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重新審視印尼與台灣的合作：一個歷史制度的視角

Indonesia-Taiwan Cooperation Revisited: A Perspective
of Historical Institutions

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中華民國 107 年 8 月

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ABSTRACT

The absence of diplomatic recognition between Indonesia and Taiwan does not hinder both entities to secure cooperation in various fields. The existence of the institutional channel, namely Taipei Economic and Trade Office (TETO) and Indonesia Economic and Trade Office (IETO), makes it possible for Indonesia and Taiwan to maintain interaction. Indeed, the institutional channel plays a pivotal role but there is a lack of research focusing on this institutional channel at this time. Past researches emphasized on either the domestic situation, national interests, or changing of international community, but never discussed the institutional matters in assessing Indonesia and Taiwan relation.

This research attempts to analyze Indonesia-Taiwan relation from institutional perspective by seeking clarification on the establishment of the institutional channel, its role to increase the cooperation as well as its impact to Indonesia and Taiwan's cooperation. In order to find the answers, this research will employ historical institutionalism theory, which consists of critical juncture and path dependence as the main variables.

This research is using a case study of IETO and TETO as the methodology. Data is collected through quantitative and qualitative methods. Quantitatively, a content analysis of official texts and collecting existing secondary data will be utilized to collect all relevant data. The quantitative data is gathered through in-depth interview and policy analysis in order to obtain primary data from the policy makers, officials, and experts of Indonesia-Taiwan relation.

This research argues that Indonesia-Taiwan institutional channel was established through a series of event occurred in the past which created path dependence among them up to now. The path dependence allows the institutional channel to create mutually beneficial cooperation without harming each other's interests. Additionally, the institutional channel enables Indonesia and Taiwan to secure more cooperation in line with the increasing quality of the institutional channel itself.

Keywords: Indonesia-Taiwan relation, institutional channel, TETO, IETO, cooperation, path dependence.

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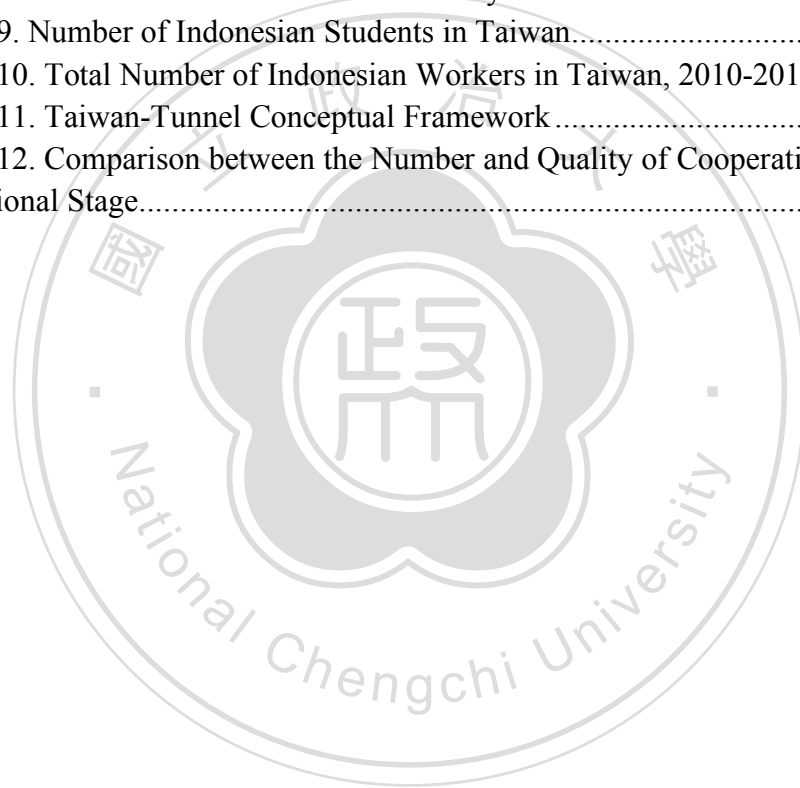
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LIST OF ABBREVIATIONS

| | |
|---------|---|
| AISCT | : Annual International Scholars Conference in Taiwan |
| APIT | : <i>Asosiasi Pengusaha Toko Indonesia di Taiwan</i> (Indonesian Employers' Store Association in Taiwan) |
| ASEAN | : Association of Southeast Asian Nations |
| ATC | : Agricultural Technical Cooperation |
| BAKIN | : <i>Badan Koordinasi Intelijen Negara</i> (State's Intelligence Coordinating Agency) |
| BNP2TKI | : <i>Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia</i> (National Agency on the Placement and Protection of Indonesian Overseas Workers) |
| CIER | : Chung-hua Institution for Economic Research |
| CITC | : Committee of International Technical Cooperation |
| ECA | : Economic Cooperation Agreement |
| FORMMIT | : <i>Forum Mahasiswa Muslim Indonesia di Taiwan</i> (Indonesian Moslem Students Forum in Taiwan) |
| FTA | : Free Trade Agreement |
| GERWANI | : Gerakan Wanita Indonesia (Indonesian Women Movement) |
| GRTK | : Genetic Resources and Traditional Knowledge |
| HES | : Higher Education Summit |
| ICATI | : <i>Ikatan Citra Alumni Taiwan se-Indonesia</i> (Taiwan's Alumni in Indonesia) |
| ICDF | : International Cooperation and Development Fund |
| ICP | : Indonesian Communist Party |
| IECDF | : International Economic Cooperation Development Fund |
| IETO | : Indonesia's Economic and Trade Office |
| IPIT | : <i>Ikatan Pekerja Indonesia di Taiwan</i> (Indonesian Overseas Workers Association) |
| IOCA | : Indonesian Overseas Chinese Association |
| JWG | : Joint Working Group |
| LEKRA | : <i>Lembaga Kebudayaan Rakyat</i> (People's Cultural Institution) |
| LIPI | : <i>Lembaga Ilmu Pengetahuan Indonesia</i> (Indonesian Institute of Science) |
| MDP | : Morotai Development Plan |
| MOFA | : Ministry of Foreign Affairs |
| MOU | : Memorandum of Understanding |
| MTA | : Material Transfer Agreement |
| NGO | : Non-Governmental Organization |
| OISAA | : Overseas Indonesian Students Association Alliance |
| OVOP | : One Village, One Program |
| PERPITA | : <i>Perkumpulan Pelajar Indonesia di Taiwan</i> (Indonesian Students Union in Taiwan) |
| PPI | : <i>Perhimpunan Pelajar Indonesia</i> (Indonesia Students Association) |
| PRC | : People's Republic of China |
| ROC | : Republic of China |
| SEZ | : Special Economic Zone |

SME : Small and Medium Enterprise
TETO : Taipei's Economic and Trade Office
TTM : Taiwan Technical Mission
UN : United Nations
USA : United States of America



CHAPTER 1 INTRODUCTION

1.1 Background

Historically, the Republic of Indonesia (hereafter Indonesia) and Republic of China (hereafter Taiwan) relations started since the early stage of Indonesia's declaration of independence. Similarity between leaders' vision on the basic principles of nation building has made Taiwan offered first recognition to Indonesia independence in 1950. However, Indonesia preferred to become one of the first countries to establish relation with People Republic of China (hereafter China).¹

In general, Taiwan international relation is a unique virtue of state to state relations in Asia-Pacific region. Sovereignty conflict with China has been creating a complexity on their relations with other states in the world as well as with Indonesia. China's consistent policy in claiming Taiwan's sovereignty and Taiwan's attempt to increase their international profile are two zero sum game that is played by both parties. After US shifted its diplomatic recognition and Taiwan's position in the UN Security Council permanent member was replaced by China in 1970's, Taiwan's relations with the rest of the world were changing dramatically. The existence of Taiwan is recognized mostly only by de-facto term; hence the de-jure term is left behind. This changing nature has led Taiwan to portray certain strategy in pursuing its existence. The absence of diplomatic ties and de-jure recognition on Taiwan international politic profile make Taiwan's struggle for existence difficult if it has to be built upon international order standard.

¹ Chen Jie, *Foreign Policy of the New Taiwan: Pragmatic Diplomacy in Southeast Asia* (Northampton, M.A.: Edward Elgar Publishing, Inc., 2002), 62.

On the other hand, Taiwan economic development has grown significantly since late 70's through the expansion of heavy industry and infrastructure, which made Taiwan as one of the Asia's economic miracles. Utilizing its economic and capital power, Taiwan's struggle of existence is also moving to economic cooperation. Although the nature of their relations with China is politically conflictual, however in economic both parties can maintain cooperation since early 1990's. Taiwan's capital power and China's massive human resources have built interdependence relation in pursuing economic wealth.

Although the cooperation has been established between China and Taiwan, but conflictual political relation in the cross-strait creates uncertainty situation for the cooperation among them. One of the rationales is China's unstable political conditions, changeable policy and hostile attitudes towards Taiwan may jeopardize the capital Taiwan invested in China.² In order to avoid such thing, Taiwan's government has been encouraging their businessmen to expand their network and if possible shift their investment to other neighboring countries. In addition, the more Taiwan invests their capital in China, the more dependable they are with China economically.³ If such situation persists, it may become a serious threat for Taiwan's interest. The nature of China-Taiwan relations that is unpredictable, Taiwan's political status and China political instability cause higher risk for Taiwan if it keeps or increases their investment in China. Therefore, cooperation with Southeast Asia countries needs to be established so Taiwan can decrease the aforementioned threats.

² Chun Hung Lin, "Critical Assessment of Taiwan's Trade and Investment Relationship with ASEAN Countries in the Past, Present and Future," *Miskolc Journal of International Law*, Vol. 7, No.1, (2010): 77-78.

³ Xiangming Chen, "Taiwan Investments in China and Southeast Asia: Go West, but Also Go South," *Asian Survey*, Vol. 35, No.5, (May 1996): 458-459.

Through economic power and de-facto recognition, Taiwan has started its diplomatic quest in Southeast Asia as well as Indonesia under the formulation of pragmatic diplomacy (務實外交, wushi waijiao). Taiwan's pragmatic diplomacy emphasized on establishing semi-official relation with other countries where there is no diplomatic recognition to Taiwan or it has been shifted to China.⁴ Such effort aims to broaden Taiwan's international space by strengthening non-political relation with Southeast Asian countries such as Indonesia. Yet, in practice, pragmatic diplomacy is mainly driven by economic interest. As the main objective of pragmatic diplomacy is to mitigate diplomatic isolation and achieve international status of Taiwan as a separate entity from China, Taiwan then establishes its representative in Jakarta.⁵ The representative office serves Taiwan's economic interest as well as a chance to promote cultural and academic cooperation.

Taiwan and other countries' de-facto relation may offer positive benefits to other states in non-political realm, especially in economic.⁶ Supported by Taiwan's major economic power, many countries have limitedly accepted and acknowledged Taiwan's presence in its territorial, including Indonesia. Taipei Economic and Trade Organization (TETO) and Indonesia Economic and Trade Organization (IETO) (hereafter called institutional channel) as the representatives of Taiwan and Indonesia maintain the semi-official relation and cooperation between both parties, particularly economic, trade, cultural and technology.

⁴ Elizabeth Freund Larus, "Taiwan's Quest for International Recognition," *Issues & Studies*, Vol 42, No. 2, (June 2006): 24.

⁵ Michael Leifer, "Taiwan and South-East Asia: The Limits to Pragmatic Diplomacy," *The China Quarterly*, Vol.165, (March 2001): 176..

⁶ Scott Pegg, "De Facto States in the International System," Working Paper No. 21, Institute of International Relations, The University of British Columbia, (February 1998): 3-8.

However, Taiwan and Indonesia pragmatic diplomacy commenced when both parties established the first representative offices in 1971, which were Chinese Chamber of Commerce to Jakarta and Indonesian Chamber of Commerce to Taipei.⁷ After the setting up of institution in Jakarta and Taipei, cooperation between both sides started to emerge on agricultural, mail services and air services. Although there was an absence of Indonesia political recognition to Taiwan but this kind of obscure institutional arrangement has expanded both government operation and to some extent enhance probability to establish cooperation. In its development, Jakarta's approval for Taiwan to upgrade its office has made enormous progress to Indonesia-Taiwan relations. In October 1989, TETO that made the institution changed from being obscure to be more official. Nonetheless, reciprocal action by Indonesia has impediment from cross-strait relation status. Under Indonesia understanding of "One China Policy", it had to wait for positive sign from China before upgrading their office in Taipei. After Indonesia and China agreed to restore its relation under the memorandum of understanding (MOU) between both ministers of foreign affairs on August 8, 1990, five years later Indonesia also upgraded its office into IETO.

Table 1. Development of Indonesia – Taiwan De-facto Institution

| Year | Taiwan's de-facto institution | Indonesian counterpart |
|--------------------|--------------------------------------|---|
| 1971 – 1988 | Taipei Chamber of Commerce | Indonesia Chamber of commerce to Taipei |
| 1989 – 1994 | Taipei Economic and Trade Office | Indonesia Chamber of commerce to Taipei |
| 1995 – 2014 | Taipei Economic and Trade Office | Indonesia Economic and Trade Office to Taipei |

Source: Compiled from many sources by author.

⁷ Chen Jie, *Op. Cit.* p. 82.

Indeed, the highest point of Indonesia-Taiwan relation was when the institutional channel was established, which provided more political status for Taiwan.⁸ Through the institutional channel, the officialdom between both states was enhanced. It also yielded larger space to take an action and cooperation. One of the impacts of the institutional channel establishment, in recent years, Indonesia becomes Taiwan's 10th largest trade partner whereas Taiwan is Indonesia's 9th largest trade partner with total trade US\$ 12,299,446,111. In term of cooperation, since 1976 both parties have signed 31 agreements, memorandum of understandings, and cooperation plan in 11 different fields as presented in Table 2.

Table 2. Field and Total Number of Indonesia – Taiwan Cooperation

| No | Field of Cooperation | Total No. |
|----|-------------------------------------|-----------|
| 1 | Agricultural | 13 |
| 2 | International Express Mail Services | 1 |
| 3 | Air Services | 3 |
| 4 | Investment | 2 |
| 5 | Tax & Fiscal | 1 |
| 6 | Marine & Fishery | 1 |
| 7 | Agribusiness | 1 |
| 8 | Immigration and Human Trafficking | 1 |
| 9 | Special Economic Zone | 1 |
| 10 | Labor Affairs | 2 |
| 11 | Higher Education | 1 |
| | TOTAL | 27 |

Source: Compiled from many sources by author.

Another impact is the increment of cooperation between Indonesia and Taiwan, in terms of the number and field of cooperation. When the institutional channel was started in 1971 – 1988, the role was still limited for commerce only. However, it could

⁸ Samuel C. Y. Ku, "Indonesia's Relations with China and Taiwan: From Politics to Economics," *Asian Perspective*, Vol. 26, No.4, (2002): 227-229.

secure eleven cooperation in three different fields, mostly in agricultural technical cooperation. In 1989 – 1994, it only achieved seven cooperation in three different fields. Yet, it was successfully completed an agreement in a very crucial field: investment. The number and distribution of the fields increased rapidly in 1995 – 2015 where thirteen cooperation in eight different fields was secured. This situation validates the enhancing of institutional channel officialdom provides positive consequence to the cooperation.

As it can be seen on table 3, when examine in detail, more than half of the cooperation is under agricultural technical cooperation. This kind of cooperation is conducted by an institution called Taiwan overseas technical mission. The institution was an initiator for cooperation with Indonesia when they started the agricultural technical mission in May 1976 under the Committee of International Technical Cooperation (CITC).⁹ The CITC was a practice of Taiwan pragmatic diplomacy by using their power in economic which was also known as Taiwan's pragmatic and economic diplomacy. When in early 1989 Taiwan entered a period of rapid economic growth, the government then transferred CITC to the International Economic Cooperation Development Fund (IECDF) which provided assistance to their developing partners like Indonesia.¹⁰ Through these means, Taiwan is able to overcome China's impediment and establish cooperation with Southeast Asian countries as well as increase its political status.¹¹

⁹ Sung-Ching Hsieh, "Case Studies on Taiwan Cooperative Agribusiness-scale Production and Marketing of Asparagus and Mushrooms in Indonesia," Indonesia Report, International Cooperation and Development Fund (2003): 2.

¹⁰ International Cooperation and Development Fund, "ICDF Annual Report 2014," ICDF, Taipei (2014): 2.

¹¹ Kuo-hsiung Lee, "The Republic of China and Southeast Asia: More Than Economy," in *Foreign Policy of the Republic of China on Taiwan: An Unorthodox Approach*, ed. Yu San Wang (New York: Praeger, 1990), 76-85.

The pragmatic diplomacy through Taiwan's trade and investment power was then being formalized by Lee Teng-hui into the Southward Policy.¹² Through the Southward Policy, Taiwan aimed to enhance its economic interest as well as political profile in Southeast Asian countries.¹³ In addition to trade and investment power, Taiwan also utilized economic aid and technical cooperation so they can increase their relation with Southeast Asian countries despite the absence of diplomatic recognition.

Table 3. Total Number and Field of Indonesia and Taiwan Cooperation in Regards of Institutional Channel Development 1971 - 2016

| Phase | Total | Fields | Name |
|-----------|-------|--------|--|
| 1971-1988 | 11 | 3 | <ol style="list-style-type: none"> 1. Agreement on agricultural technical cooperation 2. Agreement on agricultural technical cooperation 3. Agreement on agricultural technical cooperation 4. Memorandum for extension and amendment to the agreement on agricultural technical cooperation 5. Agreement on agricultural technical cooperation 6. Memorandum for extension and amendment to the agreement on agricultural technical cooperation 7. Amendment II of the agricultural technical cooperation agreement 8. Agreement on agricultural technical cooperation 9. Memorandum for extension and amendment to the agreement on agricultural technical cooperation 10. Memorandum of understanding on international express mail service 11. Air services agreement |
| 1989-1994 | 6 | 3 | <ol style="list-style-type: none"> 1. Memorandum of understanding concerning cooperation for the promotion of investment 2. Agreed minutes on matters related to the air services 3. Agreement for the promotion and protection of investments 4. Amendment on the annex to air service agreement 5. Agreement on agricultural technical cooperation 6. The extension to the agricultural technical cooperation agreement |

¹² Ho Khai Leong, "New Directions in Taiwan-Southeast Asia Relations: Economics, Politics and Security," *Pacific Focus*, Vol. X, No. 1, (Spring 1995): 82-91.

¹³ Samuel C. Y. Ku, "The Political Economy of Taiwan's Relations with Southeast Asia: The Southward Policy," *Contemporary Southeast Asia*, Vol. 7, No.3, (December 1995): 283-287.

| Phase | Total | Fields | Name |
|------------------|-------|--------|--|
| 1995- Present | 10 | 8 | <ol style="list-style-type: none"> 1. Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to 2. Memorandum of understanding on marine and fisheries cooperation 3. Memorandum of understanding on recruitment of Indonesian worker 4. Agreement on agricultural technical cooperation 5. One village one product agribusiness cooperation plan 6. Memorandum of understanding on recruitment, placement and protection of Indonesian overseas workers 7. Memorandum of understanding on cooperation in the field of higher education 8. Memorandum of understanding on concerning cooperation in immigration affairs, human trafficking and people smuggling prevention 9. Memorandum of understanding on Morotai development project 10. Agreement on agricultural technical cooperation |

Source: compiled by author from various sources

As described in the above table, it can be seen that after the institutional channel was established in 1971, Taiwan and Indonesia started their cooperation on technical matter related to agricultural. This kind of cooperation remained the only field of cooperation for the first decade of their relation until 1987 when cooperation in international express mail service was established. Agricultural Technical Cooperation (ATC) has proven their ability as a way to maintain relation and cooperation with country that did not have diplomatic relations with Taiwan even before the investment could play its role in Taiwan diplomatic realm. As the variety of cooperative development projects expanded further and the number of overseas technical missions increased, Taiwan dissolved the IECDF in 1996 and established an independent institution, the International Cooperation and Development Fund (ICDF) which incorporated the CITC into the new institution. The ICDF is chaired by Taiwan Minister of Foreign Affairs which ascertains the technical cooperation run by them as one of the

diplomatic tool to maintain Taiwan's foreign relation and cooperation. In the following year, ICDF keeps maintaining several technical cooperation with Indonesia and the latest agreement was signed in early January 2015

On the other hand, the flow of investment from Taiwan is what the developing country like Indonesia needed to achieve higher economic growth. Taiwan's investment will be creating more jobs to Indonesia large population. On the other hand, Taiwan gets access to competitiveness cost in labor and natural resources as well as increasing Taiwan's influence in the Southeast Asia. According to Indonesia Investment Board's statistic, Taiwan is Indonesia's 10th largest investor with total amount US\$ 15,360,000,000.¹⁴ This amount is increasing rapidly in recent year. Recent data has presented, through October until December 2013 Taiwan's investment in Indonesia has reached US\$ 402 million which has distributed in many sectors and regions. As investment is incorporated as one of the tools of Southward Policy, it provided a compatible effect to Taiwan and its counterparts, such as Indonesia.¹⁵

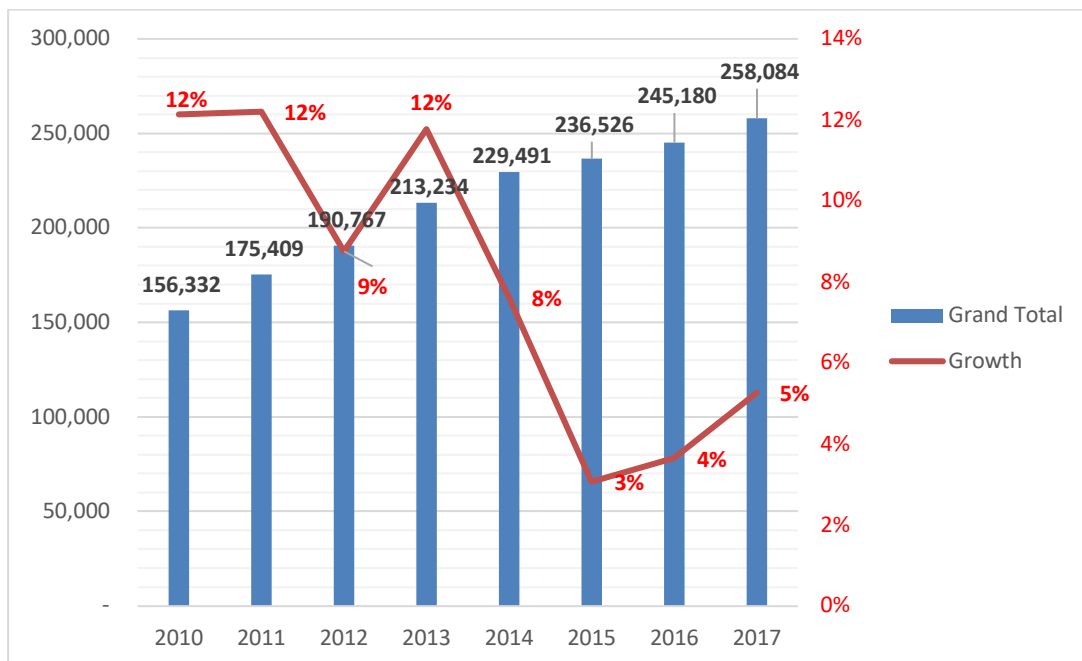
An indirect impact, resulted from the increasing economic exchange between Taiwan and Southeast Asian countries, is the increasing people-to-people relation. When more and more businessmen from each respective party were being connected through the cooperation, these actors would then endorse other cooperation between both governments. Taking such circumstances, Taiwan can be classified utilizing the total diplomacy where they increase closer ties with their counterparts through economic power and people relation.¹⁶

¹⁴ BKPM, "Perkembangan Realisasi Investasi PMA Berdasarkan Laporan Kegiatan Penanaman Modal (LKPM) Menurut Negara Triwulan 3 2013," accessed on October 3, 2014, <http://www7.bkpm.go.id/contents/p16/statistics/17#.VDE8ivmSxqU>.

¹⁵ Gary Klintworth, *New Taiwan, New China: Taiwan's Changing Role in the Asia-Pacific Region* (New York: St. Martin's Press, 1995), 148.

¹⁶ Chen Jie, *Op. Cit.*, 223-272.

Figure 1. Number and Growth of Indonesian Worker in Taiwan 2010-2017



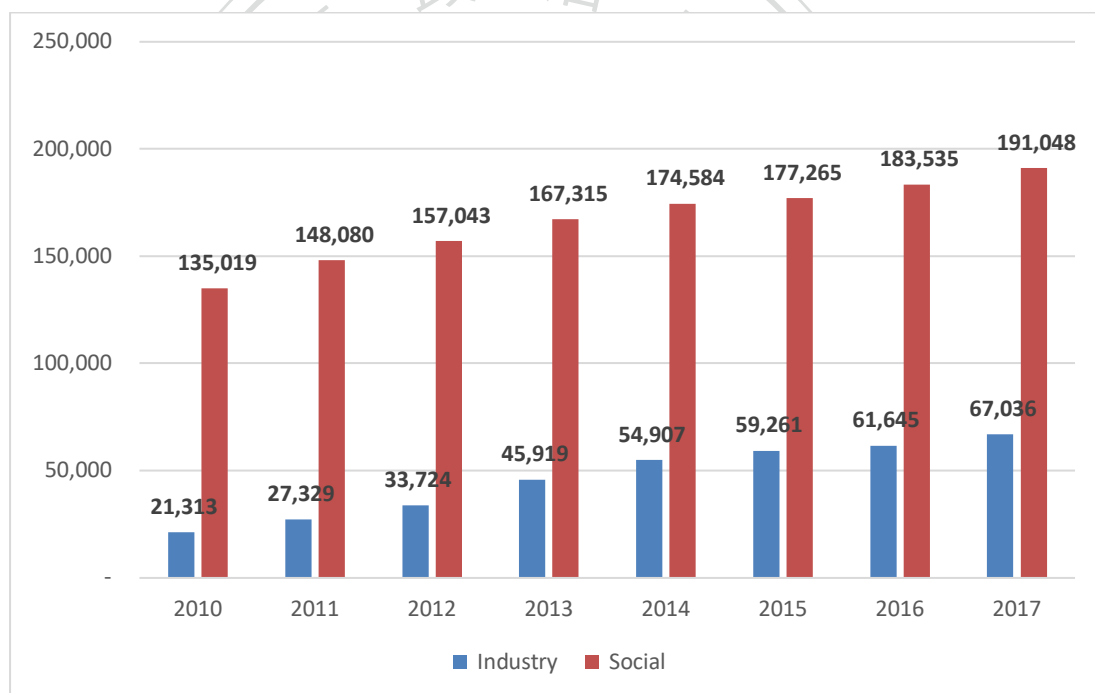
Source: Taiwan Ministry of Labor

Particularly in business and people-to-people interaction, Taiwan domestic demand for Indonesian workers has been creating adjacent relations related to business and labor affairs. Currently, Indonesia is the largest supplier for foreign workers in Taiwan.¹⁷ Recent data showed in 2017 there was 258.000 Indonesian worker in Taiwan. They were not only working in productive sector (manufacture, construction, and other industry) but also as workers in social welfare (domestic sector). This has encouraged both governments to work closely in dealing with this matter. Thus, in responding with this issue, TETO and IETO signed “Memorandum of Understanding between the Indonesian Economic and Trade Office to Taipei (IETO) and the Taipei Economic and Trade Office in Indonesia (TETO) on the Recruitment and Placement of Manpower on December 17th, 2004 which renew on January 24th, 2011 under “Memorandum of Understanding on the Recruitment, Placement and Protection of Indonesian Overseas Workers”. These MoU determined a set of policies between Indonesia and Taiwan

¹⁷ MOL, “Workforce Development Agency,” accessed on October 3, 2014, <http://statdb.mol.gov.tw/html/mon/c12030.pdf>.

