberalisation as an appeasement for the liberalisation opponents. For political survival objective, coalition and policy deals are made through political bargaining. As a result, the state government can continue to implement its liberalisation programmes. This



style of analysis suggests empirical examination of transactional politics. Its focus is on the materialistic reasons behind the political elite's decisions and actions. This article, however, tries to present a different way of thinking to which the ideational aspect is deemed to be influential in policymaking. The consideration is that conflicting ideas, cultures and values have significantly contributed to awakening identity politics around the world. It also characterises the political landscape of today's Indonesia. This article proposes a constructivist approach to explaining Jokowi's economic nationalism. Constructivism offers the concept of legitimacy to relate policy and identity. The following section illuminates this article's theoretical framework.

Explaining economic nationalism: legitimacy matters

Economic nationalism is a set of governmental policies, strategies and practices aimed at empowering national economic capacity *vis-a-vis* foreign powers, and promote national economic interests such as the prosperity of the people. To this end, the nationalistic orientation requires local capital and public support. States running nationalist-driven economies are not averse to integrating themselves into the global system arranged by proliferating regional and trans-regional economic integration regimes so long as they can benefit the national economy (D'Costa 2012: 2–3). Economic nationalism is intended to strengthen national power. The government mobilises the whole country's resources and distributes the benefits across social classes. It will not undertake policy which can undermine national unity. Since the enhancement of national power is the core agenda of strategic policies, economic nationalists are keen to implement policies favouring modernisation, industrialisation, communication and information technology advancement, as well as military capability build-ups, to protect the state and the people from damaging external threats (Nakano 2003: 222–26).

This definition based on nationalist motivation in economic affairs should be conceptually limited in order to sharpen the focus of economic nationalism. Pryke (2012: 285) argues that economic nationalism could be seen more clearly as a practice of protecting national economy from penetration by global markets. It does not simply mean that the state opposes every external activity, but this is related to the commitment to defending core national values, mainly sovereignty (Helleiner and Pickel 2004). Hence, the national economy state implements crucial measures, including control of imports, in order to help strengthen domestic monopolies, reinvestments especially directed to bolster priority sectors, and the establishment of state-owned companies through nationalisation of foreign firms. In some instances, this process can consist of the taking over of mining, oil and other heavy industries or resource nationalism. In service industries, economic nationalism increases barriers for foreign professionals working in the country, prohibits the sending home of profits of foreign capital, tightens control over ethnic minorities with significant business interests, and attempts to realise self-reliance in agricultural fields (Pryke 2012: 285).



Economic constructivists believe that ideational factors besides material gain, such as social identities, norms and other inter-subjectively shared beliefs, influence economic life. They focus on social facts which exist due to the process of socialisation. Socially constructed facts inform the patterns of political economic behaviour. They also direct the ways policymakers perceive the effects of the physical world around them (Abdelal 2001, 2009; Abdelal et al. 2010). Based on this assumption, constructivists advance theories on the relationship between national identity and economic policies (Blyth 2003). The basis of change in the government's preference to economic policy is a socially constructed identity. Since identity is alterable over time, the national economic policy, liberal-led or state-led reform programmes, varies accordingly.

Identity in social life is the product of human ideas. Members of society make and remake their identities through the process of social interactions in which everyone knows each other's role and purpose. Translating this conception of identity onto the state level, it can be understood that identity is the meaning states have about their role and purpose in interaction with other states. It is propagated in interconnected internal and external environments. From within the state, identity originates in the local history, values and political culture, whereas on the international stage, national identity of the state is projected onto world politics, and it is reconstructed with reference to other states and institutions which have perspectives about their own national identities (Wendt 1999). This Wendtian constructivism concentrates only on identity construction which takes place at the systemic level. Identity is produced and reproduced by international politics. It ignores domestic processes. Nationally based identity construction is considered to be stable across time.

For the analytical purpose of this article, both nationally and internationally directed process of identity making must be observed. This is because domestic politics in democratic countries is dynamic, and actors with different identities play various roles in it. For this reason, it is important to take into account the contribution of internal identities in state interests which further inform foreign policy (Hopf 2002). This article synthesises the Wendtian and Hopfian identity theories. It looks at both domestic and international arenas where identity is an influential factor and also objective of state actions (Hobson 2000: 146). As identity is constructed in social ways, it involves views from other individuals or groups, called the audiences. They give feedback on one's identity, and may affect it. Seen from this perspective, the state has a moral purpose inherent in its policies (Reus-Smit 1999). Based on this theorising about identity and policy, it is argued that governmental rhetoric and actions are practically changeable in response to input and feedback given by internal and external audiences to the state identity. It suggests that identity and legitimacy (but not always related to morality) are inseparable. They shape one another. In the political context, an action is legitimate dependent on the actor's identity (Hopf 2005), and legitimacy creates resources to be used by the individual or group actors, others' perceptions, judgements, inclusion or exclusion (Mulligan 2005). Thus, every government will value efforts to form and keep the identity as a legitimate actor.

In domestic politics, legitimacy is associated with acceptance of the state's interests and policies by any parties who are affected by them. Hence, it is also viewed as



the result of social contacts between the state and the domestic public. The government creates and maintains its legitimacy and the legitimacy of its objectives and activities by constructing self-images through which it can obtain public justification of the defined priorities and strategies (Reus-Smit 2007: 158–63). Legitimacy is of tantamount importance to the ruling elite, because it determines their political survival. A legitimate government is able to rule the country effectively, and it may even utilise force to maintain state control.

