Redefining the Role of Indonesian Subnational Actors in Foreign Relations through Economic Diplomacy

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Abstract—The role of subnational actors particularly local government in foreign relations has become more significant in Indonesia, moreover since the Autonomy Law was put into practice after the reform took place in 1999, then the Law No 32, Article 10/2004 was effectively coming into effect. However, the law of local autonomy including the law of special autonomy only regulate the regional mechanism of the making of international agreement. It was accordingly aimed at giving more opportunity for local participation in foreign relations. Amidst the rapid changes caused by globalization which has created a growing interconnectedness, major challenges facing the local government has become ubiquitous and require more capacity and skills from the local government to achieve the national interest. Having regarded to the legal basis of the conduct of foreign relations by regional/local governments, the function of local governments lies on promotion activities of economic, trade, technology and cultural relations. They are also responsible for facilitating people to people interactions and business – to – business transaction. This paper discusses the importance of redefinition of the role of Indonesian subnational actors in foreign relations by using economic diplomacy approach. The paper suggests that capacity building and increasing economic diplomacy skills of local/regional government are the prerequisites to the success of their conduct of foreign relations.

Keywords: *Indonesia; subnational; actors; autonomy; diplomacy*

INTRODUCTION

The increasing role of subnational actors in foreign relations has become one of pivotal point in the study of International Relations particularly in the field of diplomacy. Along with intensifying globalization took place since the 1990s, the complexity of international relations becomes more unavoidable and unchained, so do the actors involved in the arena. The emergence of them in international relations is the consequence of the rising needs caused by complex dynamics of foreign relations in international forums. Grydehøj argued, *paradiplomacy*¹ can be difficult subject to discuss because there is understandable reluctance to admit that one is engaging in

it.² In the case of Indonesia, *paradiplomacy* or diplomacy conducted by subnational actors has

begun since the Autonomy Law was put into practice after the reform took place in 1999, then the Law No 32, Article 10/2004 was effectively coming into effect. This article will try to explore the recent form of *paradiplomacy* in Indonesia and how it should be redefined in order to achieve Indonesian national interest.

CONCEPTUAL OVERVIEW

A. Defining Paradiplomacy

According to Grydehøj, *paradiplomacy* is a term taken from the word *paralleled* and *diplomacy*. It is defined as a political entity's extra – jurisdictional activity targeting foreign political entities. In this sense, an entity is a unit of government.³ The above definition rests on understanding that different levels of government possess different levels of jurisdictional capacity⁴. The concept of

¹Paradiplomacy is a specific term used in the field of diplomacy study taken from two words - *paralleled* and *diplomacy* that refer to diplomacy conducted by unit of government – known as subnational actors e.g. city diplomacy which is carried on by a Mayor or a Regent. For further study, see Grydehøj (2014), Sergunin and Perttiönniemi ;Buttler

²Adam Grydehøj, 2014, Goals Capabilities, and Instruments of Paradiplomacy by Subnational Jurisdiction in A. Grydehøj et al.

(eds), *Local Actions in a Global Context :Paradiplomacy by Subnational Jurisdictions* (pp. 10) Brussels: Centre Maurits Coppieters.

³ Idem

⁴i.e different degrees of competence to pass laws, build effective administrative processes, facilitate inward capital flows, encourage education and support the development of a climate conducive to economic growth, see Baldacchino, 2002: 349

paradiplomacy denotes international activities of subnational and non – state actors that have limited capabilities – in terms of resources and legal powers in foreign policy sphere.⁵ This definition furthermore specifies that paradiplomacy must target foreign political entities, i.e. must aim to influence subnational entities in other countries, foreign sovereign states, etc. When for instance, a subnational entity exercises de facto power to encourage economic development by participating in an international policy network or entering into a twinning agreement, this can generally be regarded as paradiplomatic activity inasmuch as it targets foreign entities.⁶

A historian of international relations, Rohan Butler defines paradiplomacy as “the highest level of personal and parallel diplomacy, complementing or competing with the regular foreign policy of the minister concerned, is thus a recurrent temptation to the chief of the executive, be he a premier or president, dictator or monarch.”⁷ There is another definition of paradiplomacy which deals with globalization. According to Soldatos⁸ and Duchacek,⁹ paradiplomacy is a part of the processes of globalization and regionalization, under which sub and non-state actors play an increasingly influential role in world politics. Regions, municipalities, companies, Governmental Organizations (NGOs), and other relevant organizations seek to promote international cooperation, and account for a significant part of contemporary cross and trans – border contacts.¹⁰