Ministry of Labor to cooperate in the recruitment, placement and protection of Indonesian workers in Taiwan. Moreover, according to the data from Ministry of Labor, Indonesia worker in Taiwan has reach 38% of total foreign worker in Taiwan which 60% of them come from East Java province.¹⁸ Hence, to cope with this situation, Indonesia and Taiwan has agreed to establish Taiwan office (TETO) in Surabaya, East Java in December 2015 to facilitate the worker in issuing Taiwan’s working visa. In addition, TETO Surabaya objectives also represent the interests of Taiwan in eastern part of Indonesia such as Sulawesi, Bali, Lombok, the Maluku, and Papua Province.¹⁹

Figure 2. Indonesian Workers in Taiwan by Sectors 2010-2017



Source: Taiwan Ministry of Labor

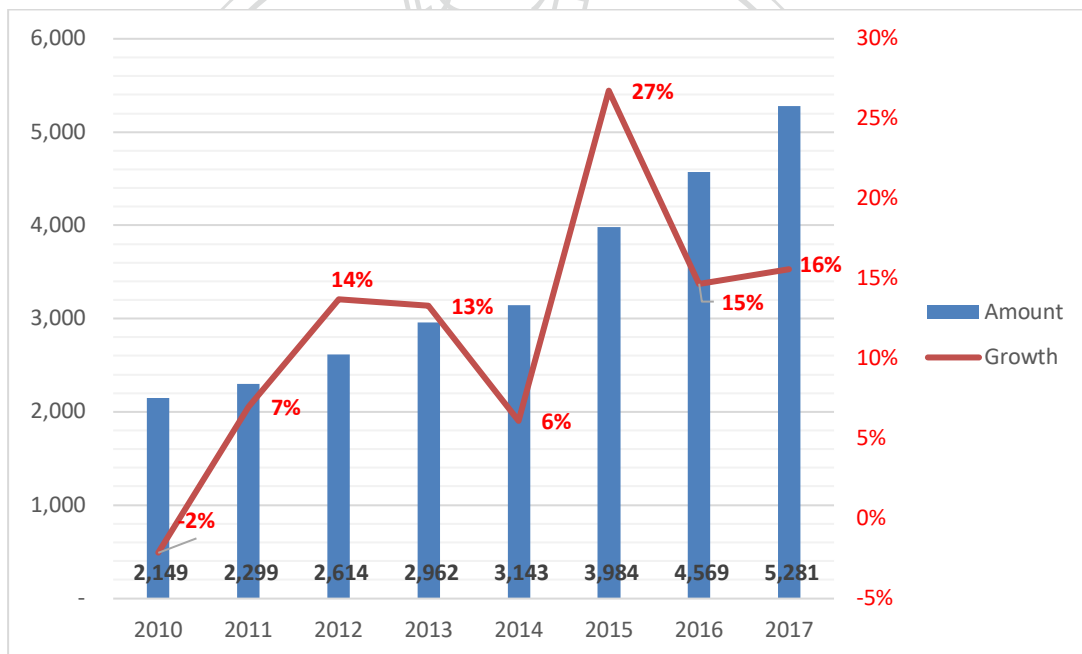
Apart from business and labor, student is also contributing to the establishment of people-to-people relations between Indonesia and Taiwan. Presently, there are 5,281

¹⁸ “Taiwan Bakal Buka Kantor Perwakilan di Surabaya,” accessed on February 2, 2016, <http://www.beritasatu.com/dunia/172304-taiwan-bakal-buka-kantor-perwakilan-di-surabaya.html>.

¹⁹ “Taipei Economic and Trade Office in Surabaya opened December 21,” accessed on March 19, 2016, https://www.mofa.gov.tw/en/News_Content.aspx?n=1EADDCFD4C6EC567&s=EEEE5D3E13C0D8D5.

Indonesian students in Taiwan consist of degree seeking, Mandarin language and exchange students. Good reputation of Taiwan’s academic institutions has stimulated Indonesia student to enroll in Taiwan. In responding to this progress, TETO and IETO have agreed to sign “Memorandum of Understanding between The Indonesian Economic and Trade Office to Taipei (IETO) and The Taipei Economic and Trade Office in Indonesia (TETO) on Cooperation in the Field of Higher Education” on May 21st, 2011. Under this MoU, both Ministry of Education agreed to expand cooperation in the realm of higher education.

Figure 3. Number and Percentage of Indonesian Student in Taiwan 2010-2017



Source: Taiwan Ministry of Education

Business and people to people relation have been emerging in Indonesia-Taiwan relations as causal effect of complex interdependence within the region. This allows multi-channels of state to state relations to arise from low profile issues other than politic and military. It also provides an opportunity for Taiwan to get involved in the international relations and cooperation with other countries as maneuver of its

diplomatic activities.²⁰ Interaction among the people has enabled Taiwan government to initiate cooperation with Indonesia government through MoU which enabled both domestic institutions to work as counterpart in dealing with cooperation on specific issue.

After the signing of the MOUs, both parties agreed to create a mechanism for coordination and negotiation on the given issue areas: higher education and Indonesian workers. In higher education, they established Indonesia-Taiwan Higher Education Summit while Joint Working Group (JWG) became the mechanism for Indonesian workers issue. In higher education summit, both Minister of Education from Taiwan and Indonesia held an annual meeting that provided high-profile platform of dialogue and established network for Indonesia-Taiwan higher education. The summit was also attended by Indonesia and Taiwan universities to coordinate and negotiate many issues related to university to university cooperation and joint research collaboration. This summit has been bridging both parties' interests in academic matters.

Meanwhile the JWG is an annual meeting which facilitates Indonesian Ministry of Manpower and Taiwan Ministry of Labor (formerly was Taiwan Council of Labor Affair) to coordinate and negotiate in labor affairs. After Taiwan opens its job market for Indonesia labor in 2004, the demand of Indonesian labor increased rapidly. The increasing number is also followed by many challenges arises, hence a demand on ministerial agencies to work together to solve those problems arises as well. Through JWG both ministerial agencies are addressing their challenges: Indonesia to send their workers to Taiwan and Taiwan's challenges in receiving those workers and maintaining them while they are in Taiwan. This kind of institutional arrangement has enabled both

²⁰ Samuel C.Y. Ku, "Taiwan's Diplomatic Maneuvers in the Asia-Pacific: A Perspective of Complex Interdependence," *Issues & Studies*, Vol. 34, No. 6, (June 1998): 81 – 83.

parties' domestic institutions to deal with the challenges within this particular issue and ensure the continuity of cooperation in labor affairs.

Furthermore, Taiwan relation with other states also cannot be detached from their partner's behavior. In case of Taiwan cooperation with Southeast Asian countries, most of these countries separated the political and economic issue when they interacted with Taiwan.²¹ Even when Taiwan encountered a political challenge from China, these Southeast Asian countries maintained their neutrality on that particular topic. Therefore, semi-official nature of institutional channel between Taiwan and counterpart is an important factor in maintain Taiwan engagement in the region. By doing so, the essence of non-governmental relation keeps remain. As result, the cooperation may be established and persist as there is no violence of One China Policy. This is also the case between Indonesia and Taiwan.

Moreover, Indonesia's ability in maintaining One China, Two Economic Entities has created feasibility for Indonesia and Taiwan to expand and deepen their cooperation. Both entities have developed interaction in trade, people to people exchange and technical cooperation. It shows that Indonesia and Taiwan economic were suitable and compatible to establish tremendous cooperation which not only increase trade and investment flows but also reduce the trade barriers.

1.2 Research Questions

Aforementioned elaboration has shown that the increasing relation between Indonesia and Taiwan cannot be detached from the institutions' role within it. However, past scholars' debates only put less attention to it. Thus, lack of research on this particular field makes it difficult to discover more extensive understanding about

²¹ Samuel C. Y. Ku, "Southeast Asia and Cross-strait Relations: The Policy of Separation of Politics and Economics," *Journal of Contemporary China*, Vol.7, No.19, (1998): 421-422.

Indonesia – Taiwan relations. Most scholars in the field also only analyze the discourse excessively general. They examine the relation and cooperation as if states could behave and make preferences automatically. Past analysis could be considered giving a merit explanation but specifically left for further elaboration particularly in the role of institution.

Above elaboration has presented how institutional channel plays a crucial role in Indonesia-Taiwan relation. The institutional frameworks are obviously occur through institutional channel, technical mission, and institutional platform in academic through higher education summit and in Indonesian worker under the joint working group. Thus, this dissertation attempts to examine the role of institutional channel in the context of Indonesia – Taiwan cooperation by seeking an answer to the following research questions:

- 1. How did the institutional channel between Indonesia and Taiwan establish?**
- 2. How did the institutional channel increase the cooperation between Indonesia and Taiwan?**
- 3. What are the impacts of institutional channel to Indonesia and Taiwan's cooperation?**

1.3 Research Objective

This research is focusing the analysis on Indonesia–Taiwan relations particularly in institutional channel role. This focus is selected because none of past research elaborates deep analysis on it. It is a necessity to study the institutional framework in order to give a holistic understanding about Indonesia–Taiwan relations. Hence, the objectives of the research fall into three aspects:

1. To study institutional framework in Taiwan foreign policy.
2. To examine the impact of institution channel to Indonesia – Taiwan relations and cooperation.
3. To generate recommendation to further increase Indonesia – Taiwan cooperation.

1.4 Research Methodology

1.4.1. Research Perspective

“Qualitative primary, quantitative first” is proposed as research perspectives of this dissertation. This research begins by collecting quantitative preliminary data as a basis for collecting and interpreting the primary qualitative data. Since this research elaborates on institution, it identifies Indonesia – Taiwan’s institutional relation as the independent variable. It starts with quantitative analysis in providing a comprehensive explanation of Indonesia-Taiwan institutional relations. Thus, the data collection will focus on the cooperation established between Indonesia and Taiwan.

1.4.2. Research Type

Case study is offered by this dissertation through comprehensive examination of the institutions. The case study is selected because this dissertation is seeking an extensive explanation about Indonesia – Taiwan institutional relations and cooperation. Thus, the process of the institutions to create cooperation is the main unit of analysis. The findings will help to understand and map out Indonesia – Taiwan relations. In addition, it also offers policy recommendation to the possible future course of Taiwan bilateral relation with other non-diplomatic partners.

1.4.3. Research Methods

This dissertation utilizes literature review, content analysis and statistical data in examining the interaction and cooperation. Literature review will be conducted in seeking evidence in Indonesia – Taiwan relations that generated by scholars. This evidence will be drawn in a data set to map out the process. Moreover, content analysis will be executed in analyzing the document issued by the institutions in regard to the bilateral interaction. Government statistical data will be used to support this method.

Furthermore, the research attempts to conduct face to face interview with decision makers, government officials, related persons from both sides. In-depth interview and critical examination will be carried out to several key persons from the Ministry of Foreign Affair of Taiwan and Ministry of Trade of Indonesia as the parent institution of TETO and IETO in order to seek the goal of both institutions. Furthermore the head of representatives as well as several directors from TETO and IETO will be sought for interview either personally or through other means. The interview will be focusing on the effort of the institution especially in the establishment of Joint Working Group between TETO – IETO and MoUs/agreements. In addition, the understanding of each government to another will be looked and examined during the interview process. In purpose to complete all interview, Jakarta and Taipei are the selected places in conducting the research.

1.5 Data Collection, Data Analysis and Data Source

This dissertation employs two methods of quantitative data collection. The first is content analysis which involves gathering and analyzing the context of a text. Officials' texts from both institutions and government related to IETO and TETO will be examined. The second method of quantitative data collection is the existing statistics,

documents and secondary analysis such as previous scholarly articles and reports. Existing statistics and data on the interaction between TETO and IETO are referred to in order to test the hypotheses involving variables as valuable tools to understand this particular phenomenon. On the other hand, the qualitative data collection will utilize interview and policy analysis. These methods constitute the primary methods of data collection and analysis in this research as well as involve asking questions to policy makers, officials, and experts in order to analyze Indonesia and Taiwan relation based on the institutions role. This study attempts to conduct intensive in-depth interview. However when interviews seem unsatisfactory and insufficient, this research relies on critical policy analysis of the secondary data as its primary method. Data gathered will be analyzed in an attempt to create a data set to seek general interpretation. The result of analysis process will be drawn to a pattern of Indonesia – Taiwan institutional channel and their cooperation. In regard to the nature of institutional channel as part of government, the data sources mostly come from government repository.

1.6 Significance and Contribution of the Research

This dissertation offers two significances of study as follows:

1. Indonesia-Taiwan government relation has never been examined in institutional approach.
2. Institutionalism theories in IR are not fit to explain unique phenomenon of institution.
3. Analysis on Indonesia-Taiwan relations that relies on historical approach never been conducted before.

The research is expected to give two contributions to the field of Taiwan bilateral relation particularly to Indonesia – Taiwan relations:

1. Provide new perspectives in the analysis of Indonesia Taiwan relations.
2. Enrich institutional theory of IR particularly in the institution

1.7 Research Outline

This research is divided into six chapters. The first chapter is Introduction that describes the (a) background, (b) research question, (c) research objective, (d) research methodology, (e) data collection, data analysis and data source, (f) significance and contribution of the research and (g) research outline. Chapter 2 discusses the literature review of past scholarly articles and the theories utilized to examine the case study of Indonesia-Taiwan relations. The second chapter also outlines the limitation of this research. Chapter 3 presents The Dynamic of Indonesia-Taiwan Relation which outlines the normative principles in Indonesia-Taiwan relation, the institutional stages of Indonesia-Taiwan relations, and the impact of increased normative and institutional level in Indonesia-Taiwan relations.

All of cooperation between Indonesia and Taiwan is described in Chapter 4. This chapter is divided into three sub-sections where each section presents each type of cooperation secure between Indonesia and Taiwan, namely technical, functional, and substantive cooperation. Chapter 5 analyzes the utilized theory into the case study of Indonesia-Taiwan relations. The focus of this chapter is the two main variables in historical institutionalism, which are the critical juncture and path dependence in regards with Indonesia-Taiwan institutional development. Lastly, Chapter 6 concludes the research findings and presents the opportunities and challenges in Indonesia-Taiwan relations as well as provides recommendations to further enhance the relations.

CHAPTER 2 CONCEPTUAL FRAMEWORK

This chapter aims to draw the conceptual framework in analyzing institutional channel between Indonesia and Taiwan. In the direction to obtain the framework, this chapter starts with literature review, which covers the existing scholarly articles and the theoretical framework, and limitation of the research. The following section will uncover the conceptual framework utilized to examine Indonesia-Taiwan institutional relation. Lastly, it describes the conceptualization and operationalization of previously elaborated conceptual framework in the case study of Indonesia-Taiwan institution.

2.1 Literature Review and Limitation

In the direction to undertake an analysis on Indonesia-Taiwan relations, the first section is divided into four parts. The first part provides a comprehensive review of past researches on Indonesia-Taiwan relations from various scholars. It focuses on the main variable of the past research in order to map out the contribution of this research in Taiwan discourse as well as the variables neglected in the past researches. The second part describes the concept of international cooperation. Taking into account the nature of an institution is to facilitate the establishment of cooperation among actors, this part describes the theoretical concept of international cooperation in International Relations discourse. Considering this research is using a case study of an institutional in examining Indonesia-Taiwan relation, the last part describes the theoretical framework of institutional theories.

2.1.1. Literature on Indonesia-Taiwan Relations

In order to keep the discussion in-line with the research topic, the literature studies conducted are limited to Taiwan – Indonesia relation. Yet, lack of research on

this particular field makes it have to be broader into Taiwan – Southeast Asia relations. Many scholars were trying to cover several aspects regarding Taiwan – Indonesia –or can be said Taiwan – Southeast Asia– relations, interaction and cooperation. In sum, research which exposed Taiwan – Indonesia discourse can be divided into three major categories; domestic factor, international context and projection analysis. The domestic factor in scrutinizing Taiwan – Indonesia relation is the most favorable categories to use. Main argument of this category is relying on three aspects, Taiwan’s pragmatic and economic diplomacy, separation in politics and economics doctrine, and people-to-people interactions.

As main argument, Taiwan’s pragmatic and economic diplomacy aspect has been used by most scholars in the field. Kuo-hsiung Lee, who was started using this aspect, said Taiwan’s economic achievement is the tools for Taiwan to establish relation with Southeast Asia countries.²² In his view, the impediment from PRC can be passed by using Taiwan economic diplomacy. In line with Lee, five years later Ho Khai Leong, Gary Klintworth and Samuel C.Y. Ku were argued about the pragmatic diplomacy on Taiwan’s economic diplomacy. The Taiwan’s government phenomenal policy, the Southward Policy²³, was used as their center argument. Leong believed the Southward Policy strength is on the combination of Taiwan’s trade and investment power. Therefore, the government of Taiwan is formulating it as a tool in their policy to recreation foreign relations.²⁴ Meanwhile, Gary Klintworth observes that the Southward Policy gives compatible effect to Taiwan and counterparts. Flow of

²² Kuo-hsiung Lee, *Loc. Cit.*

²³ The Southward Policy is aimed to encourage Taiwanese businessmen to strengthen bilateral investment, trade and other substantive relations with the countries in Southeast Asia. This policy is implemented to avoid over-dependence on PRC’s market which is dangerous for Taiwan’s political and economic security. For further explanation, please see Samuel C. Y. Ku, *Taiwan’s Southward Policy and Its Changing Relations with Southeast Asia, 1990-1997* (Singapore: East Asian Institute, National University of Singapore, 2005).

²⁴ Ho Khai Leong, *Loc. Cit.*

investment from Taiwan is what the developing country like Indonesia needed to achieve higher economic growth. Taiwan's investment will be creating more jobs to Indonesia large population. On the other hand, Taiwan gets access to competitiveness cost in labor and natural resources as well as increasing Taiwan's influence in the Southeast Asia.²⁵ Parallel with Leong and Klintworth, Samuel C. Y. Ku delivered dual benefit from Taiwan's Southward Policy, the enlargement of Taiwan economic interest as well as enhancing Taiwan political profile in the Southeast Asia.²⁶ He said investment, economic aid, technical-cooperation and expanding trade become enticement for Southeast Asia countries to established economic relation with Taiwan although there is an absence of political ties.

Furthermore, Michael Leifer elaborated about how the Taiwan's economic diplomacy gives an impact to political benefits. He stressed on his paper the political benefits through issuing Visa by TETO and diplomatic immunity as the result of economic relations with Southeast Asia.²⁷ Although still lying on the Southward Policy, Linjun Wu brought another perspective on Taiwan's pragmatic and economic diplomacy aspect. She is stressing on how the noodle bowl effect of Free Trade Agreement among state in the region and ASEAN Economic Community could make Taiwan economic attached with regional economic architecture. Difficulties encountered by the Southeast Asia can be cracked by the Taiwan's FTA with other state that has FTA with ASEAN. It is happened as simple because businessman behavior in maximizing their benefits using global supply chain system.²⁸

²⁵ Gary Klintworth, *Loc. Cit.*

²⁶ Samuel C.Y. Ku, "The Political Economy of Taiwan's Relations with Southeast Asia: The Southward Policy," *Loc. Cit.*

²⁷ Michael Leifer, *Op. Cit.*, 177-179.

²⁸ Linjun Wu, "Taiwan and ASEAN Economic Community: A Context for Economic Statecraft in an Asian Regional Free Trade Area," *Issues & Studies*, 44, no. 4 (December 2008): 112 – 122.

On the contrary, only few scholars examine the rest two aspects in this category. Indonesian foreign policy aspect is discussed by Ku and people-to-people interaction is elaborated by Chen Jie. Ku's expertise in Southeast Asia nations and Cross-strait relation makes him the most prominent scholars in the field. His observation and examination to each county in Southeast Asia bring him to the analysis of separation of political and economic policy as the variable of Taiwan – Southeast Asia cooperation. On his case study analysis, he proved that the implementation of separation of political and economic policy has been becoming a successful approach for Southeast Asia countries in maintain their economic cooperation with Taiwan. Nonexistence in diplomatic ties as result of adopting One China Policy does not create barrier to Southeast Asia to set up economic relations with Taiwan. PRC's missile test is the case studies he brings into the table. The neutrality in response to such circumstances through separation policy makes Southeast Asia able to maintain One China, Two Economic Entity.²⁹ Another argument sets by Chen Jie with total diplomacy concept. The concept used by him to describe people-to-people relations in Taiwan – Southeast Asia relations. He stressed his argument on the pragmatic diplomacy build upon not only government effort but also businessman and NGO interactions. On his elaboration, the businessman and NGO interaction channel has created an impact to the government from both sides to established closer relations.³⁰

Second category is drawn upon international context as the main argument. This category consists of three aspects, changing of international environment, cross-strait relations as a factor and the PRC's factor. The first aspect delivered by Ku which mentioned that the complex interdependence makes multi-channels of state to state

²⁹ Samuel C. Y. Ku, "Southeast Asia and Cross-strait Relations: The Policy of Separation of Politics and Economics," *Loc. Cit.*

³⁰ Chen Jie, *Loc. Cit.*

relations arise from low profile issues other than economic and military. He said it leaves a space for Taiwan to get involved in the international relations and cooperation with other countries.³¹ Second view is carried out by Chun Hung Lin and Xiangming Chen who shared similar argument. Lin argued that the uncertainty situation in Cross-strait relation encouraged government of Taiwan to move their investment to other country especially Southeast Asia. In his view, accumulation of capital to the mainland could threaten Taiwan.³² In line with Lin, Chen explained that the cross-strait relation could harm Taiwan investment and in the large impact could threaten Taiwan interest. In order to solve this problem, moving the capital to Southeast Asia would decrease the threat.³³

Last aspect in this category is argued about PRC's as a factor of Taiwan – Southeast Asia cooperation. Ku in his paper, explain about Taiwan – Indonesia relation and cooperation using triangular relationship of PRC, Taiwan and Indonesia. Ku analysis provided more historical description about how the relations moving from '60s until late '90s. Interestingly, Ku touched upon the institutional channel. He described TETO and IETO establishment and relation which, to some extent, the establishment of TETO in Jakarta increased Taiwan political profile.³⁴

Latest development in examining the discourse comes from the third categories, projection analysis. Even though Andi Irawan's analysis constrain on cross-strait relation analysis but his three possibilities scenario make it more stressful in the projection analysis. He calculated the impact of three scenarios applied in the cross-

³¹ Samuel C.Y. Ku, "Taiwan's Diplomatic Maneuvers in the Asia-Pacific: A Perspective of Complex Interdependence", *Loc. Cit.*

³² Chun Hung Lin, *Loc. Cit.*

³³ Xiangming Chen, *Loc. Cit.*

³⁴ Samuel C.Y. Ku, "Indonesia's Relations with China and Taiwan: From Politics to Economics," *Loc. Cit.*

strait relation which are military escalation, status quo and reunification between both sides of the straits to Indonesia's interest in the future.³⁵ Another projection analysis is conducted by joint research between from Lembaga Ilmu Pengetahuan Indonesia (LIPI), TETO, and Chung-Hua Institute for Economic Research (CIER) on "The Dynamics and Current Status of Taiwan – Indonesia Relations" and "Feasibility Study of Economic Cooperation Arrangement (ECA) between Taiwan – Indonesia". On the analysis which is considered as policy studies, the relation between Taiwan and Indonesia is described by statistical data showing current development of interaction in trade, people to people exchange and technical cooperation between both sides. Both of those researches discussed about contemporary and future relations between Taiwan and Indonesia on the field of economic cooperation. It mentioned both Indonesia and Taiwan economic are suitable and compatible to build an ECA. According to the aforementioned studies, such economic cooperation between Indonesia and Taiwan will not only increase trade and investment flows but also reduce the trade barriers. In addition, the ECA may also enhance economic development in Indonesia in various fields including SMEs, human resources, electronics and automotive industries as well as agriculture.³⁶

Table 4. Result of Indonesia – Taiwan Literature Studies

| Category | Author | Main Argument | Covered Area |
|-----------------|---|---|--|
| Domestic factor | Kuo-hsiung Lee, Ho Khai Leong, Gary Klintworth Samuel C.Y. Ku Michael Leifer Linjun Wu | Taiwan's pragmatic and economic diplomacy | Taiwan – Southeast Asia Taiwan – Asia-Pacific |
| | Samuel C.Y. Ku | Separation in politics and economics doctrine | Taiwan – Southeast Asia |

³⁵ Andi Irawan, "The Political Economy of Indonesia and Cross-Straits Relations," in *Ensuring Interests: Dynamics of China-Taiwan Relations and Southeast Asia*, eds. Ho Khai Leong and HouKok Chung (Malaysia: Institute of China studies, 2006), 254-255

³⁶ Center for Political Studies (P2P) LIPI, "Feasibility Study of Economic Cooperation Arrangement Between Indonesia-Taiwan", A Policy Paper, (Jakarta: 2012): 4-5.

| Category | Author | Main Argument | Covered Area |
|-----------------------|---------------------------------|--|--|
| | Chen Jie | People-to-people interactions | Taiwan – Southeast Asia |
| International context | Samuel C.Y. Ku | Changing of international environment | Taiwan – Asia-Pacific |
| | Chun Hung Lin Xiangming Chen | Cross-strait relations | Taiwan – Southeast Asia Southeast Asia – Cross-strait relations |
| | Samuel C.Y. Ku | The PRC's factor | Indonesia – Taiwan |
| Projection analysis | Andi Irawan | Three scenarios: Military escalation, status quo and reunification between both sides of the straits to Indonesia's interest in the future | Indonesia – Cross-strait relations |
| | LIPI-CIER | Indonesia and Taiwan economic are suitable and compatible to build an ECA. | Indonesia - Taiwan |

As seen in table 4, most scholars' debate in the field fall in analyzing the economic diplomacy of Taiwan sandwiches with her pragmatic diplomacy effort. In doing inducement to establish relations with Southeast Asia, economy always becomes the primary tools that may result a collaboration with other aspect, which in this case is utilized through Taiwan pragmatic diplomacy. The fact that Southeast Asia countries' interest to build its economy and Taiwan needs to acquire international sphere in line with her strategy to utilize economic power have correspondent perfectly to lead scholars to put their focus limited only to economic than other aspects. As a result, the research agenda is finite on its own. Moreover, although Samuel Ku also uses Taiwan's pragmatic and economic diplomacy as his centerpiece of argument, however he is also successful in constructing his research into other aspects like politic, international environment and PRC factor. Those arguments give greatly contribution to the research

agenda, bringing more holistic understanding to the discourse of Indonesia – Taiwan relations.