In the modern world order, legitimacy is also an important factor related to the state's status in the eyes of the international community. States are only legitimate actors if they comply with commonly shared international norms and values. International perceptions about the state's legitimacy ensure reliable cooperation and compromise in political and economic issues (Katzenstein and Keohane 2007). However, it should be noted that compliance is the less costly option for the state to get international legitimacy. The government is likely to choose other options depending on its circumstances. In this context, foreign policy which bridges domestic and international politics of the state becomes a vital tool to secure legitimacy and national identity. The conduct of external relations is steered by the elite's perceptions about the state's position in the international system and the situations it has to face (Snyder et al. 2002). Therefore, the attitudes and methods of diplomacy to save its reputation as a legitimate actor are complex and dependent on the effect of international force and order on the state. The act of foreign policy varies from accommodation to coercion, from defensive to offensive measures, and from integration to disintegration.

In this conceptual approach, legitimacy becomes the principal feature of the politics of economic nationalism. The government facing legitimacy challenges from the inside and the outside of the political system has to opt for the nationalistic stance on the basis of its visibility to respond to dynamics. By studying the case of Indonesia, where democratic consolidation is troubled by conservative forces, this article argues that becoming a legitimate government is the main political identity to pursue, while in the arena of international relations the challenges to Indonesia's legitimate position have to be responded to by strengthening the nationalist-oriented policy. Democratisation impacts the ways in which people see Indonesia's foreign policy. It is certainly no longer the domain of executive affairs, because more stakeholders are involved in policy debates and decision-making (Ruland 2018: 9). Therefore, the external responses to Indonesia's initiatives and activities are more attentively observed and assessed by the domestic public. This exchange creates an environment where the government's legitimacy is vulnerable to political threats. Detractors of the government can use both domestic and international issues to bring Jokowi's administration into disrepute.

Jokowi's economic nationalism

The Jokowi government's endeavours to uphold nationalist economic policies are to some extent the continuation and enlargement of those which have been carried out by the previous governments under President Megawati and Susilo Bambang



Yudhoyono. All of them refer to the Indonesian 1945 Constitution to justify their nationalistic moves. Article 33⁵ Paragraph 2, of the Constitution stipulates that important sectors of production which affect the life of many people should be controlled by the state. It³ followed by paragraph 3 which stresses that lands, waters and the natural wealth contained within them should be controlled by the state and used for the maximum benefit of the people. According to these constitutional mandates, the Indonesian government can and has to enforce economic sovereignty, which consists of three pillars: protection of the country's vital national economic interests, the state's intervention to mobilise resources for economic development, and prioritisation of the public interest over private or market interests.

Megawati, who took over the presidency from Abdurrahman Wahid in July 2001, had to deal with political instability and social disorder as the consequences of Wahid's inability to overcome urgent problems prompted by market-facilitating rescue programmes. These were imposed on the Indonesian economy by the International Monetary Fund (IMF) to help it recover from the late 1990s currency crisis. To show her nationalist bid, in September 2003 Megawati quitted the IMF's ongoing reforms and reinvigorated state control over the national economy. By the end of 2003, the government announced its own recovery plan. This decision restored confidence in the government, and gave stimulus for growth (Sadli 2003). In 2007 the economy grew by 6.3%, signalling the success of the government's self-healing measures. One of the important steps taken by the Megawati government was revitalising the function of SOEs to manage the circulation of vital assets and public goods. The food sector was the focus at the time, to serve the people with affordable basic daily needs (Wie 2010: 75).

Yudhoyono's economic nationalism is more visible in his second term in office (2009–2014). This could be a defensive strategy to anticipate the widespread impact of the 2008 global financial crisis (Negara 2015: 2). Local firms and SOEs were given greater opportunities and facilities to widen their ownership and activities in strategic areas, such as mining, agriculture and horticulture businesses. A visionary development plan was launched⁸ 2011 to guide the whole process of national economic empowerment, known as *Master Plan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia (Master Plan of Acceleration and Expansion of Indonesian Economic Development/MP3EI)*. In line with MP3EI's agenda, the Yudhoyono government gradually pushed oil and gas industrialisation to be held more by domestic entrepreneurs. Hence, regulations were set up to boost domestic capacity. For instance, in 2012 the government revised the 2010 regulations to require that local ownership of 20% applied after five years of production and then 51% after ten years (Habir 2013: 122).

The Jokowi government frames its nationalist economic development policies in a doctrine of the Global Maritime Fulcrum (GMF), named Indonesia Back to the Seas, which contains both domestic and international dimensions. Jokowi realised that for decades the country's maritime power and resources have been neglected due to overcentralisation on mainland development projects, comprising of those formulated in Yudhoyono's MP3EI. In his presidential campaign and the early months of the presidency, Jokowi declared that the GMF is Indonesia's future outlook and central development initiative. A peaceful, strong, stable and prosperous



nation will emerge from it,, benefiting from its strategic location in the confluence of the Indian and Pacific oceans (Indo-Pacific). The GMF brings together five developmental pillars, including economic, defence and security issues. At the economic front, it consists of three agendas: rebuilding the country's maritime culture, safeguarding and managing ocean resources focusing on food security, and accelerating infrastructure development for national maritime connectivity. These items are accompanied by diplomacy to resolve international territorial disputes on the borders with neighbouring states, the fight against transnational crimes at sea, and the modernisation of naval forces to protect national sovereignty and maritime wealth.