Paradiplomacy owes its origins to globalization. As the world economy has become increasingly global and increasingly integrated in a variety of ways, sub-national

units (regions, states, provinces and even cities) find their functions and activities circumscribed by the global system. Federalism is also a key contributor to the growth of paradiplomacy. Sub-national actors such as states and provinces which have a formal legal personality are necessarily more likely to engage in international activities designed to promote and protect local and international interests and prerogatives.¹¹

Meanwhile, it can be useful to differentiate between paradiplomacy and public diplomacy. It was argued by Grydehøj,

“As the former targets foreign political entities per se where as the latter targets foreign publics in a more general sense. An important reason for this distinction is that, unlike paradiplomacy, public diplomacy is not usually extra- jurisdictional, i.e. does not exceed political entity’s de jure jurisdictional capacity. Sovereign states tend not to place legal limits on the ability of their subnational entities to address foreign publics through tourism campaigns, overarching place branding initiatives, etc. Of course, the distinction between paradiplomacy and public diplomacy can be more theoretical than actual, for not only are members of formal governments also themselves members of foreign publics, but the opinion of members of the general public can influence the stances of their own government. Depending on how public diplomacy is undertaken, it could even implicitly seek to influence the policy of foreign entities (rather than just the ideas of their publics)”.¹²

Another notion of increasing role of subnational actors in international affairs was uttered clearly by Sergunin and Joenniemi (2014) in their case study on Russia’s Arctic subnational actors. According to them, in contrast with the Cold War Era, when subnational actors were expected to remain exclusively within the domestic sphere, presently the prerogative of states to insert divisive borders has gradually eroded and consequently various subnational actors

⁵ Alexander Sergunin and Pertti Joenniemi, Paradiplomacy as a Sustainable Development Strategy: The Case of Russia’s Arctic Subnational Actors.

⁶ Adam Grydehøj, 2014 op.cit p.11

⁷ Butler R. “Paradiplomacy,” in *Studies in Diplomatic History and Historiography*, ed. by Sarkissian A., (London: Longman, 1961), pp. 12–25.

⁸ Panayotis Soldatos “An Explanatory Framework for the Study of Federal States as Foreign Policy Actors” in *Federalism and International Relations: the Role of Subnational Units*, eds. Hans Michelmann and Panayotis Soldatos (Oxford: Clarendon Press, 1990), 34 – 53.

⁹ Ivo Duchacek, *The Territorial Dimensions of Politics: Within, Among and Across Nations* (Boulder and London: Westview Press, 1986); Ivo Duchacek, “Perforated Sovereignities : Towards a Typology of New Actors in International Relations” in *Federalism and International Relations*, 1-33

¹⁰ Alexander Sergunin and Pertti Joenniemi “Paradiplomacy as a Sustainable Development Strategy: “The Case of Russia’s Arctic Subnational Actors” Eurasia Border Review *src* h.slav.hokudai.ac.jp/publicn/eurasia_border_review/abr.../EBR_v5n2_01.pdf [accessed 11/5/17]

¹¹ Falguni Tewari and Harsh V. Pant Paradiplomacy and India : Growing Role of States in Foreign Policy <http://www.orfonline.org/expert-speaks/paradiplomacy-and-india/> [Accessed 11/7/17]

¹² Adam Grydehøj, 2014 op.cit p.12

have been able to establish international relations of their own.¹³

Still Sergunin and Joenniemi argued that it should be noted that subnational actors do not aim in general at applying principle and characteristics of state – to – state relations. They do not reach out on behalf of the state but usually do so for reasons of their own. This means that they do not regard the relations established as an integral aspect of more formal foreign policies.¹⁴

Further, Beate Wagner¹⁵ noted if substate actors try to copy the political type of relations that exists between states, they are mostly unable to develop the necessary plurality or bring about the transnational quality of their relations. Upholding the distinction between the national and the regional or local departure conceptually as well as sphere of practice also requires that states can for their part remain quite permissive vis à vis cooperation between regions and cities.