In the sense of coverage area, as mentioned above, most scholars who discuss about Indonesia – Taiwan relations also tend to limit its coverage area more general in Taiwan – Southeast Asia. Only scholars in projection analysis category who put their particular focus on Indonesia-Taiwan relations. However, such effort is insufficient to develop a solid research about Indonesia – Taiwan relations. Andi Irawan and LIPI – CIER research is the best evidence how research agenda in this particular field is still elaborated inadequately. Irawan only puts his research in building how possible scenario in the cross-strait relations could affect Indonesia's interest. Utilizing political economy perspective, Irawan is using past relations and current needs of all actors to draw possible scenarios. Nonetheless, the purpose of the study to draw scenario has limited the elaboration of past relations between Taiwan and Indonesia which in this case is essential. Without the case study method in a study of these particular relations, Irawan's analysis has lost opportunity to understand the relations clearly. Historical building between two actors is obviously essential thus if not apply appropriately then it would make the relations between Indonesia and Taiwan not elaborated in a sufficient way to get more essential understanding.

Pursuant to Irawan's analysis, the most recent analysis in Indonesia – Taiwan relations on LIPI-CIER study also put small attention to develop the historical connection between actors. Concerning the purpose of study to develop policy recommendation, this study put attention more to domestic condition and regulations of Indonesia and Taiwan that could affect the willingness of both sides to start economic cooperation arrangement negotiations. Eventually, this research is successful in giving several recommendations but cannot reflect the real conditions of Indonesia and Taiwan

relations. At this point, historical elaboration seems one of the variable that has to be elaborate appropriately in a decent way.

Nevertheless, Ku's ability to develop his research agenda to many aspects has guide him to deepen the research into Indonesia – Taiwan relations instead of doing general analysis between Taiwan and Southeast Asia. It brings his research as one of the center piece to seemingly understand Indonesia – Taiwan relation. The elaboration on political and economic aspect in his research has been giving more nuance to research on this particular field. Differ from Irawan and LIPI, Ku gives more space for historical elaboration in his analysis which contributes to more comprehensive explanation in Indonesia – Taiwan relations as well as its cooperation. Although the institutional channel between Jakarta and Taipei is covered only on the political aspect in Ku analysis, but it is correspondent with the previous chapter of this dissertation which shows the importance of institutional channel role in the realization of cooperation between both entities. Focus on institutional channel, Ku's analysis to some extent has brought the research agenda into more specific focus in order to get more coherent understanding on Indonesia – Taiwan relations as well as the cooperation between them.

Above elaboration is directing this dissertation into three crucial aspects in analyzing Indonesia – Taiwan relations. First, it has to develop using case study method to avoid general coverage. Complexity of Indonesia and Taiwan relations makes case study is a necessary method to be applied in doing empirical inquiry to investigate this phenomenon. This method will provide the research to do more detailed contextual analysis on Indonesia – Taiwan relations, providing more understanding to the discourse. Second, the weight of analysis supposed to be placed mostly in the historical construction of the relations. Past research, conducted by Ku, has taught us the use of

history as a core feature would illuminate the research into a right direction to understand the phenomenon. Third, put the institutional channel as the focus of the research. From the early stage of research in Indonesia – Taiwan relations, the institutional channel has never been a core focus of the research if we do not want to mention neglecting. As a matter of fact, empirical evidences show how interaction between both sides started significantly through the institutional channel. Even the successfulness to establish cooperation between both sides appears to a certain role of institution in the process. Thus, institutional channel should be the center of gravity in order to understand Indonesia – Taiwan relations which mostly will employ by this research as well as the contribution of this research in this particular field.

2.1.2. The Concept of International Cooperation

This research examines the relation between institutional framework and cooperation. Thus, it is important to understand the conception of international cooperation in international relations theory on the first place. Since the beginning of international relation, cooperation is one of its focuses other than conflict. James E. Dougherty and Robert L. Pfaltzgraff, Jr. Mentioned:³⁷

From its beginnings, the focus of international-relations theory has been the study of the causes of conflict and the conditions for cooperation. State that constitutes the principal actors of the international system themselves display patterns of internal conflict and cooperation. The factors that contribute their cohesiveness (e.g., nationalism), or to their fragmentation (e.g., ethnic conflict) are of central theoretical importance. Thus, the study of political relationships, within or among states, encompasses conflict and cooperation.

Cooperation can be defined into a set of relationships that do not make violent and coercive actions as forming basis of the relationship and usually legitimized

³⁷ James E. Dougherty and Robert L. Pfaltzgraff, Jr., *Contending Theories of International Relations: A Comprehensive Survey* 4th Edition, (New York: Addison Wesley Longman, Inc., 1997), 418.

through an agreement.³⁸ Cooperation can occur as a result of the adjustment behavior by state actors in response to or in anticipation of the action taken by the selection of other countries. Adjustment behavior committed by the state in creating a partnership, formed through policy coordination between one and the other for the purpose both parties can be facilitated in cooperation.³⁹ The policy coordination, obtained from a commitment to get the collective welfare and of efforts to achieve their own interests is built through a process of negotiation and bargaining process either openly or covertly.⁴⁰

Realism as the oldest perspectives in international relations perceives cooperation more pessimistic. For realists, the international conditions that anarchy fostered competition and conflict between nations and hamper the country's willingness to cooperate even though these countries have a common interest.⁴¹ In realism argument, the presence of cooperation is secondary importance in the construction of the conflictual world, although when stability can be achieved through the construction of Balance of Power will bring the demand to create the lowest level of cooperation, alliance.⁴² The rationale is encouraged because realism sees that the international community is the construction of a conflict of interest between countries to maximize profits given as a rational actor selfish. These conditions will encourage every country to act deceitful in cooperation though the agreement was facilitated by the institution.

³⁸ *Ibid.*

³⁹ Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, (New Jersey: Princeton University Press, 1984), 51-52.

⁴⁰ James E. Dougherty, *Op. Cit.*, 419

⁴¹ Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42 (3), (Cambridge, MA, The MIT Press, 1988): 485.

⁴² Emerson M. S. Niou and Peter C. Ordeshook, "Realism versus Neoliberalism: A Formulation," *American Journal of Political Science*, Vol. 35, No. 2, May, 1991, (Dallas: Midwest Political Science Association, 1991): 481.

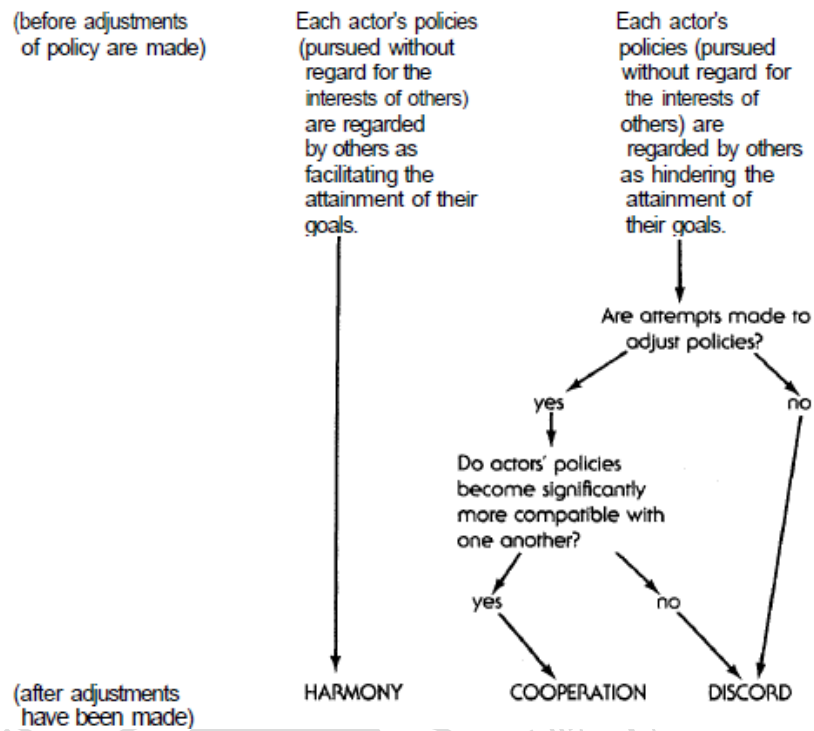
In realist term, the fulfillment of interest can't be obtained through cooperation with other countries but through the mechanism of self-help.

On the contrary, liberalism perceives cooperation optimistically as a result of interdependence in the international world.⁴³ This view arises because liberalism assumes state is not the only actor in the international world, but there are also several other actors such as the Multinational Corporation (MNC), Non-Governmental Organization (NGO), International Organization (IO), and others which engaged in transnational or across state boundaries. As consequence, there is increasing interdependence among countries in the world on various fields, particularly economy. It leads state to perceive other state as partner needed to achieve its interests. Thus, liberalism recognizes the role of international institutions is increasingly required to conduct negotiations and policy coordination in order to achieve common interests which would generate a mutually beneficial situation.

Hereinafter, liberal-institutionalism emerged in channeling the debate between realism and liberalism on cooperation. Liberal-institutionalism basically has some similarities with the basic assumptions of realism, first, it assumes the world is established through the construction of anarchy; second, it assumes state as the only actor in the international world who act rationally to achieve its interests through the mechanism of self-help. However, liberal-institutionalism view of cooperation is more optimistic than realism. It argued the present of institutions would encourage cooperation through institutions ability to create negotiations and policy coordination.

⁴³ Robert O. Keohane, *Loc. Cit.*

Figure 4. Harmony, Cooperation and Discord



Source: Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, p.53

It should be emphasized that Liberal-institutionalism interprets cooperation either simply as neither the absence of conflict nor the presence of common interest per se. However, cooperation should be in depth observed with separation between harmony, cooperation and discord.⁴⁴ Harmony can be understood as a situation in which actors policies (pursued in their own self-interest without regard for others) automatically facilitate the attainment of others' goals. It makes harmony may be achieved as an implication of the policies issued by actors in pursuing their interests automatically affirms interest of other actors. Thus, if the harmony is rampant in the international world, cooperation is not needed anymore. However, the presence of harmony in the world of international anarchy is rarely occurred.

⁴⁴ Robert O. Keohane, *Op. Cit.*, 51-55

Meanwhile, the interpretation of cooperation and discord must be understood inseparably. Cooperation can be defined as an act of state to achieve its interests in order to get the desired benefit. It is conducted by adjusting the state policy with one another through a process of negotiation between the two. This process is directed as a policy coordination which may result in a compatibility policy. Yet, if in the process of negotiation, each or one of the parties does not make the effort to adjust or suitable the policy, then this will result in dispute. Figure 7 is describing harmony, cooperation and discord clearly.

Furthermore, neo-functionalism also covered the conception of international cooperation. Although neo-functionalism mostly talks about regional integration but in the elaborations it mostly talks about cooperation. The core conception of cooperation according to neo-functionalism is spillover effect. Spill-over refers to a process whereby cooperation undertaken with the specific objective led to the formation of new goals to ensure its achievement. In sum, the spillover refers to a situation where cooperation in one field requires the cooperation in other fields. There are three types of spillover, namely functional, political, and cultivated spillover. Functional spillover is occurred for the requirements of the functional or technical. Political spillover is spillover incurred but not based on technical or functional reasons, but rather for reasons of ideological or political. Meanwhile, cultivated spillover can be occurred in the current situation of supranational actors, such as the European Commission to drive the agenda / supranational or transnational interests to be applied by its members even when some of the members have hesitancy.⁴⁵

⁴⁵ Carsten S. Jensen. *Neo-functionalism In European Union Politics* (Oxford: Oxford University Press, 2003), 81-86.

2.1.3. Institutional Theories

The main problem of contemporary international cooperation is the issue of state behavior in international relation. One of the studies in state behavior in international relation is covered by institutionalism theories. Institutionalism believes that the center of gravity to explain international relation through global governance and international institution. It emphasized on the role of common goal in international relations and the ability of international institution to get states to cooperate. There are many erroneous assumptions taken by scholars in understanding institution. It occurs because institution is perceived as autonomous body which operates in certain behavior as a product of state's spill-over autonomy.⁴⁶ However before make a deep examination through institution in international context, it's necessary to make a broad review on the institutional theory in general.

One of classic works in explaining international institution and state's spill-over autonomy was conducted by Ernst Haas that focuses on the attributes and function of international institution. In his theory of neo-functionalism, Haas placed his interest in examining how perceptions of interest and learning process of an actor cause systemic change in international relations which would lead to integration.⁴⁷ He argued that international integration should account for both intended and unintended consequences of actions. Furthermore, he believed the process of integration is a result from the recurrent interaction between national systems and international institutions. The focus of system transformation is the feedbacks between policy outputs from

⁴⁶ Mathias Albert, et al, "Introduction: differentiation theory and international relations," *Bringing Sociology to International Relations: World Politics as Differentiation Theory*, eds. Mathias Alberts (Cambridge: Cambridge University Press, 2013), 15-17.

⁴⁷ Ernst B. Haas, *Beyond the Nation-state: Functionalism and International Organization* (Stanford University Press, Jan 1, 1964), 77-82.

institution and the reactions from states which could develop new tasks or purposes for institutions.

His main interest is the environment that created from the interplay between international politics and domestic politics. He then argued that the relationships that define the system are the patterns of inputs and outputs that prevail during a particular period. A system can be transformed when there is a new relationship emerges among actors. Moreover, functionalist predicts that international conflicts will decrease as states promote human welfare. It would emerge spill-over effects when states replace national loyalty to international loyalty due to the process of increasing the interaction and mingling the environment. To this end, the development of political community at the international level premised on the coordination of national policies aimed at promoting human welfare. Up to this point, neo-functionalist is emphasizing the role of technocrats in the domestic level.

The focus of functionalist in explaining institution is laying on the integration of states into supranational bodies. Thus, Robert Keohane, a leading scholar in liberal-institutionalism approach explains it more specifically. Keohane started his elaboration by giving a very simple and holistic understanding about institution. Institution is not simply as formal organizations with headquarters building and specialized staffs, but broadly is a recognized pattern of practice around which expectation coverage. This pattern of practice is regarded significant because state behavior could be affected.⁴⁸

Keohane's interest is explaining what causes cooperation in a given structural setting. His focus is on international regimes which defined as rules of the game, codes of conduct or patterns of agreed social practice among states and non-states actors. The

⁴⁸ Robert Keohane, *Op. Cit.* 7-8.

social practice to some extent creates a situation of complex interdependence. In his explanation, complex interdependence in world politics gives consequence of decreasing in hegemonic power and make establishment of institution become a demand of many states in order to increase their benefits through cooperation. Demand of institutional emerged because the role of institution in providing information becomes extremely important. Institutions can provide information, reduce transaction costs, make commitments more credible, establish focal points for coordination, and in general facilitate the operation of reciprocity.⁴⁹ If one can secure more information, it may be possible to follow policies that more nearly maximize utility. This explanation brings Keohane into an equilibrium understanding that the increasing of transnational and trans-governmental relations makes what occurs domestically should be considered with phenomenon that occurs globally because the interaction becomes broader.

Although Keohane follows realism core tenets that states are egoistic actors with purpose of maximizing self-interests and the condition of international system is anarchy but shared economic interests create a harmony of interests among states which in turn generate a demand for international institutions and rules that states would voluntarily agree to follow. It existed because cooperation can develop under certain conditions on the basis of pre-existing complementary interests among states. Institutions contribute cooperation by changing the context within which states make decision based on self-interest. Keohane further argued that the transaction costs for states are too high to strike bargains to realize joint gains and this is where institutions fill, by providing information and decreasing uncertainty. Even if there is a problem of relative gains that calculated by actor in cooperation, yet it is unlikely to have much

⁴⁹ Robert O. Keohane; Lisa L. Martin, "The Promise of Institutional Theory," *International Security*, Vol. 20, No. 1. (Summer, 1995): 42

impact on cooperation if the potential absolute gains from cooperation are substantial. When distributional issues arise, the role of institutional becomes more important as providing constructed focal points.

Recent development in international institutions has brought Paul J. DiMaggio and Walter W. Powell to elaborate the new conception of institution by implying sociological aspect.⁵⁰ In sociology, institutions have always been regarded as the basic building blocks of social and political life. It argued that individual preferences are shaped by institutional forces. Concerning on the political decision-making process, the ways in which political structures shape political outcomes, institution is linking actor's interests to political outcome. International institution is understood as agreements, at once resulting and facilitating cooperative behavior, by means of which states regulate their relations with one another within a particular issue area. The form can be formal organizations, complex sets of rules, standards and agencies that would shape states' preferences and power.

The New Institutionalism views institutionalization as a state-dependent process that makes organizations less instrumentally rational by limiting the options they can pursue. Particularly in economic, it assumes that individual attempts to maximize their behavior over stable and consistent preference orderings in the face of cognitive limits, incomplete information and difficulties in enforcing and monitoring agreements. Institutions arise and persist when they confer greater benefits than the main variable, transaction costs. Institutions would reduce uncertainty by providing dependable and efficient frameworks for economic exchange.

⁵⁰ Walter W. Powell and Paul J. DiMaggio, eds. *The New Institutionalism in Organizational Analysis*, (University of Chicago Press, Oct 25, 1991), 1-9.

Nonetheless, above elaborations of cooperation and institution in international setting bear reciprocal influence in domestic and international institutions abound. Both cooperation and institution theories are dealing with either state-centric theory or systemic theory. However, it leaves elaboration on the process in the central of decision-makers which are important actors in the setting. Thus, Robert Putnam delivered the two-level approach to cover the decision-makers strive to reconcile domestic and international imperatives simultaneously.⁵¹ In his views, two-level approach is needed to explain the process of international negotiation between states. His main argument is international negotiations between states consisting of simultaneous negotiations in domestic level and international level. Putnam's conception of two-level approach is influence by Haas' conception of spill-over effect. Specifically, Haas emphasized the impact of technocrats' interest in the domestic level. When spill-over effect meets with domestic level, it creates feedback among domestic and international setting.

In describing international negotiation, Putnam divided it into two level games, domestic and international level game. In domestic level game, the domestic interest groups would pursue their interests by giving pressure to the government to adopt policy that would give most benefit to them while politicians seek its power by establishing coalition with them. On the other hand, in international level game, government would maximize their ability in order to meet with domestic demand while trying to minimize the consequence that would undermine their foreign development. The player who is recognized as the chief of negotiator would play those two-level games parallel in rational manner. In seeking agreement, the chief would compromise

⁵¹ Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization*, Vol. 42, No. 3. (Summer, 1988): 427-460.

with the setting in two stages. First, is bargaining process between the negotiators in seeking tentative agreement (negotiation process/international) and second is separating discussion with each group about whether to ratify the agreement (ratification/domestic). Therefore, it is important for the chief to determine a “win-set”. “Win-set” is possible results which likely to be accepted by the domestic groups. It occurs as implication of international agreement and the need to ratify the agreement. Through “win-set”, the domestic groups would decide either to ratify the agreement or provide some other forms of government support.

However, according to Daniel W. Drezner, Putnam theory has several flaws. First, it is heavily focusing on inter-state bargain. Second, its lack of imagination about the international institution role and lastly, its lack of analysis on form of interaction between international and domestic institution after ratification. In sum, he is debating Putnam’s approach that merely laying on domestic influence to the ability of government to bargain at the international level.⁵² Furthermore, his argument consists of three assumptions. First, the growth of global interactions has created complex interdependency, second, actors can be divided into policy initiators and policy ratifies, and third, international institutions do not have to be policy initiators to matter in domestic institutions because they possess their own attributes such as expertise, prestige, legitimacy, material resources, credibility, enforcement powers, and effective signaling capacities.

Drezner, believes that there is a distinction between international institutions and inter-state bargain which Putnam emphasizes only in the last one. International institution, in his argument, has two distinctions with inter-state bargain, derives from

⁵² Daniel W. Drezner, ed., *Locating the Proper Authorities the Interaction of Domestic and International Institutions* (University of Michigan Press, 2003), 1-21.

authority and has power of altering the identities of constituent actors. Therefore, interactions between international institution and domestic institutions can lead to a new form of intersubjective understanding. In constructing his argument, Drezner is emphasizing on two typologies, the identity of policy initiator and the influence mechanism through which the international institutions interacts with domestic institutions. The first typology explained the identity of policy initiator is important whether it is internal (domestic) or external (other state partner). The external policy initiator chooses international organization because they couldn't get access through domestic politic channel. On the contrary, domestic policy initiator will use international institution as a way of increasing its leverage over the domestic ratifying institution. Thus, domestic institution is utilizing international institutions ability to gain more information about the policy environment of the target country.

Second typology is the influence mechanism using by international institution to influence domestic institution. There are three influence mechanisms which are contracting, coercion, and persuasion. Contracting is an interaction in which all of the negotiating parties can be made better off relative to the status quo, with no actors being made worse off. This interaction creates positive sum game. Through this type, actors are influencing each other by proffering of incentives as the means. Coercion is ability of actors to influence the decision making by operating external restraint, e.g. sanction. While persuasion is the internal preference ordering of actors which can be changed through new modes of intersubjective understanding (by reordering internal values). To this end, Drazner's approach is giving a valuable insight on how domestic institution could play active role in the interaction with international institution without overriding the role of international institution itself.

In general, there are three types of institutions theory. First is Rational Choice Institutionalism (RCI), also known as empirical institutionalism or new institutionalism. Having a similar trait as realism, RCI assumes that individuals are utility-maximizing actors, hence they are acting out of the self-interest. RCI also shares the same hypothesis as realism where state is the main actor at international level. According to RCI, institutions emerge based on a set of exogenously preferences with the aim to generate stability, or structured-induced equilibrium, by limiting the range of alternatives actors confront.⁵³ RCI focuses on the macro-structures and the direct advantages generated by the institutions to the states, i.e. state's welfare or economic system in shaping the political outcome.

Institutions are a result of interdependence amongst states which results a strategic interaction and collective action or contracting dilemmas. In order to reduce the transaction cost, states then establish an institution. Keohane argues that RCI is perhaps the most influential attempt at employing the notion of transaction costs in the study of international politics.⁵⁴ RCI perceives state as the principals that engages and delegates its function to the agent (the institution itself) to perform a task on its behalf for the best interest of the state.

Second is Normative Institutionalism (NI), also known as organization theory or sociological institutionalism. Contradict with RCI, NI emphasizes on the role of norms and values in the establishment and sustainability of an institution, redirecting its attention from rationality and means-end efficiency. NI is against the 'logic of consequences' but posits the 'logic of appropriateness' which focuses on the institution

⁵³ Kenneth Shepsle, "Institutional Equilibrium and Equilibrium Institutions" in *Political Science: The Science of Politics*, ed. Herbert F. Weisberg (Washington D.C.: American Political Science Association and Agathon Press, 1981), 51-81

⁵⁴ B. Guy Peters, *Institutional Theory in Political Science: The New Institutionalism*, Bloomsbury Publishing, (USA: 2011), 5-24

as a way to create constrain and opportunity for an individual choice. However, Krasner argues that the former is likely to be more compelling than the latter because rules can be in conflict, hierarchical structures of authority can be absent, power asymmetries can be high and the benefits derived from pursuing instrumental policies can be great.⁵⁵ NI focuses on the micro-level factors emphasizing how the institutions could solve collective problems among rational actors.

NI is utilized best to describe the establishment of European Union (EU). Through EU's substantive and procedural norms, as well as its existing policy commitments, have made it possible for the member states to negotiate and result an agreement despite the divergent policy preferences for each member state.⁵⁶ As an institution, EU has created an entrapment which makes it difficult for its member states to escape EU substantive norms but to accept them regardless how reluctant they are or how diverges the norms are from their actual preferences. These norms have resulted a cooperative bargaining amongst the member states to adopt common policies based on mutual compromise.

Lastly is Historical Institutionalism (HI) which represents a 'cultural approach'. HI argues that the behavior of individual actors is not fully strategic but bounded by their worldviews. According to HI, institution is more than just a result of self-interested strategic calculation. It provides moral or cognitive template of interpretation and action for the actors.⁵⁷ HI attempts to combine the historical processes and events that shape the institution capacities and routines which then have an impact to the states.

⁵⁵ *Ibid*

⁵⁶ Frank Schimmelfenning and Daniel C. Thomas, "Normative Institutionalism and EU Foreign Policy in Comparative Policies" in *Making EU Foreign Policy* (2011), 177-191.

⁵⁷ Peter A. Hall and Rosemary C. R. Taylor, "Political Science and the Three New Institutionalism," *Political Studies*, Vol. 44 (5), (1996): 936-957

Scholars of HI argue that institutions are not merely effects of distribution of preferences at a given moment in time, but over time institutions become the potential causes behind preferences and patterns of political contestation.⁵⁸ Indeed, the distinctive feature of HI is that it takes into account the contingencies of history in analyzing the establishment of an institution and how it persists long after the initial conditions do no hold. HI emphasizes on the path dependency, an idea that decision in the present time is depending on the past knowledge trajectory and decision made which then limit the current competence base.