The action plan to achieve the GMF's agenda was detailed in the National Maritime Policy document published on 20 February, 2017. In this policy paper, a road map details movement towards GMF between 2016 and 2019, in which the development focuses have been broadened to include seven areas. They are translated into 76 strategic agendas, and 425 activities organised to accomplish 330 targets. This maritime vision is also the policy guideline and operationalisation guidance for ministries and non-ministerial agencies under Jokowi's leadership (Coordinating Ministry of Maritime and Resource Affairs 2017). Over two years of the Jokowi administration, the applications of the GMF's measures have been heavily inward-oriented. The current government's regulations have been directed to serve the necessity of uplifting local business performance against foreign competitors. By 2015 no less than 199 regulations and regulatory frameworks had been applied by 14 ministries and state agencies to stimulate domestic productivity, and at the same time to restrict imported goods and foreign professionals working in the country (Munadi 2016: 68). Parallel to the GMF's pillars, agriculture, fishery, pharmacy, and telecommunications are the four sectors most supported by the government. Jokowi affirmed that narrowing the operations of foreign capital in the local market is in a way necessary to help encourage domestic traders and investors to expand their enterprises.

To improve national competitiveness and in accord with the third focus of GMF's maritime infrastructure development, Jokowi is undertaking a mega project of building an integrated marine logistic system called *tol laut*. The essence of the *tol laut* development is building robust and modern water transportation as well as logistic systems serving five major port cities⁷ bridging the Indonesian archipelago from west to east. The *tol laut* will traverse Belawan in North Sumatra, Tanjung Priok in Jakarta, Tanjung Perak in Surabaya East Java, Makassar in South Sulawesi, and Sorong in Papua, along with the surrounding islands. It will speed up goods and service inflows from industrial sites in Java to isolated areas throughout the country. The *tol laut* system is connected with the construction of 24 new airports, over 1400 seaports, 7800 kilometres of highways, 35,000-megawatt power plants, all of which requires around US\$70 billion (Negara and Das 2017: 2–4). It looks like a complex web of local inter-island connections which are centralised in several points. As such, international trade cannot pass through any sea routes within the *tol laut*. Instead, it is channelled through gates in the five main port cities. For example, imports from Australia and the Pacific region can only enter Indonesia from one point, at the harbour built in Sorong (Putra 2014). With the *tol laut* Indonesia aims to become the centre and bridge of international trade in the Indo-Pacific region. After three years of implementation, Jokowi's GMF and its offshoot programmes



have demonstrated a combination of nativist, populist and welfarist visions, responding to domestic and international developments.

Domestic politics

Jokowi's economic nationalism is his response to the dynamics in Indonesian politics that challenge his government's legitimacy. They come about as the consequence of the divisive ³² 4 presidential election. Jokowi vied head-to-head with Prabowo who is a retired general and former son-in-law of President Suharto. Since being an active army officer Prabowo had shown his political ambition, and there was wide speculation that he was preparing himself to replace Suharto should the New Order leader step down from power. During the 1998 political and economic crises, Prabowo had begun to establish close ties with conservative elements of political Islam, and provoked anti-Chinese sentiment (Aspinall 2015: 6). These connections re-emerged as Prabowo's primary social and political constituencies. At the election campaign, Prabowo and his coalition parties called for a return of the country's wealth which they claimed was being exploited and taken abroad by foreign capitalists. To rival this nationalistic rhetoric, Jokowi sought a moderating tune, although it was still nationalist. The focus was on improving public services, mainly infrastructure, health and education, through the creation of efficient and effective governance, one which was viewed as having not been provided by the Yudhoyono administration. The two candidates fought for the most nationalist stance, especially when campaigning on the renegotiation of contracts with foreign parties regarded as disadvantageous to the country.

Jokowi's triumph was followed by a sharp political polarisation. Prabowo's loyalists have always tried to disrupt the government, aiming to discredit the president. Lane (2017) observes that since the 2014 presidential contest, Indonesia's politics have been characterised by the re-emergence of ideological rivalries. On the one side ¹⁹ Prabowo's proponents, including his Gerindra Party and coalition partners such as the Islamic Partai Keadilan Sejahtera (Prosperous and Justice Party/PKS), challenge what they perceive as the neoliberal-minded and secular-occupied state, especially with regard to national economic policies. The label of secular neoliberal is used to disparage their political opponents at any levels of government and social communities. The Gerindra-PKS alliance wishes to revive a pre-democratic political economy based on heightened centralisation and the strengthened role of religion, particularly the majority population's religion of Islam, in state administration and general society affairs. On the other side, Jokowi and his party, PDIP, which is still led by former President Megawati, maintain the current political and economic systems based on democracy, decentralisation and pluralism. In economic terms, however, the two blocs show the tendency towards populism to mobilise popular support (Hadiz and Robison 2017: 491). In this political context, the opposition promotes issues such as the pro-poor economy to oppose the government, and in response Jokowi legitimises his administration and policies through the appeal of consistent economic efforts, achievements and the benefits for the people.