On a more general note, although networking of subnational actors is underpinned by the logic of competition and maintained by an interest in conducting foreign economic policies¹⁶ the consequences of such moves reach far beyond the economic sphere.

In sum, both practitioner and experts identified in a pragmatic way – the following benefits from activities of subnational entities:

- Bolstering economic and business development
- Improving service delivery and problem solving
- Improving transport infrastructure
- Promoting freedom of movement of people, goods, services and capital
- Accessing international organizations and financial institutions in search of funding
- Promoting stronger community well-being
- Promoting stronger community partnerships
- Increasing global and regional awareness
- Yielding more intense regional/local government staff development and training

Providing resources for developing education and culture

Promoting tolerance and increasing understanding

Enhancing youth/women's activities¹⁷

B. Economic Diplomacy

Economic diplomacy is defined as bilateral, regional or multilateral realization of economic interests predominantly by diplomats, but also other civil servants and/or nonstate actors in order to maximize national interests or maximize welfare of the population of the home country.¹⁸

Donna Lee and Brian Hocking¹⁹ noted that economic diplomacy scholars focus on the role of diplomatic actors and the linkages, activities and institutions in which they work as they seek both to create and manage economic interdependence and dependence. Diplomats are key players in negotiations to establish market rules and regulations, the dissemination of norms and cultures in the international economy, the promotion and implementation of economic policies, and the advocacy of public and private economic interests.

In essence the study of diplomacy has shifted from a focus on the diplomacy of economics in which the key theme was the economic tools of statecraft to the study of economic diplomacy in which two themes emerge. The first is that of diplomat as agent in International Relations (IR) and International Political Economy (IPE). The second theme is how to fit non-state and non-foreign ministry officials into diplomatic agency.²⁰

However, there is growing recognition that economic diplomacy is significant both to an understanding of the concept and practice of diplomacy. Not only have we begun to recognize and to explain the everyday impact of diplomacy in the economic sphere and the role of diplomats in the development and regulation of markets, we have also begun to examine the role of diplomats in 'global economic governance'. This is appropriate because, contrary to some of the governance literature, diplomats remain highly significant players in the creation and

¹³ Alexander Sergunin and Pertti Joenniemi, op. cit. p. 3

¹⁴ ibid

¹⁵ Beate Wagner "Twinning: A Transnational Contribution to More International Security?" in *From Town to Town. Local Actors as Transnational Actors*, ed. Christian Wellmann (Hamburg: LIT Verlag, 1998), 42

¹⁶ Christian Wellmann, "Introduction" in *From Town to Town. Local Actors as Transnational Actors*, ed. Christian Wellmann (Hamburg: LIT Verlag, 1998), 11

¹⁷ Susan Handley, *Take Your partner: The Local Authority Handbook on International Partnerships* (London: Local Government International Bureau, 2006) 6 – 8. Accessed 11/7/2017: <http://www.iga.gov.uk/lga/aio/190428>

¹⁸ Marjan Svetličič (2011) Competence for Economic Diplomacy and International Business; Convergence or Divergence? *Uprava*, IX(1), p.146

¹⁹ Donna Lee and Brian Hocking (2010) "Economic Diplomacy" in Robert A. Denemark (ed). *The International Studies Encyclopedia*, Vol. II pp 1216-1227 Wiley Blackwell

²⁰ Denemark (ed.) *The International Studies Encyclopedia*, Vol. II, pp 1216-1227. Wiley Blackwell.) p.1218

maintenance of the practices and institutions and rules of international economic relations, diplomats are often invisible servants of the world economy and any account of developments in world economic history needs to acknowledge their role. Equally significant is the lead role that diplomats play in the unnoticed everyday events in the development of markets, whether that be in 'selling socks for Britain' as one diplomat described his commercial activities, or negotiating a new loan with the International Monetary Fund (IMF).²¹

If diplomacy is tied to state actors and state interests, then economic diplomacy tends to be limited to the use of traditional diplomatic tools to achieve the economic goals of a state. Economic diplomacy is the pursuit of economic security within an anarchic international system. Economic diplomacy is generally defined as the use of traditional diplomatic tools such as intelligence gathering, lobbying, representation, negotiation and advocacy to further the foreign economic policies of the state.²²