2.1.4. Limitation of The Research

There are few limitations on this dissertation. First the suggested time frame of this dissertation is 1965 until 2016. 1965 marked as the beginning of the period because this at this year Indonesia has experienced a changing in their domestic politic which resulting to its foreign policy to China as well as with Taiwan. Meanwhile 2016 is selected as the last period in this research when a change of presidential administration in Taiwan occurred. The new administration is still on-going until now; hence a holistic assessment against the current administration's policy to measure the impact is unable to be undertaken. Nevertheless, finding in this dissertation will be drawn to give a recommendation to current policy of Taiwan government. Second the unit of analysis of this dissertation in institutional channel between Indonesia and Taiwan. The nutshell of this dissertation is institution and hence the main focus of this dissertation is how the relation of Indonesia and Taiwan develop from the institutional channel between them and its role to their cooperation.

⁵⁸ Ira Katznelson, "Periodization and Preferences: Reflections on Purposive Action," in *Comparative Historical Analysis in the Social Science*, ed. James Mahoney and Deitrich Rueschemeyer, (New York: Cambridge Press, 2003), 270-301.

Last, this dissertation treats triangular relation between Indonesia, Taiwan and China as a taken for granted factor. China is one factor that cannot be detached from any analysis of Taiwan relations to Southeast Asia country. The position of Southeast Asian countries like Indonesia who are adhere One China Policy from the mainland perspective will leave unelaborate. Although few parts of this dissertation will elaborate Indonesia relations with China, however it is only for the purpose to do historical analysis to understand Indonesia approach in legal basis.

2.2 Conceptual Framework

Literature review on Indonesia Taiwan relations has suggested the important of historical construction of the relations and institution as the main focus of the research. Thus in order to cover those requirement this dissertation will utilize historical institution as the conceptual framework. As previously elaborated, historical institutions focus its attention to the interaction and contextual effects that produce distinct patterns of politics which exert a long-lasting effect to the institution.⁵⁹ Historical institution emphasizes on the mechanism that links the cause and effect. The main conceptual toolbox to understand such mechanism through historical institution is the critical juncture which leads to the establishment of path dependence.

Capoccia defines critical juncture as the moments in which uncertainty as to the future of an institutional arrangement allows for political agency and choice to play a decisive causal role in setting an institution on a certain path of development, which then persists for a long period of time.⁶⁰ Collier and Collier supported this definition by arguing that critical juncture is a period of significant change and hypothesized to

⁵⁹ James Mahoney and Dietrich Rueschemeyer, ed. *Comparative Historical Analysis in the Social Science*, (New York: Cambridge Press, 2003), 103

⁶⁰ Giovanni Capoccia, "Critical Juncture and Institutional Change" in *Advances in Comparative Historical Analysis in the Social Sciences*, eds. J. Mahoney and K. Thelen (Cambridge: Cambridge University Press), 64-69.

produce distinct legacies, which hold the key to explain the divergent political legacies and outcomes.⁶¹ Critical juncture shapes the institutional preference of social actors. In other word, critical juncture marks the beginning of path dependence process.

Path dependence emphasizes on the mechanisms (i.e. increasing returns, network effects, and others) through which the institutional arrangement becomes entrenched by shaping their social underlay.⁶² Path dependence supports the claim of distal causation, a thesis decision and developments in the past can have a long-lasting effect on institutional arrangement. The distal causation is induced by “small and contingent events”, although they are generally insignificant when the institution is established, but instead could play a crucial role at the beginning of an institutional path.⁶³ These events are typically exogenous to the institution interest and cause the states to diverge as a result of the combination of the antecedent conditions, which serve as a common shock to the key decision makers.

Several scholars argued that critical juncture analysis is appropriate in situations in which a ‘common exogenous shock’ affects a set of cases (read: countries), causing them to ‘diverge’ as a result of the combination of the common shock and their antecedent conditions, which therefore exert a significant causal force on the outcome.

Capoccia and Kelemen further argue that analyzing through the “small and contingent events” as unconnected micro-decisions that trigger the establishment of an institution only is insufficient. Scholars must also capture the decisions and choices of key actors during the critical juncture as they are freer and more influential in directing

⁶¹ David Collier and Ruth Berins Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement and Regime Dynamics in Latin America* (New Jersey: Princeton University Press, 1991), 203.

⁶² Giovanni Capoccia, *Loc. Cit.*

⁶³ Paul David, “Path Dependence, Its Critics, and the Quest for ‘Historical Economics,’” in *Evolution and Path Dependence in Economic Ideas: Past and Present*, ed. P. Garrouste and S. Ioannides, (UK: Elgar, 2000), 15-40.

the institutional establishment than settled times. Such analysis is also known as contingency, where political decision makers are faced by two different options, both of them may have different significant outcomes to the nature of institution. The contingency itself has two key characteristics. First is it has to be linked to the analysis of political choices and decision making. In this case, it is possible for the actors to take another decision which could have led into a totally different outcome. Second is that the range of plausible options is not infinite. Rather, it is defined by prior conditions or the antecedent conditions. Berlin attempts to simplify the explanation of contingency as “what could happened in the context of what could have happened”.⁶⁴

In summary, the critical juncture combines the following explanations: an event or series of event that are exogenous to the institution’s interest resulting a phase of political uncertainty, which then provides a range of institutional alternatives available to the decision makers. The range of institutional alternatives is defined by the antecedent conditions but do not limit the chosen alternative. The decision maker then selected one of these options and its selection generates a long-lasting institutional legacy. Therefore in analyzing a phenomenon by utilizing critical juncture and path dependence approach, scholars must reconstruct the following: (1) who were the key decision makers, (2) what choices historically were available to them, (3) how close actors came to selecting an alternative option, and (4) what likely the consequences the choices of an alternative option would have had for the institutional outcome.

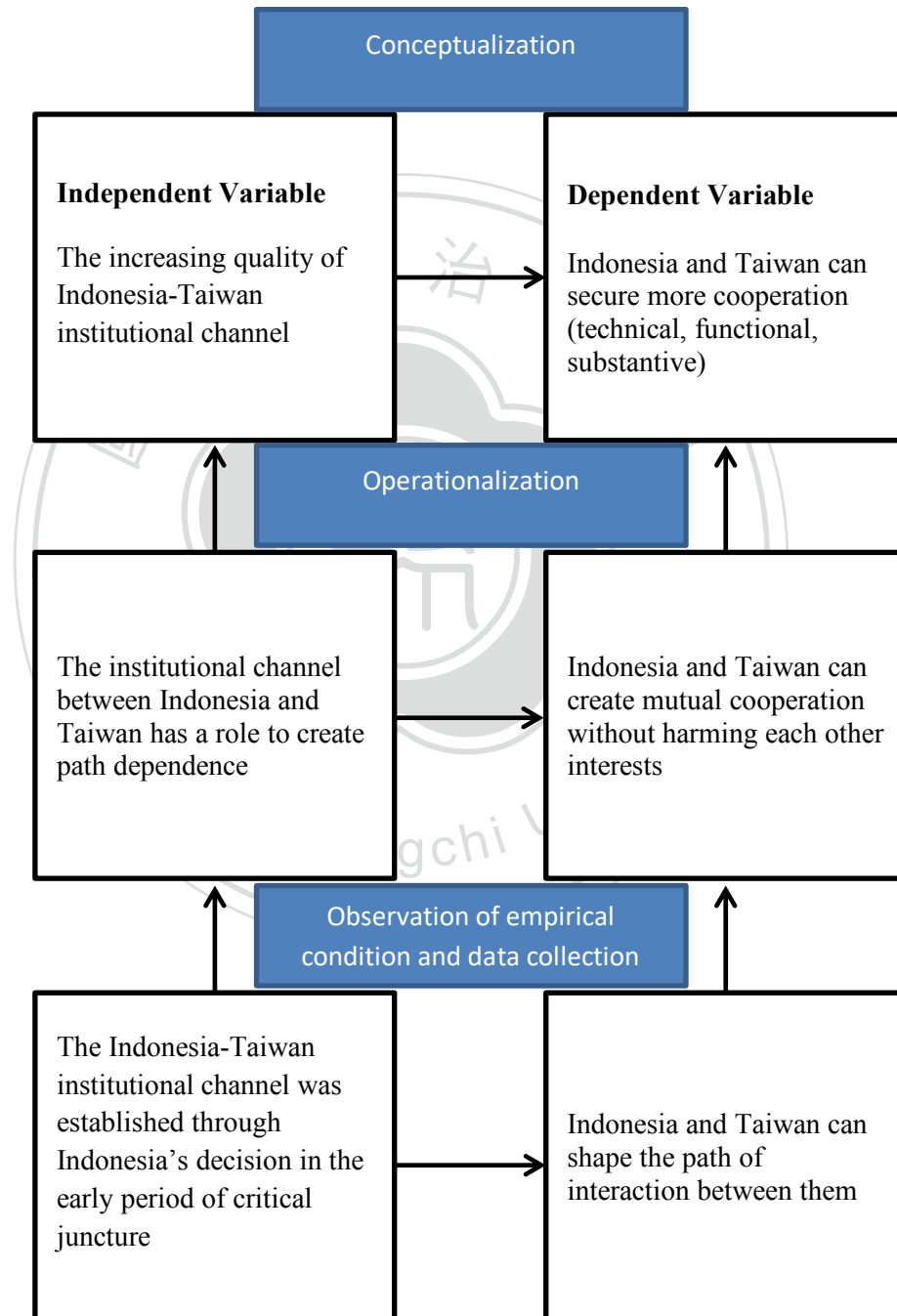
2.3 Conceptualization and Operationalization

This research aims to analyze the relation between Indonesia-Taiwan institutional channel and the increasing cooperation by utilizing historical

⁶⁴ Giovanni Capoccia, *Loc. Cit.*

institutionalism theory. Two variables will be employed, critical juncture and path dependency. TETO and IETO, as the representatives of both parties, are selected as the unit of analysis using case study method. The conceptualization and operationalization of the research is described in figure 6.

Figure 5. Research Process of Inductive Measurement



To answer the research questions, this research argues the following hypotheses:

1. The Indonesia-Taiwan institutional channel was established through Indonesia's decision in the early period of critical juncture, shaping the path of interaction between them.
2. The institutional channel between Indonesia and Taiwan has a role to create path dependence that gives a virtue for both entities to create mutual cooperation without harming each other interests.
3. The institutional channel is enabling Indonesia and Taiwan to secure more cooperation in line with the developing design of their institutional channel.



CHAPTER 3 THE DYNAMIC OF INDONESIA-TAIWAN RELATION

Up to date, Indonesia has no diplomatic relation with Taiwan due to the One China Policy adopted by Indonesian government in 1990. Nonetheless, the economic relation between Indonesia and Taiwan has been occurring since 1974. This relation was established through the institutions representing both parties. These institutions have been undergoing several changes that influenced Indonesia-Taiwan relation.

In order to have a comprehensive understanding on Indonesia-Taiwan relation, this chapter will describe the normative principles and institutional stages in Indonesia-Taiwan relation. The first section will emphasize more on the normative principles from Indonesia as Taiwan has always been considering its institution as the official government agency. The laws and regulations in Indonesia that nurtured the establishment of relation and institution will be assessed. The second section will analyze the existence of institution at each stage that influenced Indonesia-Taiwan relation. Lastly, the impact of changes in both normative and institutional level towards Indonesia-Taiwan relation will be analyzed.

3.1 Normative Principles

Since the beginning, Taiwan referred its representative office as a government agency under the Ministry of Foreign Affairs (MOFA). This occurred due to the highly limited diplomatic recognition to Republic of China (ROC) since People's Republic of China (PRC) successfully took over ROC seat in United Nations. Therefore, both Chinese Chamber of Commerce and Taipei Economic and Trade Office (TETO) refer to Article 141 of the ROC Constitution as their normative principle in implementing its

operation. The Article 141 emphasizes the rights and interests of Chinese citizens residing abroad, promote international cooperation, advance international justice, and ensure world peace, in a spirit of independence and on the basis of the principles of equality and reciprocity. However, this is not the case with Indonesia in establishing its representative office in Taiwan.

When Indonesia, under the administrative of Old Order, offered its diplomatic recognition towards PRC as the sole legitimate authority of China, Indonesia did not have any representative office in Taiwan. In 1965, the Indonesian Communist Party (*Partai Komunis Indonesia/PKI*) failed to undertake a military coup against Indonesian government. This caused a sentiment on communism ideology was growing rapidly in Indonesia's domestic level. As an impact, Indonesia suspended its diplomatic relation with PRC and established an Intelligence Coordination Agency in Taipei, Taiwan. The establishment of this agency in Taiwan was allegedly to monitor Taiwan as well as China's development.⁶⁵ With the increasing demand of a more proper representative office by Indonesian businessmen who exiled to Taiwan during the failed coup, Indonesia then established Indonesia Chamber of Commerce in Taipei in June 1971 as a replacement of the Intelligence Coordination Agency. Even though the institution's name has changed, Indonesia Chamber of Commerce's head of representative remained from Indonesia's National Intelligence Agency. At this time, officers from Indonesia's Immigration Office were assigned to this institution.⁶⁶

Indonesia's New Order administrative, led by President Soeharto, then established a new cabinet of ministerial, namely Cabinet of Development, by issuing Presidential Decree No. 9 Year 1973. Under this decree, a new Trade and Industry

⁶⁵ Indonesia Ministry of Foreign Affairs' Officer, interview by author, April 23, 2016.

⁶⁶ "Sejarah Singkat," accessed on September 30, 2014, <http://www2.kdei-taipei.org/index.php/2014-08-11-03-58-09/sejarah-singkat>.

Minister were appointed. As a follow-up, President Soeharto issued Presidential Decree No. 43 Year 1973 concerning Indonesia's Chamber of Commerce and Industrial. According to this decree, Industrial and Chamber of Commerce was an organization of all businessmen with the objective to unify and exert its ability and capability to help improving Indonesia's economic development. This decree also instructed the relevant ministers to utilize Chamber of Commerce and Industrial as a means to consult and establish relation in regards with trade and industrial matters. Hence, the decree provided as legal basis for Indonesia to start trading and industrial relation with Taiwan through Indonesia's Chamber of Commerce in Taipei.⁶⁷

This decree was further formalized through the issuance of Law No. 1 Year 1987 concerning Chamber of Commerce and Industrial. In addition to the objective of Chamber of Commerce and Industrial outlined in Presidential Decree, Chapter 3 of this Law added that Chamber of Commerce and Industrial had the objective to create and promote a robust business climate that allowed Indonesia to participate effectively with regards to the national development. Furthermore, Chapter 7 described Chamber of Commerce and Industrial's functions, including disseminating information of Indonesia's government economy policies to the counterpart, distributing Indonesia's businessmen's aspiration and interest, establishing relation and cooperation that would bring mutual benefit, and many more.⁶⁸

The issuance of these regulations on Indonesia Chamber of Commerce in Taipei was part of President Soeharto's overall foreign policy, which had different goal from President Soeharto. During Old Order, President Soeharto was nurturing nationalism among Indonesian people. This was an important objective considering Indonesia just

⁶⁷ Indonesia Presidential Decree No. 43 Year 1973.

⁶⁸ Indonesia Law No. 1 Year 1987.

had its independence after being colonialized for 3,5 centuries. Meanwhile, Indonesia's national interest during the New Order administrative was increasing Indonesia's economic development. Hence, Indonesia foreign policy and diplomacy efforts aimed to improve the economic development. Table 5 below presents the differences in domestic condition and foreign policy during Old Order and New Order.

Table 5. Domestic Condition and Foreign Policy during Old Order and New Order

| Administrative | Nationalism | Economic Strategy | Domestic Politic | Diplomacy Effort | External Orientation |
|------------------------------|--|--|---|--|---|
| Old Order (1945-1965) | Struggle for independence, nurture a nation | Independent, Socialism | Multi-party, changed to liberal democracy, then changed to guided democracy | Non-alignment | High profile |
| New Order (1965-1998) | Co-exist with neighboring countries in a peaceful manner | Capitalism, Economy Crisis (in the last 5 years) | Centralized authoritarian regime; violation of human rights | Economic oriented; pseudo-impartiality | Low profile and focus on domestic situation (1965-1980); high profile (1980-1997) |

Source: Interview with Officials from Indonesian Ministry of Foreign Affairs, Anonymous.

On October 10th, 1989, Taiwan's Chamber of Commerce in Jakarta changed its name into Taipei Economic and Trade Office in Taipei (TETO) as one of Taiwan's pragmatic diplomacy effort. Indonesia government did not automatically change its representative office in Taiwan because at that time, PRC was attempting to re-normalize diplomatic relation with Indonesia. However, officials from Indonesia Investment Coordinating Board and Department of Industry were assigned to Indonesia Chamber of Commerce in Taipei. On August 8th, 1990, Indonesia signed a MoU on the Resumption of Diplomatic Relations with PRC. According to this MoU, Indonesian government was consistently adhering to One-China Policy and only acknowledging

PRC as the sole legal government of China with Taiwan as an integral part of China. In addition, Indonesia would only maintain economic and trade relation of non-governmental nature with Taiwan.⁶⁹ By signing this MoU, Indonesia agreed to not offer diplomatic recognition to Taiwan and only maintain economic and trade relation in a non-formal manner. Hence, Indonesia's Ministry of Foreign Affairs could never be involved in any relation between Indonesia and Taiwan. This MoU is used as a reference on Indonesia-Taiwan relation until to date.

As a follow-up of MoU 1990, Indonesia's Ministry of Foreign Affairs issued an instruction to regulate the implementation of foreign affairs relation between Indonesia and Taiwan. Based on this instruction, Indonesia government officials are not allowed to raise Taiwan's national flag at any occasion, use the name of Republic of China be it in a conference, signatory ceremony or official meeting, use the name of Republic of Indonesia and Republic of China in exchanging official letters, or undertake official visits. Furthermore, should Indonesia's or Taiwan's officials hold a meeting, it is advised to not have any publication (written, verbally, or photo). In case of PRC raises a protest, only Ministry of Foreign Affairs is allowed to respond to such complaint. All of Indonesian government officials are still adhering to this instruction until now.

By having MoU 1990, Indonesia government received a green light from PRC government to maintain economic and trade relation with Taiwan in a non-formal manner. Hence, Indonesia increased the function of its representative office in Taipei into Indonesia Economic and Trade Office in Taipei (IETO) on July 7th, 1994 through the issuance of Presidential Decree No. 48 Year 1994. Based on this decree, IETO is a non-governmental economic institution with the objective to accelerate and increase

⁶⁹ Memorandum of Understanding between The Government of the Republic of Indonesia and the Government of the People's Republic of China on the Resumption of Diplomatic Relations, 8 August 1990.

economic and trade cooperation between Indonesia and Taiwan. Ministry of Trade manages IETO by assigning its official as Head of Representative and funding all of IETO activities. The structure of IETO consists of administrative, economy, trade, industry, tourism, investment, and human mobility division.⁷⁰

Furthermore, the objectives of IETO was formulated in more detailed term as follows: to represent and protect the interest of economic and Indonesian citizen in Taiwan; to improve the economic, trade, industrial investment, employment, as well as tourism and transportation between Indonesia and Taiwan; to encourage cooperation between Indonesia's business with Taiwan; to provide information and ease the marketing of Indonesia's export commodities to Taiwan; and to promote all the activities and breaches of the market in order to increase economic, trade, industrial, investment and tourism between Indonesia and Taiwan. It can be concluded that IETO is a joint office that consists of several Indonesian government agencies, which assist the Ministry of Trade to achieve the Indonesia's objectives and interests as stated in the Presidential Decree No. 48/1994. It also has the rights to sign and conduct cooperation with Taiwan as outlined on the decree.

In order to implement more practical regulations, the Indonesian Ministry of Trade issued the Minister of Trade Decree No. 303/KP/XI/94 concerning the Organization and Working Procedure of Indonesia Economic and Trade Office in Taipei. This decree was then revised as per the Minister of Trade Decree No. 38.1/M-DAG/PER/8/2009, which emphasized on strengthening the structural role of Ministry of Trade's officials who were assigned to IETO. In the same year, Minister of Trade also issued a Decree No. 1030.1/M-DAG/KEP/8/2009 which outlined the role and

⁷⁰ Indonesia Presidential Decree No. 48 Year 1994.

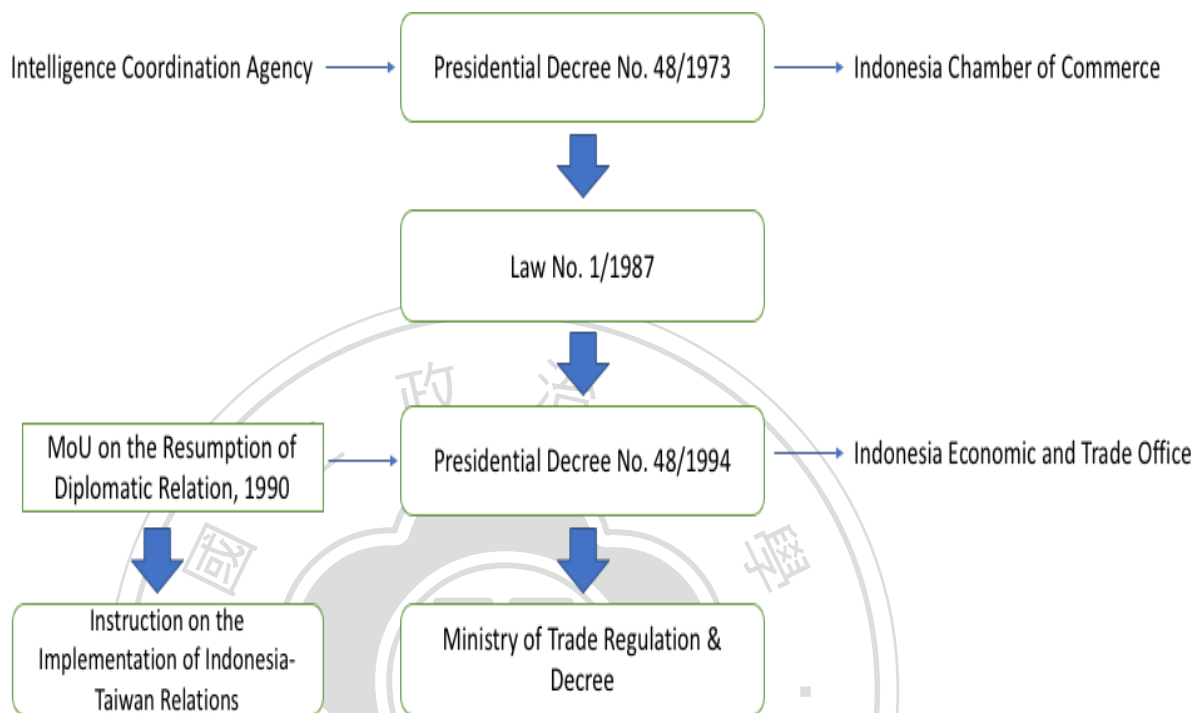
responsibility of each IETO's officials in detail. According to this Decree, IETO's organizational structure consisted of Head of Representative, Vice Head of Representative, administration division, immigration division, industrial division, investment division, trade division, and tourism and transportation division.⁷¹ In 2011, Ministry of Trade revised these regulations into Ministry of Trade Regulation No. 08/M-DAG/PER/4/2011.

Chapter 2 of this regulation outlines the objective of IETO, which is to accelerate and improve economic and trade cooperation between Indonesia and Taiwan. Further, Chapter 3 describes IETO's functions in detail. These include (a) representing and protecting the economic interests of Indonesian citizens in Taiwan; (b) improve economic, trade, industrial, investment, labour, as well as tourism and communication between Indonesia and Taiwan; (c) encouraging cooperation between Indonesia's businessmen and Taiwan's businessmen; (d) providing information service and assisting to accelerate the marketing of Indonesia's export commodity to Taiwan; and (e) undertaking promotion and market penetration activity in order to improve economic, trade, industrial, investment, and tourism relation between Indonesia and Taiwan. IETO's organizational structure is regulated in Chapter 4, whereas labour division is added as one of the divisions in IETO. Chapter 5 until 16 describes the role and responsibility of each IETO's division. The interesting part on this is that each division's role should be in accordance to IETO's objective. According to Chapter 21, all of IETO's funding will be added to Ministry of Trade's annual budget. IETO's working procedure is regulated in detail from Chapter 23 to 30. All of IETO's activities will be monitored by Ministry of Trade's Inspectorate General as stipulated in Chapter

⁷¹ Minister of Trade Decree No. 1030.1/M-DAG/KEP/8/2009.

31. Furthermore, all of relevant changes and regulations in regards with IETO is under Ministry of Trade responsibility as stipulated in Chapter 32 and 33.

Figure 6. Indonesia Normative Principles regarding Indonesia-Taiwan Relations



Source: compiled by the author from various sources.

In addition to the aforementioned regulation, Ministry of Trade also issued a Decree No. 370/M-DAG/KEP/5/2011. It explained more details on the duties of IETO's members including, the Head, Vice Head and other staff. Both regulations similarly mentioned about non-governmental nature of relations between Indonesia and Taiwan. Even though Indonesia regulations state that IETO is a non-governmental economic institution, in reality IETO is run by Indonesian government agency. IETO functions are similar to other Indonesia's embassies, which is supporting Indonesia's national interest.

3.2 Institutional Stages of Indonesia-Taiwan Relation

Institutionally, Indonesia and Taiwan relations can be divided into four stages. The early stage was started from 1949 when the Old Order came into power under President Soekarno and ROC was residing into Taiwan. This early stage – which can be called unrecognized stage – ended in 1966 when the Old Order stepped down from its power. The end of Old Order made New Order under President Soeharto took the chair which also designated as the second stage of Taiwan – Indonesia relations, non-institutional stage. Although institutional relation has not been established between both sides, but the relation has been upgraded into recognition of the existence of both sides except in diplomatic recognition –which never occurs until present. The non-institutional stage is shifted by establishment stage when Taiwan established TETO in Jakarta in 1989 and Indonesia established IETO in Taipei in 1994. After that the relations between Taiwan and Indonesia is shifting into the institutional stage which started in 1994 until present.

3.2.1. From Unrecognized Stage to Non-Institutional Stage

In 1949, ROC, led by Chiang Kai-Shek, lost the battle with the communist party in Mainland China. As a result, he retracted his army and resided into Taiwan. In an attempt to maintain diplomatic recognition as the sole legitimate authority of China, Taiwan offered a diplomatic recognition to Indonesia. Nonetheless, President Soekarno's view regarding west imperialism and his idea to create Jakarta-Beijing-Pyongyang-Moscow Axis made him offer Indonesia diplomatic recognition towards PRC and left Taiwan negligible. Practically, during Old Order of President Soekarno, there was no relation and interaction between Taiwan and Indonesia. Hence, Taiwan-Indonesia relation from 1950 to 1966 was in the unrecognized stage.