Indeed, the country's economic circumstances set a challenging political stage for the new president. After the cabinet was formed in the last week of October 2014, Jokowi had to manage Indonesia's economy, which was weakening due to the impact of the global economic slowdown. This trend had been happening since 2012 under the Yudhoyono government. The prices of main export goods such as coal, natural gas and palm oil plummeted, significantly affecting Indonesian account balances. Meanwhile, the growth of exports slowed down and was even negative in the last two quarters of 2014 (Damuri and Day 2015: 6–11). The direct implication of declining exports has been a slump in the value of the rupiah. Since 2013, the currency has depreciated by about 12%, and by the end of September 2015 the exchange rate had reached over 14,000 rupiah for one US dollar (Bush 2016: 135). Domestic industries were greatly affected by the rupiah's weakening as they relied on imported components for production. Foreign debts rose along with the strengthening of the dollar. Consequently, prices of products had to increase to meet the rising production costs. This in turn weakened competitiveness against imported industrial goods. Because of the financial crisis Indonesia's overall productivity growth, unlike that of Thailand and Malaysia, did not fully recover. The Jokowi government is faced with below-target economic growth, estimated at about 4.7% in 2015. It was lower than that of other ASEAN countries such as the Philippines and Vietnam and much lower than China and India (Patunru 2015).

Politicisation of economic and social matters has turned into a serious challenge to Jokowi. This is because in Indonesia's constitutional order, parliamentarians are mandated to scrutinise executive policies, and propose alternative policies to them. Thus, the number of seats possessed in the parliament determines how the government can leverage its position politically. Unfavourably, the Jokowi government's coalition gained only about 40% of the seats in the House of Representatives, whereas their opponents occupied the majority with 60%. Such an imbalance of power has created a formidable and confrontational political landscape for the government. The asymmetrical relationship affected Jokowi during his first year.

Just a few weeks after announcing his cabinet programmes, Jokowi took a brave decision to cut oil subsidies significantly. This was never done by previous governments who were discouraged by the social and political repercussion from the economic side effects of subsidy reduction. Jokowi, however, was determined that by decreasing spending on wasteful and ill-targeted fuel subsidies, the government would have more fiscal space for conducting the development of needy infrastructure which in turn could help bolster productive sector performance. Protests arose as opposition politicians and labour unions affiliated with Gerindra disagreed with Jokowi's policy. The opposition who dominated the parliament used parliamentary authorities to thwart the president's move. They argued that the people's economic conditions would become more difficult because the abolishment of subsidies could stimulate a rise in basic goods prices. Speaking on behalf of the most affected element of the societies, Gerindra asked Jokowi to cancel his unpopular decision, and in parliamentary sessions even insisted that such an important decision had to be consulted before the House of Representatives, otherwise it would mean that the government had violated the state legislation procedures and laws on budgets (Andinni 2014). Opposition figures



threatened to organise a special issue session to examine Jokowi's liberal policy (Ramadhan 2014).

Jokowi had been aware that there would be critical challenges to his economic policies. In an interview prior to the presidential inauguration, as reported by Mietzner (2015: 127), Jokowi intended to assert to the public that there were those who did not want to see the government move forward with its developmental programmes and work for the good of many Indonesians. Nevertheless, the critics were responded to through less confrontational means. With intensive publicising of the merit of abandoning energy subsidies for improving health and education services, the president's economic team was able to manage popular resistance, and by early 2015 the resistance surrounding the oil subsidy decrease faded away. Nevertheless, the government understands the potential and actual consequences of the fuel issue for its legitimacy. Ever since, Jokowi has been determined not to engage in subsidy polemics.

The cooling down moment was utilised by the government to accelerate the nativist and populist-oriented actions. Jokowi launched his social welfare system and educational programmes emulating his Jakarta health and smart cards that were one of the signature policies of his time as governor of the capital city. Again the opposition in the parliament warned that the policies needed legislative approval. Yet, the president was not affected. Having secured Rp 240 trillion in 2014 and additional Rp 65 trillion in the 2015 state budget from the reduction of oil subsidies, Indonesia could boost capital spending to 70% mostly for infrastructure and social welfare in the 2015 state budget (Yusuf and Sumner 2015: 335). Jokowi went on to execute his ambitious developmental agendas. On national infrastructure the *tol laut* projects were commenced followed by the groundbreaking construction of modern logistical facilities, such as the new seaport of Makassar. Ten other mega projects were showcased, including the building of highways, railways, airports, power plants and drinking water treatment systems around the country (Negara 2016: 158). Maluku and Papua received significant attention. Jokowi has stated on many occasions that the huge infrastructure deficit in these eastern regions has resulted in substantial economic and social costs.

Coming into 2016 Jokowi was able to consolidate his political power particularly through the expansion of the government's coalition parties after three of the six members of Prabowo's camp turned to support Jokowi's leadership. Hence, the government could gradually control the parliamentary politics. Nevertheless, legitimacy challenges remain in the form of mass mobilisation organised by Prabowo's sympathisers. They drive ideological and religious campaigns against the government. Economic issues are exploited to question Jokowi and his administration. Although there was a slight increase in GDP to 30% in 2016 and infrastructure projects progressed, the widening prosperity gap between the rich and the poor appeared to be the central theme of the anti-Jokowi forces (Tomsa 2017). The discourse of *pribumi* (indigenous Indonesian) reappears in the political arena led by the nationalist-Islamist actors. Former military commanders under the Yudhoyono administration enlist in the new political party with a *pribumi* identity. They are active in propagating racist rhetoric linked to the plight of Indonesian poor people (Suryadinata 2017).