Some studies have shown that the very origins of diplomacy in most countries lie in developing cordial relations in order to facilitate trade.²³ The newer approaches to economic diplomacy recognize that diplomacy cannot be compartmentalized into separate economic and political activity and that, in practical terms, most countries would find such a separation simply unworkable.²⁴

In all countries, economic diplomacy is a key strand in diplomatic strategy and it therefore becomes necessary for states to develop an integrated or coordinated diplomacy. This coordinated diplomacy involves a multiplicity of actors and individuals built around policy networks drawn from several government ministries, including the foreign ministry, as well as private and civil sector actors placed in national, regional, and international levels.²⁵

A more useful concept that can be used as an approach in economic diplomacy is national diplomatic system by Hocking.²⁶ This concept better captures the diverse and complex nature

of coordinated diplomacy. Further Hocking argued that economic diplomacy may be driven by the foreign ministry, but it involves those with economic responsibilities and interest inside and outside of government at all levels of governance. In the NDS rendering of diplomatic structures and process, the foreign ministry becomes the integrator or coordinator of diplomacy. That is, working with partners such as other government departments as well as business and civil groups to deliver diplomatic goals.²⁷

In the extent to the conduct of economic diplomacy, there are four key modes of economic diplomacy which are seen as critical to managing contemporary globalization; commercial diplomacy, trade diplomacy, finance diplomacy and consular visa services in relation to increased migration flows.

REDEFINING THE ROLE OF INDONESIAN SUBNATIONAL ACTORS IN FOREIGN RELATIONS

A. *Existing Condition of Subnational Actors Role in Indonesia*

The implementation of the Law No.2/2004 about Local Government (Law of Local Autonomy) has brought new dimension for the conduct of foreign relations by subnational actors in Indonesia. Basically, the conduct of foreign relations belongs to the authority of central government of Indonesia. However, along with the law of local autonomy implementation, foreign policy and diplomacy are also directed to empower and promote local potential in the framework of the unity of Republic of Indonesia.

In order to support the conduct of more oriented and coordinated foreign relations based on legal certainty, the Indonesian government has implemented the Law No. 37/1999 about foreign relations and the law No.24/2000 on international agreement. Both of the laws are constitutional foundation for the central government and other international relations actors, including local constituents in running the foreign relations.

In article 1 verse 1 law No. 37/1999 it is stated that foreign relation is every activity pertaining both regional and international aspects conducted by central and local governments, or by its institutions, state institution, enterprises, political organizations, nongovernmental organizations or citizens of Indonesia.²⁸

²⁷idem

²⁸The Law No. 37/1999 about foreign relations and the law No.24/2000 on international agreement.

²¹idem, p. 1219

²²idem,1221, for further reading see Barston 1997; Berridge 2002; Hamilton and Langhorne 1995; Jönsson and Hall 2005; Marshall 1997; and Watson 1982

²³see Lee and Hudson 2004

²⁴ Donna Lee and Brian Hocking, op.cit p.1223

²⁵ B. Hocking (2004), Changing the term of trade policy making : from the club to the multistakeholder model. *World Trade Review* 3 (1), 3-26

²⁶ B. Hocking (2007) What is Foreign Ministry ? in K. Rana and J. Kurbalija (eds), *Foreign Ministries: Managing Diplomatic Networks and Optimizing Value*. Malta and Geneva: DiploFoundation

According to the law abovementioned, the conduct of foreign relations by local government is controlled and coordinated by minister of foreign affairs. The local authority is government authority relating rights, duty and responsibility amongst all government levels. By attribution, distribution, delegation and mandate it can be depicted how those various government levels own different rights, duties and responsibilities to one another. Therefore, there are different duties and authorities ending up in different scope of power and responsibilities.

In spite of local autonomy owned by subnational actors such as provinces, districts and municipalities, there are special affairs still only belong to central government as follows:

- a. foreign policy
- b. defense
- c. security
- d. jurisdiction
- e. monetary and fiscal
- f. religion

Except those six sectors of foreign affairs, local governments can still run the foreign relations – act as initiating institution – cooperate with other foreign government on behalf of their home country through three mechanism as follows:

- a. Local mechanism (conducted by local government and local legislature)
- b. Internal mechanism (conducted by Ministry of Internal Affairs, Minister of Foreign Affairs and relating institutions).
- c. External Mechanism (conducted by Ministry of Foreign Affairs, Embassies of Republic of Indonesia around the world).