The second stage of Taiwan-Indonesia relation emerged in 1967 when a failed coup undertaken by Indonesia Communist Party (*Partai Komunis Indonesia/PKI*) occurred. It created an instability in Indonesia domestic politic which led the shifting power from Old Order to New Order under President Soeharto administrative. Bitter experience with communist made the New Order to suspend diplomatic relation with PRC, but it did not automatically switch to Taiwan. At that time, Indonesia Foreign Affairs Minister, Adam Malik, reiterated that Indonesia would recognize ROC as the sole legitimate authority of China only if it could return to the Mainland.⁷²

The absence of diplomatic ties did not hinder Taiwan to maintain economic and trade relation with Indonesia. As a result, Taiwan established Chinese Chamber of Commerce in Jakarta as its representative office to Indonesia in April 1971. The reciprocal action was carried out by Indonesian government through the establishment of Indonesia Chamber of Commerce to Taipei in June 1971. It was the first representative office established by Southeast Asia countries in Taiwan.⁷³ An interesting point was Indonesia Chamber of Commerce was run by National Intelligence Agency with immigration as the only division at Chamber of Commerce. This was because Indonesia had an interest to regulate Indonesian people who exiled to Taiwan post PKI failed coup. Meanwhile, National Intelligence Agency was assigned because Indonesia was being precautious due to past experience with communism, as well as to monitor China and Taiwan development.

Through the chamber of commerce, Indonesia and Taiwan entered a non-institutional stage. In this stage, a very promising phenomenon was occurred when in May 1976 Taiwan and Indonesia signed the very first agreement on agricultural

⁷² Chen Jie, *Op. Cit.*, 62

⁷³ *Ibid.*

technical cooperation. The first mission was sent to Surabaya in November 1976.⁷⁴ In order to implement this agreement, Taiwan government established Taiwan Technical Mission (TTM) as a counterpart to engage with Surabaya's district government. TTM consisted of agricultural experts whom would transfer their knowledge to Indonesian farmers in Surabaya's selected district. The cooperation continued until 1979 in Yogyakarta with the same mechanism. Growing relation between both entities also made official visits possible. In 1981 Taiwan Prime Minister Sun Yun-Suan made a secret but seemingly official visit to Jakarta.⁷⁵ It was followed by Taiwan Foreign Minister Chu Fu-Sung visit to Indonesian capital in 1983.⁷⁶ The most prominent case in Indonesia's visit to Taiwan occurred when Minister of Investment Ginandjar Kartasmita visited Taiwan in October 1986. After Ginandjar visit there was no other dynamic in Taiwan – Indonesia relation at this second stage until 1988. The absence of institution made Taiwan and Indonesia successful in creating only one technical cooperation.

3.2.2. From Establishment Stage to Institutional Stage

Rapid progress mostly occurred in the third and fourth stage. In 1989 Taiwan – Indonesia relations entered the third stage: establishment stage. This stage begun with the changing name of Chinese Chamber of Commerce into more formal name Taipei Economic and Trade Office (TETO) on 10 October 1989.⁷⁷ Taiwan's policy to change its representative name in Indonesia was the first attempt compared to other Southeast Asia countries. To some extent, it increased Taiwan political profile in Southeast Asia.

⁷⁴ Sung-Ching Hsieh, *Op. Cit.*, 2-5

⁷⁵ Hans H. Indorf, *Impediments to Regionalism in Southeast Asia: Bilateral Constraints Among ASEAN Member States* (Institute of Southeast Asian Studies, 1984), 12.

⁷⁶ Chen Jie *Op. Cit.*, 67

⁷⁷ Samuel C.Y. Ku, "The Political Economy of Taiwan's Relations with Southeast Asia: The Southward Policy," *Op. Cit.*, 286

Furthermore, progressive achievement was made by two entities when an agreement on investment promotion and protection was agreed and signed in 1990.⁷⁸ This agreement would provide legal protection for bilateral trade investment which gives protection to Taiwan investment in Indonesia. It has to be noted that the agreement was driven by the competition of ASEAN states in acquiring foreign direct investment rather than a product of institutional negotiation.

Another progress occurred at this stage was the initiation of bilateral ministerial meeting between Indonesia and Taiwan at ministerial level. In Indonesia such ministerial meetings had two forums; one in energy started in 1990 and the other was annual minister economic meeting in 1993.⁷⁹ In addition, the very first leader visit also occurred at this stage when former President Lee Teng-hui made a visit to Jakarta in 1994.

The fourth stage, institutional stage, commenced when Indonesia changed its representative office into Indonesia Economic and Trade Office to Taipei (IETO) in 1995.⁸⁰ The changing name of Indonesia representative also changed the nomenclature of its body. Previously, the representative office was run by intelligent agency, but now IETO was run under the supervision of Indonesia Minister of Trade.⁸¹ The responsibilities and structure of IETO also expanded into trade, industry, tourism, investment, and consular division.⁸² Even though IETO is considered as a non-governmental institution but its function is similar to consulate general. The establishment of IETO in Taipei created a counterpart for TETO in Jakarta to conduct negotiation between Taiwan and Indonesia. The first negotiation occurred in 1995

⁷⁸ Chun Hung Lin, *Op. Cit.*, 62

⁷⁹ Chen Jie *Op. Cit.*, 83

⁸⁰ *Ibid.*

⁸¹ Indonesian Presidential Office, *Op. Cit.* p. 1-2.

⁸² *Ibid.*

regarding prevention of fiscal evasion. In the same year, agreement in the field of agriculture was resumed as technical cooperation between Indonesia and Taiwan.⁸³

As described above, Indonesia-Taiwan have undergone several institutional stages. Each stage created an institution that allowed both parties to expand their interaction and relation. It is quite clear that equal institutions with greater authority may allow Indonesia and Taiwan to achieve beneficial and sustainable relations. Table 6 below summarizes the evolving of institutional stages in Indonesia-Taiwan relations.

Table 6. Institutional Stages in Indonesia-Taiwan Relations

| Stage | Year | Taiwan's Institution | Indonesia's Institution |
|-------------------------|--------------|----------------------------------|-------------------------------------|
| Unrecognized Stage | 1960-1966 | None | None |
| Non-Institutional Stage | 1967-1988 | Chinese Chamber of Commerce | Indonesia Chamber of Commerce |
| Establishment Stage | 1989-1994 | Taipei Economic and Trade Office | Indonesia Chamber of Commerce |
| Institutional Stage | 1995-present | Taipei Economic and Trade Office | Indonesia Economic and Trade Office |

Source: summarized by the author.

3.3 Impact of Increased Normative and Institutional Level in Indonesia-Taiwan Relations

Once TETO and IETO are established as the representative offices for Indonesia and Taiwan, both parties started to sign cooperation in substantive matters. The first signed substantive agreement was labour cooperation in 2004, “MOU between the Taipei Economic and Trade Office, Jakarta, Indonesia and the Indonesian Economic and Trade Office to Taipei on the Recruitment and Placement of Manpower”. This agreement regulated the recruitment process of Indonesian workers both on Indonesia

⁸³ Sung-Ching Hsieh, *Op. Cit.*, 1

side and Taiwan side. Through this agreement, Indonesian workers resided in Taiwan were protected by Taiwan law. To further strengthen the cooperation on labour aspect, Indonesia-Taiwan signed another MOU in January 2011. At this time, the MOU did not only cover the recruitment and placement process of Indonesian workers but the protection as well. Four months later, Indonesia Ministry of Trade issued a new regulation and assigned a labour division in IETO, represented by Ministry of Manpower and National Agency on the Placement and Protection of Indonesian Overseas Workers (*Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia/BNP2TKI*). Through this agreement, a Joint Working Group (JWG) was initiated to facilitate the interaction between Taiwan and Indonesia and conduct an annual meeting on labour aspects. Ministry of Labour was Taiwan government representative in JWG, while Ministry of Manpower and BNP2TKI acted as Indonesian government representative.

Acknowledging increased students exchange between Indonesia and Taiwan, TETO and IETO formalized this into an “MOU on Cooperation in the Field of Higher Education” in May 2011. This agreement allowed Indonesia and Taiwan government to facilitate people-to-people contact in academic through student exchange, research and international publication, and scholarship. Following the signing of agreement, Taiwan Higher Education Summit was then established as a platform for Indonesia and Taiwan, both governmental agency and universities, to have a dialogue in discussing possibilities cooperation and partnership program as well as establish means for both parties to exchange information and discuss the implementation of activities as well as establish networks for Indonesia and Taiwan higher education.

In addition, government visit became a common thing between Taiwan and Indonesia. Indonesian lawmaker has come to Taiwan every year under the invitation of

TETO or Legislative Yuan. Visit on high level officials between both sides became very often as well. Few of Indonesia ministers have been visited Taiwan such as Minister of Research and Technology B. J. Habibie and Minister of Manpower and Transmigration, Fahmi Idris. Taiwan high-ranked officials also visited Indonesia such as Economic Minister Dr. Yen-Shiang Shih and Overseas Community Affairs Council Minister Shyh-kwei Chen, as well as “the unplanned” visit of Taiwan President Chen Shui-bian when his plane had to stop over in Batam, Indonesia.⁸⁴

The most meritorious achievement for TETO-IETO was the Morotai Development Project in 2012. MDP was signed on December 4th, 2012 by Indonesia and Taiwan after conducting series of negotiations. It started with “Letter of Intent on Morotai Development Project between The Indonesian Economic and Trade Office to Taipei and The Taipei Economic and Trade Office in Indonesia” which was signed in Jakarta, Indonesia.⁸⁵ According to the MoU, the Indonesian government would undertake infrastructure and provide Taiwan businessman with various incentives to develop the island as Special Economic Zone (SEZ).

As a follow up, a steering committee and implementing entities will be established to create the action plan in executing the project. Up to present, three round of steering committee meeting has been conducted. The first and second steering committee meeting carried out in Jakarta on March 11th, 2013 and in Taipei on July 24th, 2013.⁸⁶ Rizal Lukman, Coordination Deputy of Economic Cooperation and

⁸⁴ Bronson Percival, *The Dragon Looks South; China and Southeast Asia in the New Century* (London: Praeger Security International, 2007), 65

⁸⁵ “Penandatanganan MoU on Morotai Development Project,” accessed on September 19, 2014, <http://www2.kdei-taipei.org/index.php/berita/item/290-penandatanganan-mou-on-morotai-development-project/>.

⁸⁶ “Pertemuan Kedua Steering Committee pada Morotai Development Project antara Indonesia dan Taiwan,” accessed on September 19, 2014, <http://www2.kdei-taipei.org/index.php/berita/item/312-pertemuan-kedua-steering-committee-pada-morotai-development-project-antara-indonesia-dan-taiwan>.

International Fund, Indonesia Ministry of Economic Coordinator acted as the head of steering committee from Indonesia, while Andrew Hsia, Taiwan Head of Representative to Indonesia, was the head of steering committee from Taiwan side. Those two meetings concluded business plan in developing Morotai island. The third Steering Committee Meeting on MDP was held in Taipei on April 23rd 2014. The meeting was concluded several things related to business plan, infrastructure plan and master plan in Morotai SEZ. The delegation from Taiwan side was adding the concept of sustainable development framework and capacity building while Indonesia added plan to build three zones consist of industrial, logistic and tourism zone. The next meeting is scheduled either in the end of 2014 or the beginning of 2015. The above elaboration provides an understanding that the natures of MDP in giving assistance and incentives increase investment and labor movement as well as technical cooperation which considers this project as ECA between Taiwan and Indonesia under the framework of TETO-IETO.

In addition to increased number of agreements, Indonesia and Taiwan also shared the increased number of exchanges as the impact of increased role of institutional level through TETO-IETO. The first exchange is in economic. Based on the information from Taiwan's Bureau of Trade, the total value of trade between Indonesia and Taiwan was US\$ 2,167,384,836. This value was double in a decade, made the total trade between Indonesia and Taiwan to be US\$ 4,748,611,361. This increasing trend was occurring in the following years, as presented in below table.

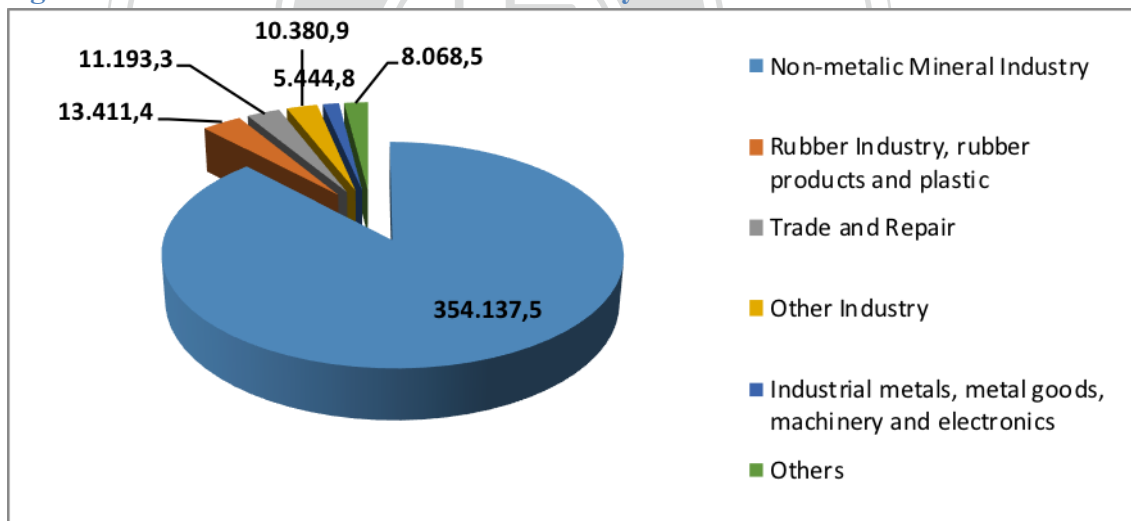
Table 7. Trade Value between Taiwan and Indonesia, 2010-2013

| Year | Total Trade | | Total Export | | Total Import | |
|------|----------------|-------------|---------------|-------------|---------------|-------------|
| | Amount | Growth Rate | Amount | Growth Rate | Amount | Growth Rate |
| 2010 | 10,529,625,992 | 25.206 % | 4,509,517,515 | 39.779 % | 6,020,108,477 | 16.137 % |
| 2011 | 12,264,690,706 | 16.478 % | 4,836,510,096 | 7.251 % | 7,428,180,610 | 23.389 % |
| 2012 | 12,514,991,290 | 2.041 % | 5,190,198,821 | 7.313 % | 7,324,792,469 | -1.392 % |
| 2013 | 12,299,446,111 | -1.722 % | 5,148,684,002 | -0.800 % | 7,150,762,109 | -2.376 % |

Source: Taiwan’s Bureau of Trade

According to Indonesia Investment Board’s statistic, Taiwan is Indonesia’s 10th largest investor with total amount US\$ 15,360,000,000.⁸⁷ This amount was increasing rapidly in the following years. Based on the investment data from October until December 2013, Taiwan’s investment in Indonesia has reached US\$ 402 million which has distributed in many sectors and regions that can be seen in figure 8.

Figure 7. Taiwan’s Investment in Indonesia by Sector October – December 2013



Source: “*Laporan Akuntabilitas Kinerja Tahun 2013*”, IETO, Taipei: 2014, p. 34.

The second exchange occurs in people-to-people contact. With the increasing number of cooperation agreed between Indonesia and Taiwan, it allowed Indonesian and Taiwan people to visit each other country and establish relations. As an example,

⁸⁷ BKPM, “Perkembangan Realisasi Investasi PMA Berdasarkan Laporan Kegiatan Penanaman Modal (LKPM) Menurut Negara Triwulan 3 2013,” accessed on October 3, 2014, <http://www7.bkpm.go.id/contents/p16/statistics/17#.VDE8ivmSxqU>.

in 1993 there were only 34,502 Indonesian people visited Taiwan. This number was tripled in seven years with 107,332 Indonesian people visited Taiwan in 2000. Based on the information from Taiwan's Tourism Bureau, the number of Indonesian visitors to Taiwan kept increasing as presented in the table below.

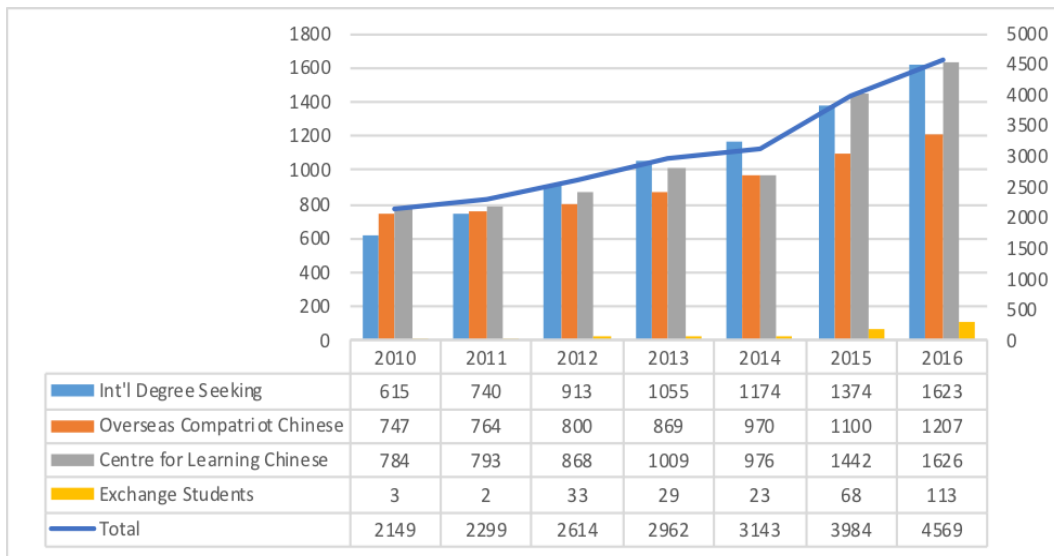
Table 8. Number of Indonesian Visitors to Taiwan

| Purpose of Visit | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Business | 16.788 | 15.913 | 19.367 | 21.850 | 6.402 | 5.589 | 5.201 |
| Tourism | 19.067 | 31.286 | 34.669 | 35.080 | 36.112 | 32.004 | 32.868 |
| Visit Relatives | 10.224 | 10.056 | 10.446 | 11.216 | 7.862 | 7.902 | 8.626 |
| Conference | 1.363 | 1.368 | 1.672 | 1.467 | 1.805 | 1.711 | 2.019 |
| Study | 2.436 | 3.164 | 3.830 | 4.604 | 1.416 | 1.569 | 1.752 |
| Exhibition | N/A | N/A | 797 | 815 | 819 | 813 | 738 |
| Medical | N/A | N/A | 490 | 576 | 527 | 419 | 530 |
| Others | 24.853 | 85.016 | 92.327 | 95.691 | 127.761 | 127.736 | 136.986 |
| Not Stated | 49.103 | 9.478 | N/A | N/A | N/A | N/A | N/A |
| Total | 123.834 | 156.281 | 163.598 | 171.299 | 182.704 | 177.743 | 188.720 |

Source: Taiwan Tourism Bureau, Ministry of Tourism and Culture

As presented in the above table, studying is one of the reasons Indonesian people come to Taiwan. Based on the information from Taiwan's Ministry of Education, there were only 2 Indonesian students enrolled in Taiwan's universities. As time goes by, the purpose of study for Indonesian students in Taiwan expands into learning Chinese language and exchanging purpose. From 2010 to 2015, the number of Indonesian students in Taiwan increased significantly as presented in the below figure.

Figure 8. Number of Indonesian Students in Taiwan



Source: Taiwan's Ministry of Education

To accommodate the Indonesian students' interests and maintain network in Taiwan, they then established three different student organizations.⁸⁸ The first student organization, as well as the oldest one, is *Persatuan Pelajar Indonesia in Taiwan*/PERPITA (The Indonesian Students Union in Taiwan/台灣印尼僑生聯誼). It was established in 1960 and mainly to facilitate the issues of cultural differences and communication among Indonesian students in Taiwan. PERPITA is affiliated with *Ikatan Citra Alumni Indonesia se-Taiwan*/印尼中爪哇留台同學會 (ICATI) which is a Jakarta-based association of Indonesian student alumni who obtain their degree in Taiwan. In order to become the member of PERPITA, the students have to apply and pay membership fee. In addition, most of PERPITA members are the overseas Chinese students who are enrolling in undergraduate program. In achieving its organization purpose, PERPITA holds various activities, such as seminar and sports activity, for the Indonesian students in Taiwan.

⁸⁸ Rangga Aditya, "The (In)visibility of Taiwan-Indonesia Relations: Indonesian Students on the Sideline", Conference Proceeding, The 12th European Association of Taiwan Studies Annual Conference, (Poland: Krakow, 2015), 11.

The second student organization is *Forum Mahasiswa Muslim Indonesia di Taiwan*/FORMMIT (Indonesian Moslem Students Forum in Taiwan) which was established in 2006 and applies Islamic tenets as their organization's platform. The purpose of FORMMIT is to facilitate communication among Indonesian Muslim students as well as a platform for Islamic proselytizing. Even though there is no membership to join this organization, all of the members still have to apply for membership and are limited to Indonesian Muslim students only. FORMMIT holds several religious activities in collaboration with Indonesian migrant workers' organization in Taiwan and Annual International Scholars Conference in Taiwan (AISCT) which is aimed to conduct technological transfer from Taiwan to Indonesia.

Last yet most substantial Indonesian student organization is *Perhimpunan Pelajar Indonesia di Taiwan*/PPI Taiwan (Indonesian Students Association in Taiwan) which was established in 2010. The objective of this organization is to facilitate all Indonesian students regardless their ethnic, religion or background. No registration or membership fee is required as the Indonesian students in Taiwan automatically become the member of PPI Taiwan. The structure of PPI Taiwan is similar with the structure of government where there are two different bodies, namely legislative and executive, in exercising its objectives. In addition, PPI Taiwan has network with other Indonesian students around the world or known as Overseas Indonesian Student Association Alliance (OISAA) which links every PPI in different countries. In order to achieve its objectives, PPI Taiwan has the support from other Indonesian student organization in university level and Indonesian Economic and Trade Office in Taipei (IETO). Their activity consists of conducting research for IETO policy recommendation, holding student capacity building and entrepreneurship program, as well as charity and sport event. Particularly in research, Indonesia student has concluded a policy paper on

Indonesia workers in Taiwan which the recommendation is use by the Indonesia government to determine minimum wage in negotiation with Taiwan government.

The existence of several Indonesian student organizations in Taiwan is more or less influenced by the various backgrounds of Indonesian students which can be classified as three major backgrounds; ethnic business network, government officials and scholars. Ethnic business network mainly are the overseas Chinese students who are enrolled as undergraduate students. They have selected Taiwan as destination to pursue their education since 1960s. After graduation, most of them are either continuing to master degree, working in Taiwan or coming back home to help their family business.

Taiwan does not only attract Indonesian students to study and stay in Taiwan. Many Indonesian workers also come to Taiwan to work either as white collar or blue collar workers. As previously mentioned, after all it was the Indonesian businessmen who played major role in encouraging Indonesian government to establish Indonesia Chamber of Commerce in Taipei. They established *Asosiasi Pengusaha Toko Indonesia di Taiwan/APIT* (Indonesian Employers' Store Associations in Taiwan) in 2008 with the objective to coordinate business activities among Indonesian businessmen in Taiwan.⁸⁹ IETO also supported and facilitated APIT due to such institution works as 'social ambassadors' through its branches that set up in Taiwan. The term 'social ambassadors' refer to APIT two main programs for Indonesian overseas workers, which are provide social assistances programs (i.e. by providing fund for Indonesian overseas workers who are sick or get into accident during their working period in Taiwan) and passport services (by helping Indonesian overseas workers to renew their passport

⁸⁹ Luh Nyoman Ratih Wagiswari Kabinawa, "Economic and Socio-Cultural Relations between Indonesia and Taiwan: An Indonesian Perspective, 1990-2012," (Master Thesis, National Sun Yat-sen University, Taiwan, 2013), 91-93.

through APIT branches and network with reasonable price).⁹⁰ Therefore, APIT is similar to IETO's extension institution.

Many Indonesian blue collar workers come to Taiwan mainly due to three reasons. First is the salary offered in Taiwan is more attractive than other destination countries, including for those who work in the domestic sector. As an example, an Indonesian worker who work as a housemaid in Saudi Arabia earns 1208 Riyal (US\$ 322)⁹¹, while in Taiwan she can earn NT\$ 16,033 (US\$ 537)⁹² for the same job. Secondly, the living situation in Taiwan is better than other destination countries. Taiwan's Labour Act guarantees the maximum working hours and day off for Indonesian workers. In contrast, many Indonesian workers are not even allowed to leave their employers' house in Saudi Arabia. Lastly, the mistreatment case against Indonesian workers in Taiwan are relatively lower compare to any other destination countries, such as Saudi Arabia or Malaysia, particularly physical and sexual abused.⁹³ These three reasons have created a better and safer working environment for Indonesian workers. Hence, the number of Indonesian workers in Taiwan keeps increasing as presented in the below figure.

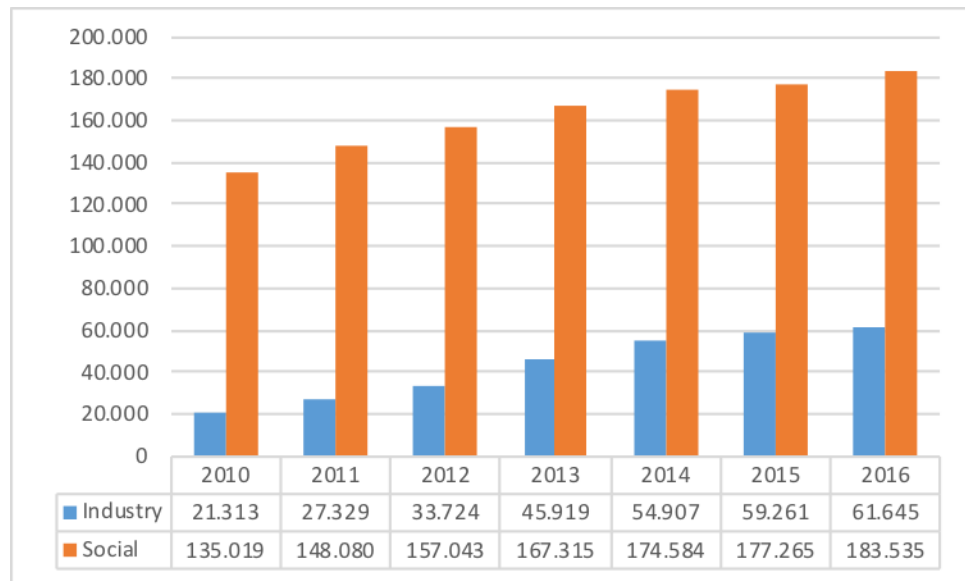
⁹⁰ *Ibid.*

⁹¹ "Ini Perbandingan Gaji PRT Indonesia di 3 Negara," accessed on January 5, 2015, <https://www.liputan6.com/bisnis/read/2936807/ini-perbandingan-gaji-prt-indonesia-di-3-negara>.