The social economic problems were combined with religious and ethnic sentiments directed at Chinese Christians. This was obvious during Jakarta's 2016 gubernatorial election when Prabowo's populist-Islamist supporters accused Jokowi's ally and incumbent Basuki Tjahaya Purnama (Ahok) of blaspheming the Al-Maidah 51 verse of Al Quran. A series of rallies were organised between November and December by the militant Muslim groups such as Front Pembela Islam (Islamic Defenders Front/FPI) and Hizbut Tahir Indonesia as well as opposition figures like Amien Rais, Fadli Zon and Fahri Hamzah to send the message that their religion was being betrayed by the ruling regime. The Islamists forced the government to take legal action against Ahok, and there was an indication encountered by the police that a larger political motive, pushing for government change, drove the demonstrations. This mixture of populist religious politics turns out to be an increasingly serious challenge to the Jokowi administration's legitimacy. This is in part because the current movement of Islamic populism is better organised, well-funded and more politically connected (Setijadi 2017). The Ahok episode displays the effectiveness of politicisation through Islamic languages for undemocratic and vested economic interests of the political elite (Hadiz 2018).

To maintain legitimacy against extra-parliamentary politics, the Jokowi government has to sustain the nationalist impulse and keep popular attraction of its people-oriented economic policies, paying more attention to strengthening domestic economy and economic actors against external influences. Although in mid-2015 and 2016, after reshuffling the cabinet, Jokowi announced his deregulation packages aimed at speeding up reforms, restrictive regulations at the ministerial and state agential levels towards foreign capital continue and even tend to widen. Strategic infrastructure projects are monopolised by state-owned contractors. In the management of mining and mineral sectors the government prioritises state-owned enterprises and local private players. Downstream processing is required. Agriculture and maritime industries are becoming more closed to foreign investments with stricter measures being imposed on exports and imports. So are the public services such as health and education being occupied by local firms. For these reasons, Manning (2015) mentions that the Jokowi government's economic policies indicate reform in form only, but remain unchanged in their substance. It takes place by virtue of the opposition stumbling blocks. The features of nationalistic political economy continue through 2017. The most recent showcase action of the nationalist government's resolve is their success in taking over control of the Grasberg gold and copper mine from Freeport McMoran, an American multinational corporation which has operated the largest and most profitable mining industry in Indonesia since the Suharto government era.

Critics of oligarchy, such as Robison and Hadiz (2017), argue that Jokowi's economic nationalism is nothing but an extension of vested interests. Indeed, politico-business elites were behind Jokowi's ascendancy to the presidency. The most renowned of them are Vice President Jusuf Kalla, the media mogul and chairman of the National Democratic Party (Partai Nasional Demokrat/NasDem) Surya Paloh, and strong cabinet ministers such as the Coordinating Minister for Maritime and Resource Affairs Luhut Pandjaitan and State Minister of SOEs Rini Soemarno. The government's policies to protect the domestic economy are seen by the critics as



intended to serve these elites' interests, especially in infrastructure, energy, agriculture, natural resource exploitation, and service industries. Such political economic connections have been enabled and fortified by patron client mechanisms coupled with technocratic competence and high performance in public sectors (Fukuoka and Djani 2016). Even though this argument is easy to understand, day to day political realities show that it is a challenge to the president's and his government's pro-people credentials which impacts their economic freedom. As the Jokowi administration persistently attempts to demonstrate its support for an agenda of national economic empowerment, there is an upswing in popular endorsement of the government. This is evidenced in the increasing public approval of Jokowi after three years in office. An opinion survey carried out by the Jakarta-based Centre for Strategic and International Studies (CSIS) in September 2017 indicates that people's satisfaction with Jokowi's economic policy reached 56.9%, which means it rose from only 46% in 2016 and it was less than 40% in the president's first year. Public support for Jokowi's GMF projects was reported at highly significant 75.5%. Overall Jokowi had been able to obtain a high level of popularity, around 68.3% (Fachrudin 2017).

Foreign relations

Beside domestic politics, the external environment creates challenging circumstances to Indonesia's status as a foreign policy actor. Its legitimacy stemmed from unilateral and multilateral sources. The individual source was the proactive but peace-loving initiative in global affairs. It is believed that through the globalist diplomatic contributions Jakarta can inflate the country's national power in spite of the disadvantages caused by feeble military posturing and under-performing human resources. In the fora such as the G20 and the United Nations, President Yudhoyono initiated a number of economic policies concentrating on international financial reform and poverty alleviation in the developing world. In political and security arenas, Jakarta initiated the establishment of the Bali Democracy Forum and Indo-Pacific Treaty of Friendship and Cooperation which were aimed at promoting Indonesian values to become the basis of a stable and peaceful regional order (Parameswaran 2014: 155). For these high-profile initiatives Indonesia was recognised as a rising middle power.

However, there was a gap between the aspirations and achievements that indicates a legitimacy problem. This was because the Indonesian proposals were never fully accepted and favoured by the international community, even if they were directed at the ASEAN colleagues (Liow 2018). Indonesia's global economic reform agendas have encountered no pathways of realisation on account of a lack of international enthusiasm. The efforts to demonstrate foreign policy attractiveness through 'soft power' have been in many respects hindered by domestic weaknesses. Jakarta fails to convince its international partners about the merits of its democratic political practices to cope with enduring problems of widening economic discrepancy, rampant corruption, communal violence and human rights violation (Sukma 2012: 84–90). More recently, ideological conflicts coloured by religious intolerance pose



a real challenge to the state's self-proclaimed identity as a country where Islam, modernity and democracy can go hand-in-hand.