Local mechanism has something to do with promoting the economic, trade, technology and cultural relations. The role of subnational actors lies in the main functions and goals to facilitating people-to-people interactions and business-to-business relationship. Internal mechanism takes place in the way of consultation and coordination between subnational actors (province, municipalities and districts) and ministry of foreign affairs. Meanwhile, external mechanism occurs through the implementation of the law of foreign relations and the law of international agreement. The ministry of foreign affairs gives some political and juridical considerations on such cooperation on state level with other country. Subsequently, they communicate the cooperation plan with foreign representative/embassies in Indonesia and also with Indonesian Embassies in foreign countries. They also control and make some evaluation on such follow ups and implementation of

cooperation. To follow up the process, local government undergo data gathering over their potential respectively. Then analyzing the potentials which are most feasible and selecting competitive sectors. After having such entailing data, they put them into country profile that frequently updated and broadcasting them through various media including to the embassies of Indonesia in the entire world continuously. This way, ministry of foreign affairs acts as full-power institution, and subnational actors are merely act as subordinate instead.

B. Challenges and Opportunities Facing the Subnational Actors in the Conduct of Foreign Relations

According to the research conducted by Manurung, Abipraja and Masjkuri, the delegating of mandate through local autonomy by central government to regional governments is followed by fiscal decentralization. Central government conveys more financial resources to regional governments. These resources are supposed to be used for financing regional government's operation as well as regional development programs, which may include capital expenditure, improving employment rate and welfare. Local autonomy coerces a regional government to be ready to accept more responsibility in governing and managing its house-affairs. The regional government needs to improve its capabilities to optimize existing resources and discover new potential resources in order to increase regional income. Fiscal autonomy as part of local autonomy will expose the capability of regional government in increasing its regional income, such as taxes, retributions, etc. Hence, all financial shares from central government are temporal support for regional government. Their role is as a booster which objective is to ignite the production engines of the regional government. However, a number of studies indicate that the implementation of local autonomy in Indonesia has proven differently. World Bank (2003) reports that at the early implementation stage of local autonomy in Indonesia, regional governments were highly depending on financial distribution from central government through general allocation funding instrument. The instrument satisfied almost 90% of regional governments' annual income.²⁹

Economic diplomacy is becoming more

²⁹MastaManurung, SoejonoAbipraja&SitiUmajahMasjkuri (2015) Local Autonomy in Indonesia, Fall Short: Case Study East Java Province *International Review of Management and Business Research* Vol. 4 Issue.1 March 2015

crucial as the main function it runs comprising^[4] bargaining activities to achieve some targets in trade relations, finance, fiscal and also to invite many investments. Along with the growing influence of globalization process, it is^[5] imperative for subnational actors to redefine their role in fulfilling their tasks as subnational actors. As the distance-narrowing process caused by globalization has been so immense, the subnational actors are facing both challenges and^[6] opportunities at the same time. They should be capable of mastering every single knowledge of handling the cooperation with other foreign countries and private sector at once.

The subnational actors needs to manage^[7] developing specific methods for paradiplomacy that fall into two categories as Sergunin and Joenniemi³⁰ argued. First, direct, by seeking legitimacy and international recognition through^[8] the adoption of local normative acts; signing partnership agreements; establishing representatives offices abroad; attracting foreign investment; improving their international image,^[9] cooperating with international organizations, city-twinning, etc. Second, indirect such as influencing local legislation, exploiting the national parliament, capitalizing on subnational^[10] diplomacy and infrastructure in the regions. By combining the direct and indirect ways, the^[11] success of paradiplomacy can surely be achieved.

CONCLUSION

Having explored the role of subnational actors^[12] in foreign relations in order to achieve Indonesian national interest, it was found the condition that there has been conflicting and^[13] overlapping role of foreign relations actors both in central and subnational level. Redefinition of the role of subnational actors is really^[14] compulsory to avoid inefficient process and failure in the conduct of foreign relations through economic diplomacy by arming those subnational^[15] actors with such competencies dealing with economic matters

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³⁰Sergunin and Joenniemi, op cit p. 16