⁹² Kerja di Taiwan Dapat Gaji Berapa?," accessed on December 3, 2014, <https://finance.detik.com/berita-ekonomi-bisnis/d-3992995/mau-tahu-kerja-di-taiwan-dapat-gaji-berapa-cek-di-sini>.

⁹³ Anselma Faustina, "The High Number of Indonesian Missing Workers in Taiwan: Policy Incompatibility between Taipei and Jakarta" (Master Thesis, Taipei: National Chengchi University, 2015), 2-3.

Figure 9. Total Number of Indonesian Workers in Taiwan, 2010-2015



Source: Taiwan's Ministry of Labour

Based on the data from Taiwan's Ministry of Labour, the total of Indonesian workers in Taiwan makes up approximately 40% of total foreign workers force in Taiwan. The massive number of Indonesian workers has encouraged them to establish an institution for Indonesian overseas workers, namely *Ikatan Pekerja Indonesia Taiwan/IPIT* (Indonesian Overseas Workers Association). Established in 2008, this institution aims to reduce the burden and raise solidarity among the Indonesian workers, whom obtain mistreatment by their employer, such as problem of payment or salary, savings procedure with the agents, physical abuse or sexual harassment. IPIT has two main activities, which are providing training (i.e. Mandarin and English, computer learning, music, and etc.) and a discussion forum to give solutions for the Indonesian overseas workers. IPIT also collaborate with IETO to help resolving Indonesian workers issues.⁹⁴

⁹⁴ Luh Nyoman Ratih Wagiswari Kabinawa, *Op. Cit.*, 96-97.

CHAPTER 4 COOPERATION BETWEEN INDONESIA AND TAIWAN: FROM TECHNICAL TO SUBSTANTIVE COOPERATION

The sovereignty dispute between Taiwan and China does not necessarily disrupt the relation between Indonesia and Taiwan. Even though Indonesia-Taiwan relation fluctuates, the interactions between both parties are still occurring especially in economy sector, specifically trade and investment, and social sector, specifically education and labor. According to the data from Taiwan's Ministry of Economic Affairs, the total trade between two parties reached USD 168 billion in 2015. This ranked Indonesia as the eleventh Taiwan's trade partner. In addition, Indonesia successfully accounted USD 118 million in the investment with Taiwan.⁹⁵

In social sector, both Indonesia and Taiwan maintain cooperative relation, which can be seen from the interaction in tourism, education and labor sectors. In 2015, there were 176,748 Taiwanese visited Indonesia. At the same time, 177,743 Indonesian visited Taiwan for various reasons; either for vacation, attending conference or workshop, business trip, or visiting family. In recent years, more and more Indonesian students select Taiwan as their destination country to pursue higher education.⁹⁶ According to the data from Taiwan's Ministry of Education, there were 3,065 Indonesian students who were studying in Taiwan and divided into 160 universities. The total number of Indonesian workers coming to Taiwan keeps increasing as well,

⁹⁵ Taiwan Investment Commission, Ministry of Economic Affairs, 2015.

⁹⁶ Taiwan Tourism Bureau, Ministry of Transportation and Communication, 2015.

with total of 236,526 Indonesian workers who worked in industrial or domestic sectors in 2015.

The people to people interaction is complemented with the good government to government relation between Indonesia and Taiwan. According to the data from Taiwan's Ministry of Foreign Affairs, Indonesia and Taiwan have successfully secured 28 agreements up to 2015. These agreements are divided into eleven sectors as presented in the table below.

Table 9. Total and Sector of Cooperation between Indonesia and Taiwan

| No | Cooperation's Sector | Total |
|-------|-----------------------------------|-------|
| 1 | Agriculture | 13 |
| 2 | International Post | 1 |
| 3 | Airlines Service | 3 |
| 4 | Investment | 2 |
| 5 | Tax and Fiscal | 1 |
| 6 | Maritime and Fishery | 1 |
| 7 | Agribusiness | 1 |
| 8 | Immigration and Human Trafficking | 1 |
| 9 | Special Economic Zone | 1 |
| 10 | Labor | 2 |
| 11 | Higher Education | 1 |
| TOTAL | | 27 |

Source: compiled by author from various sources.

These cooperation present that the absence of diplomatic relation does not hinder Indonesia and Taiwan government to establish cooperation for the greater good of both sides. Moreover, the type of cooperation is expanding along the time from only technical cooperation into substantive cooperation. This increases the impact from such cooperation and inadvertently influences the nature of relation among both parties. Therefore, this chapter describes all of cooperation occurs between Indonesia and Taiwan in detail with the objective to provide comprehensive understanding not only on the cooperation itself but the relation as well.

4.1 Technical Cooperation

The first cooperation established by Indonesia and Taiwan was an agricultural cooperation where Taiwanese agricultural experts assisted Indonesian farmers in selected province in 1976. This type of cooperation is known as technical cooperation where the objective is transferring technical knowledge on specific sector. Through such scheme of cooperation Indonesia receives direct advantage by obtaining technical knowledge to improve Indonesian agricultural sector and farmers. On the other hand, Taiwan receives indirect advantage, particularly in political sphere, by improving its role and existence in international stage as an entity that can establish cooperation with other country without China's intervention. Since 1976 until 2015, Indonesia and Taiwan secured 16 technical cooperation in two sectors, namely agricultural and fisheries, where the former is the major sector in the technical cooperation.

4.2.1. Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei

The first technical cooperation signed between Indonesia and Taiwan was on October 26th, 1979 and valid for three years. The reason why Taiwan chose to establish cooperation in agricultural was because such sector was the main focus of Indonesian government's development; hence it was appealing for Indonesian government. At that time, the signatory parties were the representative offices of both governments, namely Chinese Chamber of Commerce to Jakarta as Taiwan's representative and Indonesian Chamber of Commerce to Taipei as Indonesia's representative. Notwithstanding, the implementing parties of this agreement were not the representative offices themselves but the Provincial Government of Yogyakarta from Indonesia and Taiwan Technical Mission from Taiwan.

Gunung Kidul and Sleman districts in Yogyakarta province were selected as the area for the pilot project. Based on this agreement, Taiwan would send its agricultural experts, known as Agricultural Technical Mission (ATM) to assist Indonesian farmers in implementing an integrated food and horticultural crops production project on pilot scheme basis in Gunung Kidul and Sleman District, Yogyakarta Province. The ATM consisted of eight specialists, who were one mission leader, one agronomist, one horticulturist, one plant protection specialist, one irrigation specialist, one soil specialist, and two junior technicians. They provided technical assistances that aimed to improve the existing multiple cropping system and crop varieties cultural practices and pest control technique, as well as other activities pertinent to agricultural improvement. In addition, Indonesia and Taiwan also agreed to establish a Joint Committee to ensure the performance and continuance of agreement.

This agreement also regulated the responsibilities for both parties. As for Indonesia, its responsibilities were (1) organizing a steering committee and designating the Provincial Government of Yogyakarta as the executing agency for the project, (2) providing the service of Indonesian technicians at its expense, (3) providing the appropriated offices and necessary basic facility at its expense, (4) providing housing accommodation for the Chinese specialists at its expense, (5) taking care of custom duties, internal taxes, and any other charges, (6) taking care of expenses necessary for the domestic transportation, Indonesian equipment and vehicles, as well as cost of operation and maintenance, (7) taking care of running expenses necessary for the implementation of the project, and (8) taking care of vehicles for the ATM in the first year.

Meanwhile, Taiwan's responsibilities were (1) sending an ATM to assist the implementation of project in Yogyakarta, (2) providing salaries, flight ticket, and per

diem for international travel between Taipei and Yogyakarta, as well as insurance coverage for all ATM's personnel, (3) providing improved crop and vegetable seeds, farming equipment manufactured in the Republic of China, and (4) providing transportation for the ATM in the beginning of second year.

4.2.2. Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei

In the following year, Taiwan and Indonesia expanded its agricultural cooperation into another province which was East Java with the same objective as previous agreement. The agreement was signed on November 7th, 1980 with Indonesian Chamber of Commerce to Taipei and Chinese Chamber of Commerce Jakarta as the signatory parties. Similar with the previous agreement, the implementing parties were the local institutions in both countries, which were the East Java Regional Director of the Ministry of Agriculture as Indonesian implementing party and Taiwan Technical Mission as Taiwan's implementing party. This agreement was valid for two years.

Pagu and Pujon districts were selected as the designated area in East Java. Based on this agreement, Taiwan would send its ATM which consisted of a bigger team compared to the previous ATM. For the agricultural project in East Java, Taiwan's ATM consisted of fourteen different specialists, who were one mission leader, five agronomists, two horticulturalists, one plant protection specialist, one irrigation specialist, two soil and water conservation specialists, one extension specialist, and one livestock specialist. The technical assistances provided by the ATM covering continuation of helping the existing project in Pagu and Pujon, setting up two new demonstration areas and other extension pertinent. A joint committee was established as well. The responsibilities of Indonesia were mostly the same with the agricultural agreement in Yogyakarta excluding providing vehicles for ATM during their first year.

In addition to four responsibilities held by Taiwan in the previous agreement, an additional responsibility for Taiwan was added in this agreement, which was taking necessary measures to enable the Indonesian technicians and other personnel associated with the project to come to the Republic of China for technical training. Therefore, this agreement did not just focus on sending Taiwanese experts to Indonesia but vice versa as well so both sides received maximum benefits.

4.2.3. Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesia Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java

On September 29th, 1982 Indonesia and Taiwan extended its agricultural agreement in East Java for another two years. The signatory and implementing parties remained the same. Based on this agreement, Pasuruan was designated as the new demonstration area as the project in the two previous districts was almost completed. Taiwan would send six specialists, consisted of one mission leader, one agronomist, one plant protection specialist, one irrigation specialist, one horticulturalist, and one soil and water conservation specialist. In addition to the ATM, a group of short term experts would be sent to the designated area as well.

4.2.4. Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei

After signing an Amendment of the first Agricultural Technical Cooperation on March 11th, 1981, which integrated food crop production to cover all four districts in Yogyakarta and Ambarawa district of Central Java, Indonesia and Taiwan governments extended the cooperation on September 20th, 1983 for another three years. Taking into account the expansion of area, both the activities and ATM personnel in this agreement

were expanded as well into a wider activity and bigger group compared to the first agreement. The signatory parties and implementing parties from both sides remained the same.

In terms of the activity, both sides agreed that ATM would provide the following technical assistances; (1) improving and strengthening the existing multiple cropping systems, (2) improving crop varieties, (3) gradual building up of seed industry, (4) improving the breed, hygiene, and nutritional intake, (5) demonstrating and providing training of agriculture machineries, (6) demonstrating soil conservation measures, as well as (7) continuation and extension at strategic point of combined rural construction and irrigation projects. Meanwhile, the ATM personnel was doubled from eight specialists in the previous agreement into sixteen specialists, with five specialists were assigned in Ambarawa district, including one mission leader, five agronomists, four horticulturalists, one agriculture expert, one civil engineer, one soil conservation engineer, one food and feed processing expert, two veterinarians, and three short-term consultants. A Joint Committee was established as well.

According to this agreement, Indonesian government had the responsibilities to organize the Joint Committee and designate Yogyakarta's Provincial Government as the executing party. Indonesian government had to provide the service of Indonesian technicians, appropriate offices and facilities, and housing accommodation for the Chinese specialists all at its own expenses. In addition, Indonesia should take care of the expenses related to the implementation of the project, custom duties, internal taxes and any other charges, transportation of equipment and vehicles inside Indonesia, including the cost of operation and maintenance, as well as visa matters and working permit for the Chinese specialists.

On the other hand, Taiwanese government had the responsibilities to review and reorganize the ATM, provide salaries, flight ticket for international travel between Taiwan and Indonesia, per diem, and insurance for all ATM personnel, provide improved crop and vegetable seeds, farming equipment manufactured in Taiwan, provide one vehicle for ATM personnel in the new districts as agreed in the agreement, and provide fellowship and training in Taiwan for Indonesian technicians and key farmers. This agreement affirms the objective of technical cooperation where Indonesia receives direct benefits, both from improving its agricultural sector and human resources.

4.2.5. Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesia Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java

On February 8th, 1985, Indonesia and Taiwanese government extended their Agricultural Technical Cooperation in East Java region for another two years. No changes on the signatory parties and implementing parties. This amendment was focusing on establishing new demonstration activities, which were in the field of food crops for at least two crop seasons and in the fields of animal husbandry, fishery, horticulture and soil conservation. Thirteen specialists with English as their working language would be sent to Indonesia by Taiwanese government, which consisted of one mission leader, two agronomists, two horticulturists, one plant protection specialist, one dairy cow breeding specialist, one dairy management specialist, one shrimp culture specialist, one brackish water aquaculture specialist, one soil and water conservation specialist, one cooperative specialist, and one home-scale fruits processing and marketing specialist. It was expected that after two years, the Indonesian farmers would be able to easily follow the results as presented by the ATM. A training program in

Taiwan would be conducted as per the request of Indonesian government and agreed upon by Taiwan government.

4.2.6. Amendment II of the Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei Signed and Entered into Force on September 20, 1983

After a Joint Committee meeting was held on October 24th, 1984 and participated by all functional members in the Ministry of Agricultural Representative Office of Central Java Province, a recommendation to amend the Agricultural Technical Cooperation Agreement in Central Java was issued due to the growing progress of the bilateral agricultural cooperation. On May 10th, 1985, both Indonesia and Taiwan, through their Chamber of Commerce, amended the agreement by adding five specialists, which consisted of one brackish or fresh water shrimp culture specialist, one small ruminant animal specialist, one cooperative/farmer organization specialist, one vegetable seed specialist who was familiar with the breeding of hybrid seed, and one civil engineer for rural construction and small irrigation projects. The activities were conducted in five additional districts in Central Java, which were Karanganyar, Semarang, Magelang, Wonosobo and Jepara. Considering the expansion of demonstration area in Central Java district, the name of “Chinese Agricultural Technical Mission to The Special Province of Yogyakarta” was changed into “Chinese Agricultural Technical Mission to Central Java Province and Yogyakarta Province”. Therefore, the executing party was expanded into both Yogyakarta and Central Java Provincial Government.

4.2.7. Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei

In order to achieve greater food and agricultural production and increase the income and welfare of the rural areas in selected districts in Central Java and Yogyakarta, both Indonesia and Taiwanese government agreed to extend the Agricultural Technical Cooperation in those two districts on June 10th, 1986 for another three years period. Four districts in Central Java province were selected, which were Jepara, Salatiga, Karanganyar and Magelang. Meanwhile, all four districts (Sleman, Gunung Kidul, Bantul, and Kulon Progo) and the city of Yogyakarta were selected as the designated areas in this agreement. Indonesian Chamber of Commerce to Taipei and Chinese Chamber of Commerce to Jakarta remained as the signatory parties, whereas Central Java and Yogyakarta Provincial Government and Taiwan Technical Mission remained as the executing parties.

As the objective of this agreement was enlarged, so did the activities agreed in this agreement. The executing parties focused their technical services in the following activities: (1) enlarged and broadened the scope and size of demonstration centers established under the previous agreements, (2) continued and intensified the introduction of high-valued crops and other kinds of vegetables and fruits, (3) transferred technology on producing the hybrid seeds from selected commodities, (4) extended to other districts in Central Java similar to the activities in Sleman district, (5) established demonstration centers for integrated crops/livestock/fisheries project, (6) intensified the breeding of seeds of superior crops as well as juvenile and offspring of proven fish/shrimp and ruminant animals, and (7) other activities related to agricultural improvement and farmers' welfare.

Based on this agreement, Indonesian government had the responsibility to provide the service of Indonesian technicians and/or administrative personnel, appropriate offices and necessary facilities, as well as reasonable accommodation for the Chinese specialists. Indonesian government was also obliged to arrange local expenses related to transportation, operation and item's maintenance, expenses related to the implementation of the project, visa and working permits for the Chinese specialists. Indonesian government should provide vehicles for the technical personnel of both sides, organize a Steering Committee at central government level and ensured that the Chinese specialists were granted the same privileges no less favorable than specialists from other countries. On the other hand, Taiwan government had the responsibility to provide salaries, flight ticket between Taipei and Indonesia, per diem, insurance coverage for all technical personnel, provide improved crop and vegetable seeds, farming equipment, implements and chemicals, juveniles of marine and land animals, crop research instruments, seed breeding facilities. The transportation vehicles for ATM were also provided by Taiwan government. Lastly, Taiwan government was obliged to provide training in Indonesia as well as in Taiwan as requested by Indonesia government and as agreed upon by Taiwan government.

4.2.8. Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesia Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java

In order to maximize multiple impacts of the agricultural project in East Java, on March 17th, 1987, Indonesia and Taiwanese government extended the agreement for another three years. In this renewal agreement, both sides agreed to expand the activities in certain areas in the fields of food crops, animal husbandry, fishery, horticulture, soil conservation, and home food processing. Taiwan would send fourteen specialists,

which consisted of one mission leader, two agronomists, one plant protection specialist, one cattle (beef) specialist, one dairy management specialist, one brackish water aquaculture specialist, one soil and water conservation specialist, one home-scale fruits processing and marketing specialist, two horticulturalists, one tobacco specialist and one sugarcane specialist as requested by the Joint Committee. A training program both in Indonesia and Taiwan might be held as well as requested by Indonesian side and agreed upon by Taiwan government.

4.2.9. The Extension to the Agricultural Technical Cooperation Agreement between the Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei

The agricultural cooperation between Indonesia and Taiwan had an excellent result for improving Indonesia's agriculture. In such spirit, Indonesia and Taiwan extended the cooperation in Central Java and Yogyakarta Province on May 25th, 1989 for another three years. The signatory and implementing parties from both sides remained the same.

According to this agreement, Taiwan ATM would continue and intensify the introduction of high-valued crops, transfer of technology on the production of hybrid seed, establish demonstration centers for integrated crops/livestock/fishery project, and intensify the breeding of seeds of superior crops as well as juveniles and offspring of proven fisheries and ruminant animals. Taiwan would send 25 specialists with a leader and assistant leader oversaw the project at headquarter level, whereas 13 specialists were sent to Central Java Province and 10 specialists were sent to Yogyakarta Province. Eight districts were selected in Central Java province, which were Jepara district, Salatiga district, Karanganyar district, Magelang, district, Sukoharjo district, Wonosobo district, Boyolali district, and BPSP II Tegalondo. Meanwhile, Sleman

district, Gunung Kidul district, Bantul district, Kulonprogo district and city of Yogyakarta were selected in Yogyakarta province.

Indonesian government had the responsibility to provide Indonesian technicians, logistic, such as offices, accommodation, and transportation, local expenses for the project implementation, as well as custom, tax, visa, working permit for the ATM. In addition, Indonesian government should grant the right for the implementing parties to import reference books, daily newspaper and other publication from Taiwan. In order to monitor the project implementation, Indonesian government would organize a Steering Committee at a central government level. On the other hand, Taiwan government was obliged to provide salaries, flight tickets and per diem for the ATM, improved crop seeds, farming equipment, implements and chemicals, juveniles of marine and land animals, crop research instrument, and seed breeding facilities. An exchange program on training and observation would be held by the Taiwan government both in Indonesia and Taiwan.

4.2.10. Agreement between the Taipei Economic and Trade Office in Indonesia and the Indonesian Chamber of Commerce to Taipei on the Agricultural Technical Cooperation in East Java

As the Agricultural Technical Cooperation in Central Java and Yogyakarta provinces was extended, so did the Agricultural Technical Cooperation in East Java province. The agreement was signed on December 31st, 1991 for another four years period. The implementing parties remained the same, but signatory parties of this agreement were changed into Indonesian Economic and Trade Office (IETO) as Indonesia's representative and Taipei Economic and Trade Office (TETO) as Taiwan's representative.

Fourteen districts in East Java province were selected, which were Sumenep district, Sampang district, Pacitan district, Jombang district, Gresik district, Pasuruan district, Lamongan district, Malang district, Probolinggo district, Bondowoso district, Lumajang district, Madiun district, Ngawi district and Kediri district. Fourteen specialists were sent from Taiwan to implement this project. The activities and responsibilities of both parties were the same with the agreement in Central Java and Yogyakarta province.

4.2.11. The Extension to the Agricultural Technical Cooperation Agreement between the Taipei Economic and Trade Office in Indonesia (TETO) and the Indonesian Chamber of Commerce to Taipei

On October 23rd, 1993, Indonesia and Taiwan extended its Agricultural Technical Cooperation Agreement in Central Java and Yogyakarta province for one more time through TETO and IETO as the signatory parties. The cooperation was valid for another four years. The only difference in this agreement was the extension of demonstrative area selected in Central Java and Yogyakarta provinces. There were six districts selected in Central Java province, which were Tegal district, Purbalingga district, Ungaran district, Boyolali district, Salatiga district and Pati district. Meanwhile, five districts were selected in Yogyakarta, which were Wonocatur district, Ngipiksari district, Kaliurang district, Sawungan district, and Wates district. This presents that the agricultural agreement between Indonesia and Taiwan provided benefits for Indonesia as more and more districts were selected as the beneficiaries of this agreement. In order to implement this project, ten Taiwan specialists were sent to Central Java and seven Taiwan specialists were sent to Yogyakarta.

4.2.12. MOU between The Taipei Economic and Trade Office (TETO), Jakarta and The Indonesian Economic and Trade Office (IETO), Taipei on Marine and Fisheries Cooperation

After focusing the technical cooperation in agriculture sector, Indonesia and Taiwan agreed to extend its technical cooperation into marine and fishery sector on April 13th, 2004 and was valid for five years. The purposes were to promote cooperation in the development of marine affairs and fisheries industries as well as mutual consultation, exchange of technical assistance and cooperative program on specific areas of marine and fisheries. The cooperation was covering the following areas: (a) fishery industries, including those relating to capture fisheries and aquaculture, (b) fish processing industry and marketing, (c) education and training, and (d) exchange of confirmation. In addition, both parties agreed to consult on matters of mutual interest prior to attending regional and international marine and fishery forum.

This agreement was signed by IETO and TETO that had the responsibility to determine cooperation schemes and ways of implementation, support the agreed cooperative activities, and designate the implementing agency. This agreement also highlighted the dispute settlement and amendment, which might arise in the future by emphasizing consultation and negotiation between both parties. IETO and TETO agreed that the agreement might be terminated at any time by providing six months prior notification, but it did not affect the validity and duration of any on-going projects.

4.2.13. Agreement on Agricultural Technical Cooperation between The Taipei Economic and Trade Office (TETO), Jakarta and the Indonesian Economic and Trade Office to (IETO), Taipei

With the same spirit as in marine and fishery cooperation, IETO and TETO signed another agreement in Agricultural Technical Cooperation June 29th, 2006 to

promote agriculture, agro-industries and agribusiness. The area of cooperation were (a) food crops and horticulture cooperation, (b) livestock cooperation, (c) estate crops cooperation, (d) human resources development, and (e) others related to agriculture development.

Taiwan Technical Mission and related agencies in the designated provinces were selected as the implementing parties for Taiwan and Indonesia respectively. Based on this agreement, IETO and TETO would further discuss the forms of cooperation, location of execution and action plan. However, TETO would provide technical assistance to IETO by dispatching a Technical Mission, while IETO collaborated with the Technical Mission in the planning, implementation, monitoring and evaluation of the cooperation. TETO was obliged to provide the flight ticket, stipends, accident and medical insurance for the Technical Mission, any administration cost for the Technical Mission, vehicles for the project implementation, and feed equipment, farming machinery, tools, seeds, fertilizer and pesticides. Meanwhile, IETO was obliged to provide necessary logistic during the project implementation, such as office facilities, housing, water and electricity. A revolving fund was established to sell and deposit all produce of the demonstration farms and joint research by the Technical Mission except the portion required of personal consumption by the Technical Mission and for the use of seeds and specimens. This fund should be primarily used to needs related to cooperation projects.

The agreement also regulated the consultation which was held at least once a year between the designated authorities and members appointed by IETO and TETO. The objectives of the consultation were to (1) review and report the progress of cooperation activities, (2) plan, coordinate and establish priorities for future cooperation, (3) determine recommendations to TETO and IETO on the cooperation

activities, utilization of revolving fund, and expansion of the location, and (4) other areas as agreed by the designated authorities. The regulation related to intellectual property referred to each respective authority of the parties, while related to dispute settlement, amendment and termination remained the same with the marine and fishery cooperation.

4.2.14. One Village One Product (OVOP) Agribusiness Cooperation Plan

In order to promote cooperation in agribusiness and the development of cooperative and Small Medium Enterprises (SMEs), IETO and TETO signed One Village One Product (OVOP) Agribusiness Cooperation Plan as a follow up of Agricultural Technical Cooperation Agreement on January 19th, 2010. This agreement was valid for six years. The cooperation areas included developing the agricultural and horticultural products with high economic value and human resources development for agribusiness. The implementing parties were Taiwan International Cooperation and Development Fund (ICDF) and the area selected for OVOP from Indonesia's side. Taiwan ICDF would send the experts to establish the model of OVOP agribusiness cooperative and SMEs, while Indonesia would provide Agribusiness Development Center as office, demonstration farm and counterpart staff for Taiwan ICDF.

Based on this agreement, IETO and TETO agreed to (1) set agribusiness development center, (2) assist and develop the commodities with high economic values, demonstration, promotion and production guidance, (3) conduct training for farmer group and cooperative, establish strategies for marketing, storage and distribution for various products, (4) implement training for agribusiness talented person, and (5) support OVOP agribusiness activities, technician training course, workshop and visiting. This agreement also regulated consultation, which should be held at least once a year to review and report progress as well as coordinate of any project revision.

Meanwhile, the regulation on dispute settlement, amendment and termination referred to the 2006 Agricultural Technical Cooperation Agreement.