The multilateral source of Indonesia's international legitimacy was derived from the position of ASEAN to play a leading role in the evolving networks of regional institutions in which relations with the great powers are organised, understood as ASEAN centrality. The notion of ASEAN centrality, according to Acharya (2017: 274), has at least three interconnected dimensions. First, ASEAN is the centre from which the formation of wider Asia Pacific regional institutions is made possible. Related to this, the second dimension is Southeast Asia becoming the nucleus of all discourses and practices of institutionalisation involving Asia Pacific players. And lastly, ASEAN turns out to be the model of norm-making and institution-building for regionalism in other sub-regions. Indonesian strategists, for example Laksmana (2016), argue that ASEAN centrality is not a given reputation. It is one that must be achieved through intensive processes which necessitate a substantive degree of autonomy of ASEAN as a solid collective institution in response to wide-ranging intervening factors coming from outside Southeast Asia. Seen in this way, Indonesia's legitimacy, as the founder of ASEAN, is dependent on whether ASEAN as its main diplomatic vehicle could maintain the role as the primary driving force in forging an international order based on ASEAN values and norms. ASEAN centrality, therefore, should be visible and feasible in the group's offspring institutions which cover larger membership and scope of function.

In the regional economic integration projects such as within the ASEAN Economic Community (AEC), ASEAN centrality was faced with challenges from both internal and external developments. Since the AEC blueprint was publicised in 2007 the AEC has aimed to build a Southeast Asian single market coherent with the previous ASEAN Free Trade Agreement (AFTA) roadmap. Through AEC, the national economies of ten members of ASEAN are going to be directly connected by integrated infrastructure and production networks. Hence, this can smooth the inflow of intra-ASEAN trade and investment and improve the region's economic equitability and competitiveness in the global economy (ASEAN Secretariat 2007: 5–29). However, the commitments had yet to be fulfilled until the AEC 2015 targeted actual implementation. Key indicators of liberalisation at regional levels demonstrated that ASEAN states made little progress. There was a big mismatch between the talk and the walk of the AEC. None of the approved regional infrastructure projects went to plan. Trade and investment regulations in the respective member countries, except for Singapore, were increasingly strict and confined the flow of foreign capital. This was particularly observable in the mushrooming of non-tariff barriers, although tariffs were significantly reduced. The ASEAN governments' unwillingness to consistently translate regional free trade agreements into national rules hampered the creation of true market-driven economies in the region. The ASEAN Secretariat in Jakarta acknowledged such unsatisfactory circumstances.

The enlargement of ASEAN membership since the admittance of four newcomers at the end of the 1990s was not matched with fundamental institutional changes. This has given rise to more complicated discussion processes among the ASEAN 10. Therefore, decision-making becomes less efficient due to a higher potential for conflicting interests, whereas ASEAN obliges members to achieve



consensus on any regional issues. On the economic integration projection, the ASEAN economic ministers are assigned to coordinate all issues arising from the AEC. Nevertheless, this mechanism does not work effectively on account of the ASEAN's principle of non-interference in member state's internal affairs posing political limits to the suprastate authorities. Consequently, the activities toward EAC have been conducted without real intergovernmental and transnational coordination.

The most important issue which was not responded to decisively was how to deal with the individual state's commitments to applying bilateral FTAs either with Southeast Asian or extra-regional partners. Until 2015, as Solis and Wilson (2017) note, in the Asia Pacific region there had been 109 bilateral FTAs compared to only four in 2001, in which AEC participants including the new ASEAN members were enmeshed. This figure increased significantly to 168 in September 2016, of which ASEAN states made 100 FTAs with each other and outside Southeast Asian states, mainly Australia, China, India, Japan and the United States. Panke and Stapel (2018) call this phenomenon overlapping regionalism.

Further to Solis and Wilson's (2017) rapid growth of bilateral FTAs, there were the regional states' strategic responses to the stagnation and fragmentation in the Asia Pacific free trade architecture prompted by the erstwhile establishment, and competition, of the Asia Pacific Economic Cooperation (APEC) and the AFTA taking place during the 1990s. While APEC offered a flexible design of economic collaboration, encompassing ASEAN and Asia Pacific's major economies across the ideological divide of the Cold War, AFTA narrowed the range of multilateral institutionalisation in mere Southeast Asia, excluding even dialogue partners and Asian powerhouses, such as China, Japan and South Korea. As the AEC was formed as the continuation and intensification of AFTA, ASEAN could not free itself from the competitive regionalism models governing Southeast Asia. As such, liberalisation in this region is not led entirely by a single supranational entity, likewise that in Western Europe and North America. ASEAN has to struggle to ensure its leadership role in regional economic integration. However, by virtue of its loose organisational structure, the transformation from regionalist to bilateralist settings of Asia Pacific free trade has generated the more challenging atmosphere to ASEAN in enforcing its centrality.

China showed its eagerness and entitlement to be the vanguard of, and perhaps to dominate, economic groupings powered by ASEAN. This caused irritants to other regional powers within the ASEAN Plus Three (APT), especially Japan, which then arranged for the incorporation of Indo-Pacific powers, such as Australia, India and New Zealand, into the ASEAN dialogue partnerships. Japan's diplomatic efforts succeeded in making the East Asia Summit, a forum of state leaders which was formed to resolve strategic issues (Malik 2006). This trajectory towards institutional balancing was not responded to negatively by ASEAN. This is because the six actors beyond ASEAN had engaged in various substantive free trade deals with individual ASEAN members. Corresponding to the logic of ASEAN regionalism, proposals of external partnerships will be facilitated and institutionally elevated into regional levels as long as they comply with the ASEAN code of conduct stated in the association's Treaty of Amity and Cooperation (TAC).