4.2.15. Agreement on Agricultural Technical Cooperation between The Taipei Economic and Trade Office Jakarta Indonesia and The Indonesian Economic and Trade Office to Taipei

On January 31st, 2013, IETO and TETO extended the 2006 Agricultural Technical Cooperation Agreement with the same cooperation areas for another five years. Technical Mission and relevant agencies in provincial level were still selected as the implementing parties. However, this agreement specified financial obligation clearer than the previous one. Based on this agreement, TETO was obliged to provide the flight ticket, stipends, accident and medical insurance for the Technical Mission, any administration cost for the Technical Mission, vehicles for the project implementation, and feed equipment, farming machinery, tools, seeds, fertilizer and pesticides. Meanwhile, IETO was obliged to provide necessary logistic during the project implementation, such as office facilities, housing, water and electricity, and facilitate visa application, residency and work permits that were required by Indonesian government for the Technical Mission and dependents.

Another difference was the regulation on intellectual property rights. This agreement specified that any intellectual property rights arising under the implementation of this project would be owned jointly where each party should be allowed to use such right and liable to any ownership and legality claimed by the third party. Should there be any infringement of a third party's legitimate rights related to the implementation of project arrangements or activities, both parties should alert each other. Any data and/or information disclosure related to cooperation activities by one Party should obtain prior written consent from the other Party. Moreover, preference

was given to the parties involved in the agreement than the third party, unless the involved party was unable to participate in a mutually benefit manner.

This agreement also acknowledged and regulated on the value of Genetic Resources and Traditional Knowledge (GRTK), which should be protected effectively against any misuse or misappropriation of the parties. GRTK holders were subject to benefits of protection as well and if the GRTK holders did not receive such thing, a remedy in legal means should be provided. IETO and TETO also agreed to transfer all research materials used in the collaboration using Material Transfer Agreement (MTA). The regulation related to dispute settlement, amendment and termination remained the same with the previous one.

All of these technical cooperation has giving advantage for both sides. For Indonesia, it fulfills the needs to increase their capacity on agricultural and small business fields. Enable them to boost their productivity, efficiency and innovation. On the other hand, for Taiwan the cooperation has giving political benefits by keeping the engagement with Indonesia, facilitate Taiwan to maintain its international linkage with the biggest state in the region. Apart from above benefit, these 14 technical cooperation provided greater impact than technical and political advantages per se. Through these cooperation, exchange and interaction between the Indonesian and Taiwan's people were occurring and increasing as the agreements were continued to be extended. It also resulting a spill-over effect to other field of cooperation in order to maintain the technical cooperation itself. Table 2.2 below summarizes the technical cooperation occurred between Indonesia and Taiwan.

Table 10. Technical Cooperation between Indonesia and Taiwan

| Date of Signatory | Cooperation | Description | Signatory Parties | | Implementer Parties | |
|-------------------|---|--|--|---|--------------------------|--|
| | | | Taiwan | Indonesia | Taiwan | Indonesia |
| 26 Oct 1979 | Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | H.P. Chow, Chairman of Chinese Chamber of Commerce Jakarta Representative | Andy Surya, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of Yogyakarta |
| 7 Nov 1980 | Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | H.P. Chow, Chairman of Chinese Chamber of Commerce Jakarta Representative | Darsono Kaslam, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | The East Java Regional Director of the Ministry of Agriculture |
| 29 Sep 1982 | Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesia Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Wan-chun Hsu, Chairman of Chinese Chamber of Commerce Jakarta Representative | Darsono Kaslam, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | The East Java Regional Director of the Ministry of Agriculture |
| 20 Sep 1983 | Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Wan-chun Hsu, Chairman of Chinese Chamber of Commerce Jakarta Representative | Sutaryono, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of Yogyakarta |
| 8 Feb 1985 | Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesia Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Hai-tu Tsai, Chairman of Chinese Chamber of Commerce Jakarta Representative | Sutaryono, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | The East Java Regional Director of the Ministry of Agriculture |

| Date of Signatory | Cooperation | Description | Signatory Parties | | Implementer Parties | |
|--------------------|--|--|---|---|--------------------------|--|
| | | | Taiwan | Indonesia | Taiwan | Indonesia |
| | | | | Taipei Representative | | |
| 10 May 1985 | Amendment II of the Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei Signed and Entered into Force on September 20, 1983 | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Hai-tu Tsai, Chairman of Chinese Chamber of Commerce Jakarta Representative | Sutaryono, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of Yogyakarta & Provincial Government of Central Java |
| 10 Jun 1986 | Agricultural Technical Cooperation Agreement between The Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Chinese Chamber of Commerce Jakarta Representative | Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of Yogyakarta & Provincial Government of Central Java |
| 17 Mar 1987 | Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesia Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Hai-tu Tsai, Chairman of Chinese Chamber of Commerce Jakarta Representative | Anthon Sanjoto, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of East Java |
| 25 May 1989 | The Extension to the Agricultural Technical Cooperation Agreement between the Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Hai-tu Tsai, Chairman of Chinese Chamber of Commerce Jakarta Representative | E.A. Tamara, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of Yogyakarta & Provincial Government of Central Java |
| 31 Dec 1991 | Agreement between the Taipei Economic and Trade Office in Indonesia and the Indonesian Chamber of Commerce to Taipei on the Agricultural Technical Cooperation in East Java | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Tzu, Wen-hua, TETO Representative | Ali Noerrasjid, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of East Java & Relevant Agencies on Agricultural Development |

| Date of Signatory | Cooperation | Description | Signatory Parties | | Implementer Parties | |
|-------------------|---|--|---------------------------------------|---|--------------------------|---|
| | | | Taiwan | Indonesia | Taiwan | Indonesia |
| 23 Oct 1993 | The Extension to the Agricultural Technical Cooperation Agreement between the Taipei Economic and Trade Office in Indonesia (TETO) and the Indonesian Chamber of Commerce to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Dr. Pao-Sun Lu, TETO Representative | Ali Noerrasjid, Chairman of Indonesian Chamber of Commerce to Taipei Representative | Taiwan Technical Mission | Provincial Government of Yogyakarta & Provincial Government of Central Java |
| 13 Apr 2004 | MOU between The Taipei Economic and Trade Office (TETO), Jakarta and The Indonesian Economic and Trade Office (IETO), Taipei on Marine and Fisheries Cooperation | Taiwan provided technical assistance and initiated cooperative program to improve Indonesia's marine and fishery techniques | David Lin, TETO Representative | Iskandar Sabirin, IETO Representative | TETO | IETO |
| 29 Jan 2006 | Agreement on Agricultural Technical Cooperation between The Taipei Economic and Trade Office (TETO), Jakarta and the Indonesian Economic and Trade Office to (IETO), Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | David Lin, TETO Representative | Ferry Yahya, IETO Representative | Taiwan Technical Mission | Relevant Provincial Agencies |
| 19 Jan 2010 | One Village One Product (OVOP) Agribusiness Cooperation Plan | Taiwan provided agricultural experts to improve Indonesian farmers' practices and techniques, as well as nurture SMEs. | Andrew L.Y. Hsia, TETO | Suhartono, IETO Representative | ICDF | Designated agricultural agency |
| 31 Jan 2013 | Agreement on Agricultural Technical Cooperation between The Taipei Economic and Trade Office Jakarta Indonesia and The Indonesian Economic and Trade Office to Taipei | Taiwan provided agricultural experts to assist Indonesian farmers improving their practices and techniques in the designated province. | Andrew L.Y. Hsia, TETO Representative | Ahmad Syafri, IETO Representative | Taiwan Technical Mission | Relevant Provincial Agencies |

4.2 Functional Cooperation

The increasing number of technical cooperation signed by Indonesia and Taiwan causes increasing interaction both in government and civil society level. Realizing the mutual benefit they received from the agreements, Indonesia and Taiwan then expanded their agreement into a functional agreement with the objective to support interactions between both sides; hence provided more benefits for all involved parties. The first functional cooperation signed by Indonesia and Taiwan was in 1987 and since then there has been seven functional agreements signed by both parties in air services, postal services, and investment and taxation sectors.

4.2.1. MOU between the Postal Administration of The Republic of China and The Postal Administration of The Republic of Indonesia Concerning International Express Mail Services (EMS)

The first functional agreement was an agreement in international express mail services, which was signed on September 15th, 1987 by Deputy Director General Post and Giro as Indonesian representative and Director General of Posts as Taiwan representative. This agreement was valid for six months but should both parties agreed to extend it, then the validity would be extended for another year. The objective of this agreement was regulating the reciprocal exchange of international express mail service items between postal administrations. The Universal Postal Convention adopted by the Congress of the Universal Postal Union was applied as the guideline in this Memorandum.

There were two types of services regulated in this agreement applied between Indonesia and Taiwan. First is the programmed service, which allowed the sender to send items to an addressee in accordance with a previously fixed schedule, on the basis of a contract. Second is the on-demand service, which allowed the sender to send items to an addressee without a previously fixed schedule and upon a contractual or non-contractual basis.

For the programmed service, each administration should offer a service on contractual basis and fixed level of frequency for sending the items, along with the list of localities to which the service was available and the approximate table of the delivery times for items in each locality. Before concluding any contract, the administration of destination should be consulted on the possibility of guaranteeing the service through establishing a form. When the contract was concluded, the administration of destination should receive the contract number for each item, the name and addresses of the sender and addressee, the dispatching date, flights to be used, and time of delivery from the administration of origin at least ten days before the service came into operation. The programmed service was operated for letters and business papers from Taiwan to Indonesia as well as business papers and merchandise from Indonesia to Taiwan.

While the on-demand service, each administration might offer it on contractual or non-contractual basis. Similar to programmed service, each administration should submit an approximate schedule of delivery times for each locality where on-demand service was admitted. Unlike programmed service that had fixed flight schedule for delivery, the on-demand service schedule followed international flight's time table for dispatching the locality. Each administration also had to inform each other of all identifying marks or

figures used for on-demand service. The on-demand service was operated for business papers and merchandise from Indonesia to Taiwan.

According to the Memorandum, each administration determined the fees to be paid by the sender and kept it as their revenue. Postage regulation followed the method in the administration of origin. The prohibited items followed the list in the Universal Postal Convention and List of Prohibited Articles published by the International Bureau of the Universal Postal Union. Each administration should inform on each other's postal regulation and customs. The size and weight limit were regulated in this memorandum as well.

Should there be a prohibited item admitted to the post, then it should be dealt according to the legislation of the administration establishing its presence. In case of the items exceeded the size and weight limit, it should be returned to the administration of origin. When the wrongly admitted item was not delivered to the addressee nor returned to the origin, the administration of origin should be informed on how the item was treated along with the justification of such action. The undeliverable item should be held at the disposal of addressee for the period of retention, while the item refused by the addressee should be returned to the administration of origin with no additional cost. Moreover, expenses for domestic air transport within the country of destination were payable by the receiving country. This memorandum also provided flexibility for each administration to determine its own compensation policy in the case of loss, damage, theft, or delay.

4.2.2. Air Services Agreement between The Chinese Chamber of Commerce to Jakarta and The Indonesian Chamber of Commerce to Taipei

After securing an agreement in postal service, which facilitated the exchange of mail, Taiwan and Indonesia further intensify the means which assisted to ease the exchange of people between both parties. On November 17th, 1988, Indonesia and Taiwan signed an air services agreement through the Chinese Chamber of Commerce to Jakarta and Indonesian Chamber of Commerce to Taipei. Indonesia designated Garuda Indonesia as the operational airlines to perform flights between Indonesia, Singapore, Kuala Lumpur, Bangkok, Manila to Taipei and beyond to Tokyo or Seoul. Meanwhile, Taiwan designated China Airlines to perform flights between Taiwan, Hong Kong, Bangkok, Kuala Lumpur, Singapore to Jakarta. Based on this agreement, the designated airlines had the right to fly without landing, to make stops for non-traffic purposes, and to make stops for the purpose of putting down and taking on international traffic in passengers' cargo and mail in the specified routes.

Unlike the previous agreements, this agreement was valid until either party terminated this agreement. However, each party might revoke, suspend or limit the operating authorizations or technical permissions of the designated airlines in case of the airline service was not satisfied and ineffective, the airline failed to comply with the laws and regulations of the country granting these rights, and the airline failed to operate in accordance with the conditions prescribed in the agreement. The safety, security and operating standard of the designated airlines in this agreement referred to the Convention on International Civil Aviation. This agreement allowed the designated airlines to establish office in each country. Further discussion on the frequency of service to be operated and

the nature of air service were required and subject to the approval of the civil authorities of both countries.

In addition to the air services, this agreement also regulated the airline's equipment (including food, beverages, and tobacco), supplies of fuel, aircraft stores, spare parts, baggage and cargo in direct transit were exempted from custom and tax. These goods also should not be subject to any economic prohibitions or restriction on importation, exportation and transit. In terms of the tariff, each designated airlines should calculate and submit the tariff. After both airlines had agreed on the tariff, the civil authorities then would approve it. However, unilateral action taken by each party was possible to prevent the inauguration or continuation of the proposed tariff.

Should there be any general international convention concerning air transport in the future, this agreement was still open to conform with the provisions of such convention if both parties agreed. Consultation and negotiation were selected as the first resource to deal with dispute settlement, but if negotiation failed, both parties might refer the dispute settlement to some person or body, or submit it to a tribunal of three arbitrators at the request of one party.

4.2.3. MOU between The Taipei Economic and Trade Office and The Indonesian Chamber of Commerce in Taipei Concerning Co-Operation for the Promotion of Investment

The increasing exchange of people and goods between Indonesia and Taiwan has encouraged both governments to expand the economic relation, particularly the investment. Realizing that both parties might gain benefit if there was a favorable investment condition, Indonesia and Taiwan signed a memorandum of understanding (MoU) for the promotion

of investment on February 9th, 1990 through Taipei Economic and Trade Office and Indonesian Chamber of Commerce to Taipei as the representative of both respected parties. The MoU was valid for three years and might be extended for another year if neither party submitted a written termination request.

In accordance with the objective, this MoU allowed both parties to encourage the private sectors of both countries to develop industries in their own country in the form of Joint Venture. A cooperation to continue protection of investment made by individuals and companies of one country to another, fair and no less favorably treatment than other third country, rights of free transfer of its capital were regulated in this MoU. In addition, Indonesia and Taiwan would continue to exchange information and experience in the field of investment as well as cooperate in resolving tax problems arising from the investment under this MoU. This MoU provided a chance for Indonesia and Taiwan to secure an agreement on taxation to avoid double taxation.

4.2.4. Agreed Minutes on Matters Related to the Air Services between Taipei Economic and Trade Office and Indonesian Chamber of Commerce to Taipei

After signing the agreement on air services in 1988 and overseeing the implementation, Indonesia and Taiwan expanded the agreement on December 7th, 1990. The minute was signed by Taipei Economic and Trade Office and Indonesian Chamber of Commerce to Taipei as the representative of both respected parties. The representatives of Civil Aeronautics Administration, Ministry of Foreign Affairs, Ministry of Communication, China Airlines and Eva Airways from Taiwan also attended the meeting. Meanwhile from Indonesia's side, representatives of Directorate General of Air Communications and Garuda Indonesia attended the meeting as well.

This meeting resulted on four decisions. First, Taiwan added Eva Airways as its designated airlines. Second, Taiwan might start discussion with Indonesia's designated airline on the inclusion of Denpasar as one of the routes included in the agreement. Furthermore, this meeting reiterated that any additional routes proposed by each party should be subject to the commercial agreement between the designated airlines. Third, the designated airlines might start discussing and studying in detail about the possibilities of cargo scheduled in the future. Fourth, Taiwan proposed to add the weekly frequency to eight frequencies per week. At that time, there were four weekly frequencies during winter and six weekly frequencies during summer. Indonesia agreed to discuss further on the weekly frequency in 1991. Nonetheless, the meeting limited fifth freedom traffic rights to two frequencies per week. During this meeting, both parties also agreed on the type of aircraft that the designated airlines might operate.

4.2.5. Agreement Between The Taipei Economic and Trade Office and The Indonesian Chamber of Commerce to Taipei for the Promotion and Protection of Investment

Realizing that Indonesia and Taiwan had the desire to strengthen trade relations which might foster prosperity for both countries, Indonesia and Taiwan decided to advance the MoU on promoting investment into an official agreement. Only ten months after the MoU was signed, the representatives of Taipei Economic and Trade Office and Indonesian Chamber of Commerce to Taipei signed an agreement for the promotion and protection of investment on December 19th, 1990. This agreement was valid for ten years and regulated a more detailed investment process for both respective countries with the main objective to create and encourage favorable conditions and provide fair and equitable treatment.

According to this agreement, there were five assets that could be invested which were movable and immovable property as well as other rights, share stocks and debentures of companies, claims to money or to any performance related to investment having a financial value, intellectual property rights and goodwill, and business concessions conferred by law or under contract related to investment. Only Taiwan investors who have been granted admission in accordance with the Foreign Capital Investment Law No. 1 of 1967 or any law amending or replacing it were allowed to invest in Indonesia. Similarly, only Indonesian investors who have been granted admission in accordance with the Statute for Investment by Foreign Nationals and the Statute for Technical Cooperation of Taiwan were allowed to invest in Taiwan. Indonesia and Taiwan agreed to seek and obtain approval from both respective authorities on the right of free transfer of their capital and of the returns from it. This agreement prohibited expropriation or nationalization of investment in the territory of the other party except for a public purpose related to the internal needs of expropriating party and against compensation. Furthermore, a compensation for losses due to revolts, riots, armed conflicts or revolutions in the territory of each party should be granted for the individuals or companies.

If either party made payment under an indemnity it has given, then the latter party should recognize the assignment, whether under law or pursuant to a legal transaction of any right or claim from the party indemnified to the former party, and the former party was entitled by virtue of subrogation to exercise the rights and enforce the claims of such party. Any dispute related to the interpretation of the agreement and the investment would be settled in amicably manner through consultation and negotiation first.

4.2.6. Amendment of The Annex to Air Service Agreement between Taipei Economic and Trade Office and The Indonesian Chamber of Commerce to Taipei

As agreed during the meeting on December 7th, 1990, Indonesia and Taiwan had another meeting to discuss on the expansion of air service agreement on July 19th, 1991. Similar to the previous meeting, representatives of Taipei Economic and Trade Office and Indonesian Chamber of Commerce to Taipei led the meeting and signed the agreement's extension. The representatives of Civil Aeronautics Administration, Ministry of Foreign Affairs, Ministry of Communication, China Airlines and Eva Airways from Taiwan and representatives of Directorate General of Air Communications, Department of Communications and Garuda Indonesia from Indonesia attended the meeting as well.

This meeting discussed the additional routes and weekly frequency of the designated airlines. As a result, the routes for the airlines designated by Taipei Economic and Trade Office were Taiwan, Hong Kong, Manila, Bangkok, Kuala Lumpur, Singapore to Jakarta and/or Surabaya and beyond two points to be named at a later date. Meanwhile, the routes for the airlines designated by Indonesian Chamber of Commerce to Taipei were Indonesia, Singapore, Kuala Lumpur, Bangkok, Manila, Hong Kong to Taipei and/or Kaohsiung and beyond Tokyo and Seoul. The designated airlines might operate up to eight frequencies weekly with the effect from August 1st, 1991.

4.2.7. Agreement between The Taipei Economic and Trade Office and The Indonesian Economic and Trade Office to Taipei for the Avoidance of Double Taxation and The Prevention and The Prevention of Fiscal Evasion with Respect to Taxes on Income

When Taiwan and Indonesia signed an agreement on investment in 1990, a discussion on taxation agreement had been started. Finally, on March 1st 1995, Indonesia and Taiwan signed fiscal agreement. This agreement entered into force on January 12th, 1996. This was also the first agreement signed by Taipei Economic and Trade Office and Indonesian Economic and Trade Office as the representatives of Taiwan and Indonesia. This agreement remained valid until the other party requested to terminate the agreement.

In Taiwan, the agreement applied to enterprise income tax and individual consolidated income tax, while in Indonesia applied to income tax imposed under Law No. 7 of 1983. The executing parties for Taiwan were Director General, Department of Taxation, Ministry of Finance or his authorized representatives. As for Indonesia, the executing parties were Director General of Taxation, Ministry of Finance or his authorized representatives. According to this agreement, the executing parties should communicate, exchange of information and resolve any difficulties related to the content of the agreement as well as develop appropriate bilateral procedures, conditions, methods, and techniques for the implementation of the agreement. The subjects of this agreement were individual as residents, company or corporate, enterprise, ship or aircraft operated by an enterprise of respective countries. The fixed place of business through which the business of an enterprise was wholly or partly carried on was also included and called as 'permanent establishment'. This included a place of management, a branch, an office, a factory, a

workshop, a farm or plantation, a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

Tax or fiscal of income derived by a resident from immovable property (including income from agriculture and forestry), used life stock and equipment, rights of landed property, rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources were included.

As for the enterprises, tax for the profit only applied at the country where the enterprise carried on business. However the profit attributed in permanent establishment and sales in that country of goods or merchandise sold through the permanent establishment were taxable at the other country. The profit itself was defined as deductions expenses which were incurred for the purposes of the business of the permanent establishment, including the incurred executive and general administrative expenses. Meanwhile, for enterprise operating ships or aircraft in international traffic, the profits were also taxable but only at the country of origin of the enterprise. In this case, profit was derived from the operation of ships and aircraft, including profits from the rental of ships or aircraft on a full time basis and profits from the rental of containers and related equipment which is incidental to the operation of ships and aircraft.

When an enterprise participated directly or indirectly in both countries, no double taxation should occur. If the other country had imposed tax accordingly, then the other country should make appropriate adjustment to the amount of those profits. For dividends paid by a company as the residents of one of the contracting parties were taxable to both countries but the tax charged at the other country should not exceed 10 percent. Dividends were defined as income from shares or other rights, not being debt-claims, participating in

profits, as well as income from other corporate rights which was subjected to the same taxation treatment as income from shares. However, dividends were not taxable if the beneficial owner of dividends carried on business in the other country where the enterprise was considered as resident in the other country and paying tax through permanent establishment. Other several exceptions also applied for imposing tax on dividends.

Similar treatment also applied for interest and royalties. Interest was defined as income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and income from government securities and income from bonds or debentures including premiums and prizes attaching to such securities, bonds or debentures. Meanwhile, royalties were defined as payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films or films or tapes used for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment or experience.

Capital gains derived by the resident or enterprise of a country from the alienation of immovable property situated in the other country were taxable in that other country only. However, capital gains derived by an enterprise of the country from the alienation of ships or aircraft or movable property pertaining to the operation of such ships or aircraft were taxable to that country only.

The agreement also regulated income derived from independent personal services which was taxable to the country of residency only unless the person was present at the country for more 120 days in the taxable year concerned. Similarly, tax of dependent

personal services was also taxable to the country of residency unless the employment was in the other country. This provision also applied for tax from the income of director's fee, teachers, researchers, and students. Meanwhile, incomes derived from artists and athletes' income, pensions and annuities, as well as government service were taxable at the country where the incomes were paid.

From the above elaboration, it is clear that the functional agreements signed by Indonesia and Taiwan aimed to strengthen the existing technical cooperation by supporting the exchanges between Indonesia and Taiwan people through postal and air service. The increasing exchange then prevailed opportunity for Taiwan to diversify investment to Indonesia; hence the agreements on investment and taxation were secured. Table 11 below summarizes the functional cooperation occurred between Indonesia and Taiwan.



Table 11. Functional Cooperation between Indonesia and Taiwan

| Date of Signatory | Cooperation | Description | Signatory Parties | | Implementing Agencies | |
|-------------------|--|---|---|--|--|--|
| | | | Taiwan | Indonesia | Taiwan | Indonesia |
| 24 Aug 1987 | MOU Between the Postal Administration of The Republic of China and The Postal Administration of The Republic of Indonesia Concerning International Express Mail Services (EMS) | Taiwan and Indonesia regulated programmed and on-demand express mail service between postal administrations. | Charles C. Y. Wang, Director General of Posts | Drajat Soepaat, Deputy Director General Posts and Giro | The Postal Administration of the Republic of Indonesia | The Postal Administration of the Republic of China |
| 17 Nov 1988 | Air Services Agreement between The Chinese Chamber of Commerce to Jakarta and The Indonesian Chamber of Commerce to Taipei | Taiwan and Indonesia opened flight services between two countries. | Tzen, Wen-Hua, Chairman of the Chinese Chamber of Commerce to Jakarta | Anthon Sanjoto, Chairman of the Indonesian Chamber of Commerce to Taipei | Garuda Indonesia Airlines | China Airlines |
| 9 Feb 1990 | MOU between The Taipei Economic and Trade Office and The Indonesian Chamber of Commerce in Taipei Concerning Co-Operation for the Promotion of Investment | Taiwan and Indonesia's private sectors could establish Joint Venture in a fair and equitable treatment. Taiwan and Indonesia also agreed to exchange information on investment. | Tzen, Wen-Hua, Chairman of the Chinese Chamber of Commerce to Jakarta | E. A. Tamara, Chairman of the Indonesian Chamber of Commerce to Taipei | The Chinese Chamber of Commerce to Jakarta | The Indonesian Chamber of Commerce to Taipei |
| 7 Dec 1990 | Agreed Minutes on Matters Related to the Air Services between Taipei Economic and Trade Office and Indonesian Chamber of Commerce to Taipei | Additional airline, possible route and flights' frequencies were added in flight services between Indonesia and Taiwan. | Tzen, Wen-Hua, Chairman of the Chinese Chamber of Commerce to Jakarta | E. A. Tamara, Chairman of the Indonesian Chamber of Commerce to Taipei | Garuda Indonesia Airlines | China Airlines & EVA Airways |
| 19 Dec 1990 | Agreement Between the Taipei Economic and Trade Office and The Indonesian Chamber of Commerce to Taipei for the Promotion and Protection of Investment | Indonesia and Taiwan's businessmen could do an investment of five agreed assets in each respective country. | Tzen, Wen-Hua, Chairman of the Chinese Chamber of Commerce to Jakarta | Ali Noerrasjid. Tamara, Chairman of the Indonesian Chamber of Commerce to Taipei | The Chinese Chamber of Commerce to Jakarta | The Indonesian Chamber of Commerce to Taipei |
| 19 Jul 1991 | Amendment of The Annex to Air Service Agreement between Taipei Economic and Trade Office and The | Additional routes and flights' frequencies of designated airlines were added in flight services between Indonesia and Taiwan. | Tzen, Wen-Hua, Chairman of the Chinese Chamber | Ali Noerrasjid. Tamara, Chairman of the Indonesian Chamber of | Garuda Indonesia Airlines | China Airlines & EVA Airways |

| Date of Signatory | Cooperation | Description | Signatory Parties | | Implementing Agencies | |
|-------------------|--|--|------------------------|---------------------|---|---|
| | | | Taiwan | Indonesia | Taiwan | Indonesia |
| | Indonesian Chamber of Commerce to Taipei | | of Commerce to Jakarta | Commerce to Taipei | | |
| 1 Mar 1995 | Agreement between The Taipei Economic and Trade Office and The Indonesian Economic and Trade Office to Taipei for the Avoidance of Double Taxation and The Prevention and The Prevention of Fiscal Evasion with Respect to Taxes on Income | Elimination of specific taxes for Indonesian and Taiwan's business entities if the taxes have been charged in either each country. | TETO Representative | IETO Representative | Director General, Department of Taxation, Ministry of Finance | Director General of Taxation, Ministry of Finance |



4.3 Substantive Cooperation

The existing and on-going technical and functional cooperation between Indonesia and Taiwan does provide benefits in several sectors for both parties. Taking into account the increasing interactions and activities, both in business and civil society, an escalation of the nature of the agreement is required in order to gain greater benefits for both respective parties. By 2015, there are five substantive agreements signed between Indonesia and Taiwan.