The strategic economic rivalries between Asia's major powers turned into a more protracted phase after 2012. With its economic achievement and military modernisation China pursued an increasingly assertive foreign security policy particularly toward the maritime zone. Clashes between China and neighbours in the South China Sea and East China Sea incited the United States to tighten its traditional alliances in East Asia and expand military cooperation in Southeast Asia. The administration of President Barack Obama decided to adopt the ASEAN's TAC as the ticket to attend the EAS meeting. The presence of great powers, China and the United States, within EAS has actually undermined the prospect of an evolving security order. Contested Beijing-Washington relations penetrated into the Summit. As a result, crucial security issues, such as the territorial disputes over the South China Sea continue to be inconclusive (Cook and Bisley 2016). ASEAN confronts the challenge of disunity, albeit not embracing the whole member countries, with regard to the most concerning regional high political incompatibility. At the Kuala Lumpur Summit in 2015, EAS leaders declared their intent to level up their engagement which would focus on economic and security terms. A unit was designated within the ASEAN Secretariat to link every EAS result to ASEAN's working agendas. Yet, the momentum was not taken up swiftly and firmly by ASEAN governments. The reservation about how the heightened EAS-ASEAN linkages will be realised remains unaddressed.

12 Amid this evolving regional architecture there arise two other geometries, the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP), which exhibit the sharper contours of great power polarisation within the growing interdependent Asian and ASEAN countries. The TPP was launched by the Obama administration in March 2010. It is open to accession for all APEC participants, offering high standard economic liberalisation under the WTO Plus points of negotiation. The negotiation processes were completed in October 2015 between the United States and 11 other countries. Economic privilege and security reasons lured the developing economies to enlist this American mega-regional scheme. Soon after the TPP negotiation began, in August 2011 China and Japan delivered to the region their respective regionalism concept which put Northeast Asia as the hub of economic integration activities. Pushed by its concern about centrality, ASEAN answered by announcing RCEP in November that year, aimed at accomplishing the ongoing ASEAN Plus One FTA arrangements which had engaged China and Japan. As a result, the Asia Pacific trade diplomacy has witnessed attempts to uphold multilateralism upon the spreading bilateral FTAs (Solis and Wilson 2017). These newly invested regional bodies are bringing about the mixture of trade agreement initiatives and security vying among ASEAN, China, Japan and the United States. Unlike the organisation of APEC and AFTA which contested each other over the definition of region and regionalism, within the TPP and RCEP major regional players beyond ASEAN are seeking to install their own format of regional order on Asia Pacific international relations (Stubbs 2018; Wesley 2015).

The rise of the TPP adds more complex layers of leadership competition which threaten ASEAN centrality, and increases the risk of breaking ASEAN cohesion. Washington focuses on the 'pivot to Asia' policy in which China has to be prevented from assuming leadership in the post-American order. China, however,



realises its ambitious global power through destabilising the United States' Asian alliance, appealing economically using financial aid, investments and market access. Beijing's proposal for establishing a China-Japan-South Korea FTA, besides the working China-ASEAN FTA, and the recently expansive developments of the Maritime Silk Road framed in the One Belt and One Road (OBOR) initiatives sweep a trans-regional geography for China's strategic and economic interests. Although ASEAN presses forward with RCEP to finalise the comprehensive economic community plans, it has no rules to dissuade members to join either of the Washington's or Beijing's blocs. Thus, it is quite difficult to think about the primacy of ASEAN's autonomous and consensus-based attitude towards issues related to the contesting regions. The insignificant progress of AEC application sets out an imperative for member states to experiment with outside options which are provided by greater economic and political actors. In this context, the principle and basis of centrality may be compromised for individual expectations. The legitimacy of ASEAN erodes due to the absence of great powers' real political endorsement of the association's regional development.

ASEAN's limited capacity to retain centrality and navigate the complex web of regional economic, political and strategic relations creates a large incentive for Indonesia to devise a different policy. When Yudhoyono promoted Indonesia as a globalist-oriented actor, he did not anticipate the impact of domestic and international obstacles to foreign policy conduct. Indonesia's international profile had been weakened by a legitimacy crisis. Domestic critics argue that Yudhoyono's liberal institutionalism approach to external affairs prevented the state from undertaking its task to serve the people's interests. Jokowi's foreign policy aides captured the previous government's international ambitions but with weak domestic underpinnings as the point of departure for the new administration's outlook and action. Jokowi's foreign policy is shaped with the primary aim to protect national economic interests. To this end, the government reviews international contracts made with foreign parties on the basis of their benefit to the country. At RCEP rounds, Indonesia opposed the legal rights for investor-state dispute settlement (ISDS) in which foreign companies can launch legal action against the host state. Together with other developing countries within RCEP, Indonesia asked for the withdrawal of proposals about the reduction of the state's intervention to support domestic public service sectors.

Because the centrality of ASEAN in Asia Pacific regional politics and economy is diminishing, Jokowi seem to have downgraded ASEAN's importance in Indonesia's foreign affairs. The longstanding conception of ASEAN being the cornerstone of Indonesia's foreign policy has been gradually discarded. Under the Jokowi government ASEAN is just one of the cornerstones (Acharya 2018: 87). This claim is confirmed by the ways Jokowi undertakes diplomacy. He prefers to utilise extra-regional institutions to launch important foreign policy initiatives, particularly the GMF which was first internationally introduced in the EAS in November 2014. Despite ASEAN leaders' attendance at the meeting, Jokowi said no words about concept and strategy which could be referred to synergise ASEAN's roles with Indonesia's maritime-oriented development, specifically the GMF with the regional connectivity projects. In the recently launched national maritime policy, the relationship with ASEAN is not prioritised as Indonesia wants to move forward with its



inward economic orientation. Jokowi's leading foreign policy advisor, and currently Indonesian Ambassador to the United Kingdom, Rizal Sukma has on many occasions underlined the need for Indonesia to pursue a post-ASEAN regional order.²⁴

The decline of foreign policy linkage with ASEAN can be interpreted as related to the fact that the Jokowi government sees little prospect for Indonesia to be recognised as an important regional actor if continually reliant on ASEAN. Beeson (1998) stresses that the changing East Asian and the wider global economic orders have actually been more constraining to the smaller economies like Indonesia. This limitation is even more formidable to break out under the increasingly interventionist attitude of the great powers. To Jokowi's mind the most crucial aspect of Indonesia's foreign relations is their contributions to accelerating domestic economic development. When ASEAN no longer provides sufficient modalities for external resource mobilisation, Jakarta will not keep it at the highest place of foreign policy priorities. The search for ways to buttress political legitimacy drives the current government's attentiveness to other possible diplomacy manoeuvres. The internal pressure on legitimacy and the external actors' penetrative behaviour justify the reference to and salience of economic nationalism instead of the complicated Asia Pacific multi-lateral organisations governed by liberal institutionalism.

Foreign policy observers, such as Fealy and White (2016) and McRae (2014), comment that Indonesia has never been serious in projecting its power onto the international arena.²³ Foreign policy makers in Jakarta have ambivalent perceptions about Indonesia's role in international politics. On the one hand, Indonesian elites perceive the outside world as hostile, dangerous and exploitative. Yet, on the other hand, they claim that they have the right to assert Indonesia's leadership among regional states. As a result, Jakarta tends to pursue a defensive stance in the face of external developments and on some occasions has been reactive towards neighbours like Australia and Malaysia for actions considered as offending Indonesia's national sovereignty. These are particularly evident in cross-border incidents involving those neighbouring countries. One may associate the inconsistent nature of Indonesian elites' views and foreign policy outcomes to the nationalistic and even partly isolationist economic policies applied by the Jokowi government. However, the empirical basis of their assessment is perhaps more verifiable in historical than current contexts.³⁸

Jokowi's foreign policy shows that the problem of international legitimacy is the influential factor to economic nationalism. In the first two years of his presidency, Jokowi retreated from international politics. The Office of Presidential Staff (2017) announced that Indonesia needed to review, reorganise and refocus its international relations in order to achieve pro-people purposes. Furthermore, the conduct of external relations must be reformulated so that they match policies of other state agencies designed to meet the goal of the GMF. Foreign Minister Retno Marsudi (2017), in her beginning of the year address dated 10 January 2017, assured the nation that Indonesia's top priority under Jokowi is to foster the national economy, and that diplomacy is guided by this objective. Very little space has been allotted to ASEAN's arrangements, including the AEC. Indeed, a year before the Indonesian foreign minister showed a lack of enthusiasm for the commencement of the AEC implementation. What can be inferred from these signals is that Jakarta understands



that the ongoing international situations are not conducive enough for it to chase high profile policy interests, which were similarly intensively attempted by the Yudhoyono administration. Instead, a turn to a more inward-oriented course of action is regarded by the Jokowi government as being more realistic.

Conclusion

The point to make here is that by applying domestic-international legitimacy factors this article has drawn a more nuanced picture of Indonesian economic nationalism. The phenomenon is not simply a by-product of perceptions about the nation's economic power. The choice of becoming a government that implements restrictive access to foreign capital in the ostensibly open international system is closely associated with fundamental developments in the political landscape. In the case of Jokowi's Indonesia, the emergence of profound conflict among political leaders who organise public support through popular issues has set domestic structure which gives no options other than to maintain inward-looking economic measures. It is clear what is at risk; the government's identity as a legitimate actor in the eyes of the people. No leaders in democracy can survive politically when they lose the battle for public legitimacy.

Economic nationalism is also the response of the state government which finds international relations do not particularly work to promote its reputation. International initiatives and activism are important components of external legitimacy. Since the preoccupying model of interstate interactions is liberal institutionalism, regional and global organisations turn out to be the most accommodating framework for political and economic exchanges. However, the evolution of regional order-making in the Asia Pacific is more likely to represent the logic of power games in international politics. Legitimacy of the weaker states is determined by the endorsement or rejection of the stronger ones. This is of course the function of the greater powers' strategic and economic intentions. Indonesia's shifting focus from ASEAN's long held regulatory business shows that Jakarta is aware of the diminishing legitimacy of its foreign policy in the changing regional order. While the transformation is underway, the government tries to look for other means to legitimise itself by promoting new discourses, becoming more nationalist in the state's international standing.

In the comparisons between the case of Indonesia and the resource powers, the BRICS and Asia Pacific countries, it is clear that the resource-rich governments protect their domestic economy through a nationalist policy regime in which the interests of local players, politico-economic elites and political constituencies are prioritised. Political economy scholars are convinced that the trends of de-liberalisation are proliferating amid the current liberal world order. There is no positive relationship between democratic governance and liberalisation or de-liberalisation. Policymaking is led by transactional politics, and survival of the elite is its chief objective. Against this empirical and theoretical backdrop, this article has proven that another analytical framework is reliable. Beside the dominant scholarship on the role of material factors in political economy, it is the ideational one, legitimacy,



which is behind the current Indonesian government's nationalist economic regime. This study contributes to enhancing the relevance of economic constructivism as a theoretical perspective in the contemporary international political economy.

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