4.3.1. MOU between The Taipei Economic and Trade Office, Jakarta, Indonesia and The Indonesian Economic and Trade Office to Taipei on The Recruitment and Placement of Manpower

Indonesia and Taiwan have had established cooperation in labor long before the labor agreement was signed by both governments. According to Taiwan's Ministry of Labor, by the end of 2003, there were 300,150 Indonesian worked in industries, as laborer or fishermen, and social welfare, as housemaid or caretaker. No legal or formal framework regulated the Indonesian workers in Taiwan at that time. Taking into account the increasing numbers of Indonesian workers in Taiwan, a legal framework to safeguard the Indonesian workers' recruitment and placement process was deemed necessary by Indonesian and Taiwan's government. On December 17th, 2004, through Indonesian Economic and Trade Office to Taipei and Taipei Economic and Trade Office in Jakarta as the representatives of both government, Indonesia and Taiwan signed the first substantive agreement in labor issue with the objective to strengthen cooperation in recruitment and placement of workers as well as provide opportunities to further develop bilateral relations for mutual benefit.

The agreement was valid for four years and should any party would like to terminate the agreement, a three months written notice should be submitted.

This agreement acknowledged that the Indonesian workers should be protected under Taiwan's laws and regulations during their employment in Taiwan. Any labor disputes occurred during the employment would be resolved according to Taiwan's laws and regulations as well. A medical examination for the Indonesian workers prior to their departure to Taiwan was required at the medical centers designated by Indonesian government. When the Indonesian workers arrived in Taiwan, they were entitled to enjoy Taiwan's health insurance.

Under this agreement, any Taiwan's employers who would like to hire Indonesian workers must submit the demand letters/job orders to be approved by Indonesian government first, then by Taiwan government. Indonesian and Taiwan's government also agreed to establish arrangement for exchange of information and take necessary measures to protect workers as well as simplify procedures for hiring Indonesian workers. The hiring procedures included an employment service system through manpower agencies as well as Direct Hiring Program. Both parties agreed to regulate the arrangement and facilitation of arrival and repatriation of Indonesian workers at Taiwan's airports. This agreement also included to conduct an annual meeting between Indonesian and Taiwan's governments to discuss labor issues.

4.3.2. MOU between The Taipei Economic and Trade Office in Indonesia and The Indonesian Economic and Trade Office to Taipei on The Recruitment, Placement, and Protection of Indonesian Overseas Workers

Three years after the first labor agreement was signed and acknowledging that the number of Indonesian workers in Taiwan kept increasing, Indonesian and Taiwan government signed another labor agreement on January 24th, 2011 and was valid for four years. Similar to the previous agreement, this agreement was facilitated and signed by IETO and TETO.

The provisions in the new agreement were basically the same with the previous agreement, but the new agreement included provisions on protection of the Indonesian workers' rights. According to this agreement, the employment service system should incorporate recruitment, placement and protection programs. Provision on preventing human trafficking was included in Article 13, where it was stated that Indonesia and Taiwan agreed to prevent workers suffering from exploitation of human trafficking, share the information, promote the opinion of anti-trafficking and provide the necessary travel documents to victims in order to return safely. Furthermore, Article 14 regulated the matters in sheltering and repatriating irregular workers within Taiwan's territory where it became the responsibility of Taiwan's government. But, the shelter and expenses should be paid by the irregular workers and if they were unable to pay, Indonesian government should provide assistance to facilitate settlement. Other assistance that Indonesian government should provide was medical expenses incurred by the irregular workers.

In addition to the provisions on protection, Indonesia and Taiwan agreed to give precedence to the Re-entry Program and expand the contents of occupation in Direct Hiring

Program as previously such program only applied for Indonesian workers who worked in social welfare. This agreement also initiated the establishment of Joint Working Group represented by both parties to conduct annual meeting to discuss Indonesian labor issues and exchange information.

4.3.3. MOU between The Taipei Economic and Trade Office, Indonesia and The Indonesian Economic and Trade Office to Taipei on Cooperation in the Field of Higher Education

The rapid development of Indonesia and Taiwan's relation does not affect the business and labor industry only but is spilling over to education realm as well. Every year, more and more Indonesian students study in Taiwan, either for undergraduate degree, graduate degree, student exchange program, or study Mandarin language. Based on the data from Taiwan's Ministry of Education, there were 2,149 Indonesian students in Taiwan by 2010. Acknowledging such reality, Indonesian and Taiwan government realized that both parties could gain greater benefit if they promoted further cooperation between Indonesian universities and Taiwanese universities. On May 21st, 2011, Indonesia and Taiwan signed the first education agreement in the form of Memorandum of Understanding between the Taipei Economic and Trade Office Indonesia and the Indonesian Economic and Trade Office to Taipei on Cooperation in the Field of Higher Education. IETO and TETO were the signatory parties and the executing parties as well by determining the participant universities in this agreement. This agreement was valid for five years and if either party requested a termination, any arrangements, programs, activities or projects under this MoU would not be affected until the completion of such arrangements, programs, activities or projects.

The objective of this agreement was to strengthen cooperation between the two higher education institutions, both through education and research program. This objective was then translated into seven scopes of cooperation, which were (1) to facilitate the exchange programs between related higher education institutions; (2) to support and facilitate cooperation between registered higher education institutions, inter alia the possibility of credit transfer, and the exchange of academic staffs and experts; (3) to facilitate the exchange of students for the purpose of study or research for a duration of terms and conditions to be jointly decided by the relevant institutions; (4) to encourage joint research and international publications; (5) mutual recognition of degrees and professional qualification awarded by IETO or TETO according to relevant regulations of related institutions; (6) to provide scholarships to students of related universities, on the availability of financial means; (7) and other relevant areas. The technical arrangement, including themes and conditions for utilizing results achieved, would be developed mutually for each specific case.

The cost of the cooperative activities was going to be funded on terms as determined by Indonesia and Taiwan and subject to the availability of funds. A Joint Working Group was established under this agreement with the purpose of exchanging information, monitoring, assessing and steering the activities as well as creating favorable conditions for the implementation of activities in annual meeting or when both parties perceived necessary. Article 5 of the agreement regulated the rights of each party to suspend temporarily, either in whole or in part, the implementation of this MoU for security, public order or public health reasons. The suspension was valid for thirty days after written notification was submitted. In addition, the agreement protected the

intellectual property rights of both parties in accordance with the relevant law in force. If a program or project might result in intellectual property, a separate arrangement on intellectual property rights should be included in accordance with the respective regulations. This agreement prioritized consultation and negotiation should there be any disputes.

4.3.4. MOU between The Taipei Economic and Trade Office, Indonesia and The Indonesian Economic and Trade Office to Taipei on Cooperation in Immigration Affairs, Human Trafficking and People Smuggling Prevention

The increasing number of Indonesian and Taiwan people who work, study and visit Indonesia and Taiwan's territory made it possible for them to be victimized and involved in human trafficking. In order to prevent such case, cooperation in immigration between Indonesia and Taiwan was required. On September 28th, 2012, Indonesia and Taiwan signed an agreement in the form of MoU between the Taipei Economic and Trade Office Indonesia and the Indonesian Economic and Trade Office to Taipei on Cooperation in Immigration Affairs, Human Trafficking and People Smuggling Prevention. This agreement remains valid until either party submits a written notification for its termination. IETO and TETO are the signatory parties, whereas the national immigration agencies of both respective countries become the executing parties.

In order to achieve the cooperation on immigration affairs, five scopes of cooperation were employed: (1) cooperation in the exchange of anti-terrorist intelligence and in the prevention of human trafficking, people smuggling and illegal immigration; (2) cooperation in the exchange of skills related to entry and exit control; (3) cooperation between immigration agencies; (4) cooperation in personnel training and in the sharing of

experiences; and (5) other cooperative items. These scopes of cooperation were exercised through the form of exchange information, exchange visits for officials, immigration training and other mutual assistance that might be requested. Any requests of assistance must be made in writing including the following information: the name of department that is making the request, the purpose of the request, the particulars of the request, the summary of the case and other information necessary to meet the request's objective. In case of urgent situation, the confirmation of request could be made in other forms but the writing must follow within ten days after such request was made. Necessary measures to ensure the request could be quickly and safely fulfilled are required and the requesting party must be informed about the result. Both parties, however, could refuse the request if it was beyond the scope of cooperation or it would disrupt the public order or good practice of the country. In addition, both parties should immediately inform the requesting party in case where it had no authority to fulfill the request.

All of the information, documents and personal data that were given under or due to this MoU were kept confidential and could not be used for other purposes. Consent of both parties was required in case the provided information was going to be shared to a third party. All communications and requests should use English as the medium language. The expenses related to training or incurred due to the requests should be paid according to the result of negotiations. This agreement also regulated an annual meeting and consultation between the representatives of Indonesia and Taiwan in order to discuss and improve the cooperation.

4.3.5. MOU between The Taipei Economic and Trade Office, Indonesia and The Indonesian Economic and Trade Office to Taipei on The Morotai Development Project

The respectable economy relations supported by the established cooperation provide great economic benefits for Indonesia and Taiwan. Both governments realized that they might gain greater benefits if they escalated and expanded their economic cooperation. In May 2011, Indonesia government issued Acceleration and Expansion of Indonesia's Economic Development Masterplan with the objective to expand the development and distribute equal welfare in Indonesia. Morotai was one of the target areas in this Masterplan. Seeing this as an opportunity to strengthen and expand economic relation with Indonesia, Taiwan and Indonesia signed a Memorandum of Understanding between the Taipei Economic and Trade Office Indonesia and the Indonesian Economic and Trade Office to Taipei on the Morotai Development Project on December 4th, 2012. This agreement was valid for five years and would be automatically renewed for another five years unless terminated by either party. IETO and TETO were the signatory parties, while Taiwan ICDF and Jababeka were the executing parties of both respective governments.

This agreement had the objective to support sustainable development in Morotai which reflected the principles of environmentally friendly, low energy expenditure, energy efficiency, using renewable energy and inclusion of community participation. Forest management, eco-tourism, responsible fisheries and aquaculture, and agriculture are the industries included in the Morotai Development Project (MDP). In the long run, Morotai would be established as special economic zones. In order to achieve the objectives, several methods of cooperation were employed, which included but not limited to: (1) jointly

conduct data collection, surveys and studies, and development planning in preparation for the project; (2) encourage both parties to promote international investment into Morotai; (3) promote cooperation in various sectors and improve their connection and interaction; (4) exchange experts, information and documents; (5) review and discuss issues for common interests; and (6) other methods provided by both parties within their respective capacities and areas of authority. However, additional detailed agreements pertaining to the terms and conditions of joint investment and specific sectors in the SEZ were required. Indonesia and Taiwan government must create favorable conditions and support activities derived from MDP in accordance with the relevant policies, laws and regulations.

Under this agreement a Steering Committee, with the responsibility to plan, implement and decide on cooperative activities, was established and the members were designated by IETO and TETO. The Steering Committee then designated the implementing entities to deal with specific cooperative activities and carry out tasks assigned by the Steering Committee. A meeting among the Steering Committee was required at least twice a year. The functions of the Steering Committees were as follow: (1) identify and invite potential investors from IETO and TETO to invest in MDP; (2) facilitate the realization of investment in MDP by assisting the fulfilment of necessary administration and procedures; (3) liaise between investors from IETO and TETO and/or other relevant authorities; (4) promote infrastructure development supportive to MDP.

The Steering Committee should closely discuss with Indonesian government in taking the necessary actions related to MDP, which included but not limited to provide infrastructure, such as water, electricity, natural gas, roads, harbors and airports; constructing relevant communication equipment; process the procurement and tender

procedure in accordance with the laws and regulations; as well as other measures relating to investment incentives in accordance with prevailing laws and regulations. In liaison with the investors, the Steering Committee should discuss the investors' rights as well, including investment and operational activities, financing and the right to use lands and resources, recruiting foreign labor, and the investment will be guaranteed in accordance with the agreement in investment between Indonesia and Taiwan signed in 1990. Should there be any claims by the third party against advisors, experts, technicians or other persons appointed by Taiwan for the service of MDP, IETO should consult with TETO for resolving such claim.

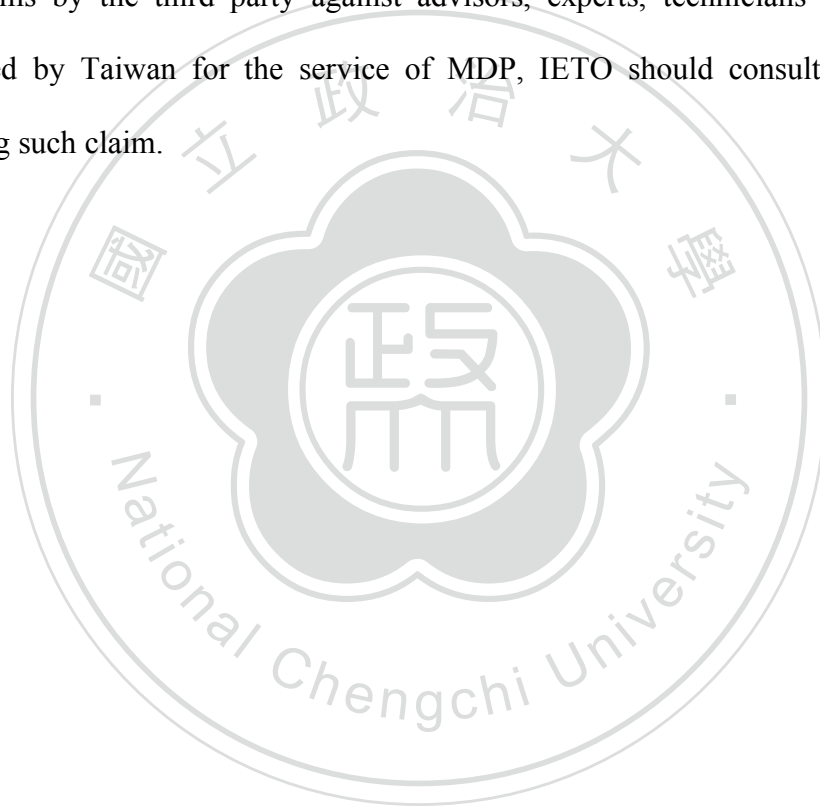


Table 12. Substantive Cooperation between Indonesia and Taiwan

| Date of Signatory | Cooperation | Description | Signatory Parties | | Implementing Agencies | |
|-------------------|---|---|----------------------------------|---------------------------------------|---------------------------------|------------------------------------|
| | | | Taiwan | Indonesia | Taiwan | Indonesia |
| 17 Dec 2004 | MOU between The Taipei Economic and Trade Office, Jakarta, Indonesia and The Indonesian Economic and Trade Office to Taipei on The Recruitment and Placement of Manpower | Indonesia and Taiwan regulated the recruitment and placement of Indonesian workers in Taiwan. | Yung-lo Lin, IETO Representative | Ferry Yahya, TETO Representative | Ministry of Labor | Ministry of Manpower & BNP2TKI |
| 24 Jan 2011 | MOU between The Taipei Economic and Trade Office in Indonesia and The Indonesian Economic and Trade Office to Taipei on The Recruitment, Placement, and Protection of Indonesian Overseas Workers | Indonesia and Taiwan regulated the recruitment, placement and protection of Indonesian workers in Taiwan. | Andrew L.Y. Hsia, TETO | Harmen Sembiring, IETO Representative | Ministry of Labor | Ministry of Manpower & BNP2TKI |
| 21 May 2011 | MOU between The Taipei Economic and Trade Office, Indonesia and The Indonesian Economic and Trade Office to Taipei on Cooperation in the Field of Higher Education | Universities in Indonesia and Taiwan could establish cooperation in the form of exchanges, joint research and scholarship. | Andrew L.Y. Hsia, TETO | Harmen Sembiring, IETO Representative | TETO & Participant Universities | IETO & Participant Universities |
| 28 Sep 2012 | MOU between The Taipei Economic and Trade Office, Indonesia and The Indonesian Economic and Trade Office to Taipei on Cooperation in Immigration Affairs, Human Trafficking and People Smuggling Prevention | Indonesia and Taiwan exchanged information and skills to prevent human trafficking, including undertook training for immigration personnel. | Andrew L.Y. Hsia, TETO | Ahmad Syafri, IETO Representative | National Immigration Agency | Directorate General of Immigration |
| 4 Dec 2012 | MOU between The Taipei Economic and Trade Office, Indonesia and The Indonesian Economic and Trade Office to Taipei on The Morotai Development Project | Indonesia and Taiwan worked together to implement sustainable development in Morotai as special economic zone. | Andrew L.Y. Hsia, TETO | Ahmad Syafri, IETO Representative | ICDF | PT JABABEKA |

From the above explanation, it can be concluded that the institutional channel helps improving the cooperation agreed between Indonesia and Taiwan. The first cooperation occurred during the non-institutional stage where both entities were represented by Chamber of Commerce. In these years, the cooperation was focusing on technical cooperation where Taiwan provided agricultural technical support and assistance for several provinces in Indonesia. The number of technical cooperation is indeed a lot but most of them are only renewal of the previously existed cooperation. Nonetheless, through the technical cooperation, people-to-people interaction between Indonesia and Taiwan emerges. Indonesian people start to learn about Taiwan people and its culture and vice versa. This serves as a good basis for Indonesia and Taiwan to further strengthen their relation.

Under Chamber of Commerce, Indonesia and Taiwan could also successfully secure several functional cooperation to further support the interaction between two entities. The functional cooperation paves way legally for Indonesia and Taiwan to expand their focus of activity to transportation, mail, taxation and investment. Hence, the interaction between Indonesia and Taiwan was also expanding, both at governmental level and people-to-people. When TETO and IETO were established as institutional channel, Indonesia and Taiwan started to secure substantive cooperation. Through these cooperation, both entities agree to resolve and regulate sensitive issues, i.e. the Indonesian overseas workers in Taiwan, human trafficking and higher education for Indonesian and Taiwan students. Through TETO and IETO, Indonesia and Taiwan are also able to secure economic development cooperation through the Memorandum of Understanding on The Morotai Development Project. This project helps the development of rural area in

Indonesia and increase the number of Taiwan's investment in Indonesia. Therefore, ever since an institutional channel was established to represent Indonesia and Taiwan, both entities enable to secure cooperation which helps improving bilateral relation between them, at governmental and people-to-people level.



CHAPTER 5 ANALYSIS ON HISTORICAL INSTITUTIONALISM IN INDONESIA-TAIWAN RELATIONS

This chapter will analyze Indonesia-Taiwan institutional channel and its relation to the increased cooperation between both entities by employing the historical institutionalism. This chapter is divided into three parts. The first part will describe the origination of institution in Indonesia-Taiwan relation by utilizing the main variables of historical institutionalism, namely antecedent conditions, critical juncture and exogenous shock. An analysis is carried out from the series of events occurred in the past that triggered the development of institution in Indonesia-Taiwan institutional relation. The second part describes the characteristics of path dependence that influence Indonesia-Taiwan institution up to now. Lastly, an analysis on the relation of increased quality of institution and increased cooperation will be presented. It will also define whether the hypotheses will be accepted or rejected.

5.1 Historical Institutionalism in Indonesia-Taiwan Institution

As previously mentioned in Chapter 2, critical juncture is triggered by the antecedent conditions, which occur long before the critical juncture. In the case of Indonesia-Taiwan relations, a failed military coup by Indonesian Communist Party and the New Order government's policy approach are the antecedent conditions that trigger the critical juncture in 1967.

In 1950's the situation in Indonesia was almost similar with other state in the Southeast Asia region. Geopolitical situation as result of Cold War has brought the rivalry

of Communism and Democracy, spreading Communism party movement all across the region. In Indonesia, the development of Communist party already took place in the early stage of Indonesia state building. Established in 1920, the *Partai Komunis Indonesia* (Indonesia's Communist Party/ICP) has transformed to become one of the most influencing parties in the history of Indonesia. Although there was an attempt to undertake communism revolutionary movement happened in 1926 and 1948, the party still gained trust from the Indonesian people. It was proved in the first election in 1955 where the party could secure 16.4% vote, brought them to be in rank fourth with 6.179.914 vote. Those votes give them 39 (15.17%) chair in the Indonesian parliament, allowing the party to give more influence to Indonesian policies.⁹⁷

Almost similar to other communism party in other state, ICP also built a network in the Southeast Asia amongst communist parties in the region as well as those in Soviet Union and China. The existence of communist party in the government was also similar to the approach of President Soekarno who was well-known with his anti-capitalist view. Although Indonesia had an independent and active foreign policy, nevertheless Soekarno's view impacted to Indonesia foreign policy which made the country closer to communist states, i.e. Soviet Union and China, instead of other democracy states. Soekarno was impressed with the development of China when he visited China in 1956 and thought if he was able to establish an axis with Peking (Beijing) it would help Indonesia development in the future without having to ask for an aid from capitalist state.⁹⁸ These circumstances obviously have brought Indonesia to neglect its relations with Taiwan.

⁹⁷ Samsudin, *Mengapa G30S/PKI gagal?: suatu analisis*, (Yayasan Obor Indonesia, 2004), XV

⁹⁸ LIPI, *Mencermati kembali enam dekade politik luar negeri Indonesia*, (Pusat Penelitian Politik, 2007), 86

In the domestic level, Indonesia under Soekarno's administrative was in worrisome situation. Difficulties in conducting political consolidation and changing on government system from parliamentary democracy to guided democracy (*demokrasi terpimpin*) system have made Indonesia lost its focus to develop the economy.⁹⁹ As a newly independent state, consolidation among faction was a crucial thing to be achieved. However, Indonesia was experiencing a discord between religious, communist and nationalist faction at this early stage. The result of first election in Indonesia reflected this circumstance where almost 80% of parliament was distributed uniformly to these three factions.

Table 13. Result of Indonesia's First Election

| Political Party | Vote (%) | Ideology |
|--|----------|-------------------|
| Partai Nasionalis Indonesia (PNI) | 22.3 | Nationalist |
| Masyumi (Modern Muslim Party) | 20.9 | Religious (Islam) |
| Nahdlatul Ulama (NU, Traditional Muslim Party) | 18.4 | Religious (Islam) |
| Partai Komunis Indonesia (PKI) | 16.4 | Communist |
| Other 24 Parties | 22.0 | Vary |

Source: Leo Suryadinata Elections and Politics in Indonesia, Institute of Southeast Asian Studies, 2002, NUS Press, 1997 p. 21-23.

In order to accelerate the consolidation and avoid disunity, Soekarno initiated the *Nasakom* (nationalist, religious and communism) doctrine to accommodate the existence of all factions in Indonesia's parliament.¹⁰⁰ On the other hand, the absent of dominant power in the parliament also contributed to unstable political condition led by the discord among factions in the government itself. From 1950 until 1959 Indonesia had changed government administration for seven times. Inspired by China and triggered by unstable

⁹⁹ Peter Christian Hauswedell, "Sukarno: Radical or Conservative? Indonesian Politics 1964-5," *Indonesia*, No. 15 (Apr., 1973), 113-120

¹⁰⁰ Leo Suryadinata, ed. *Political Thinking of the Indonesian Chinese, 1900-1995: A Sourcebook* (Institute of Southeast Asian Studies, NUS Press, 1997), 110-114.

political condition have led Soekarno to issue a Presidential Degree on July 5th 1959 to change the system from parliamentary democracy into guided democracy which allowed him to have more authority to the state. Such situation and Soekarno's close relation to China have allowed the ICP to grow and expand their movement in Indonesia.

Table 14. Indonesia's Administration in Parliamentary Democracy Era (1950-1959)

| Year | Administration |
|-----------|-----------------------|
| 1950-1951 | Natsir |
| 1951-1952 | Sukiman-Suwirjo |
| 1952-1953 | Wilopo |
| 1953-1955 | Ali Sastroamidjojo I |
| 1955-1956 | Burhanuddin Harahap |
| 1956-1957 | Ali Sastroamidjojo II |
| 1957-1959 | Djuanda |

Changing of administration made Indonesia's economic performance not even better compare to the political condition. Guided democracy which tended to favor socialist economy has put the political interest above economy. The economy deteriorated rapidly marked by hyperinflation into approximately 1000%, created poverty and famine among the people. Soekarno's economic policy also caused an enormous budget deficit, dilapidating infrastructure, and unproductive apparatus. As Soekarno adopted an anti-west movement, it had a negative impact to the investment value in Indonesia due to only the westerners were able to invest at that time. These unstable political conditions along with highly poor economic performance have grown Indonesia's people sentiment to the government, a situation later used by ICP to do communist revolts in Indonesia through coup d'état Indonesia ascendancy.

Having a close connection with Soekarno and China enabled ICP to do more political maneuver like accusing many politicians as corrupt capitalists and suggested to arm laborers and farmers as the fifth force. The latter idea was obviously rejected by the army which might bring a potentially chaotic situation in the future. This erratic situation in Indonesia at mid-1960's and Soekarno's deteriorated health condition enabled ICP to hold a politburo meeting, which resulted an agreement to conduct communist revolts in Indonesia. In order to make the revolts successful they started to consolidate their military power internally and secure their network with external communist parties in the region.

On September 30th, 1965 ICP began its movement to seize their archenemy, the army. They started to kidnap seven army generals in Jakarta who threatened their existence. Those generals were then being taken to Lubang Buaya, a small village served as ICP basecamp near East Jakarta to be killed. They also kidnapped two other generals in Yogyakarta. In the following day, ICP took over Indonesia Radio and accused that the board of generals has done a coup d'état against the government. Through that propaganda, ICP suggested to establish a revolutionary council to topple down the board of generals. Such cross-accused situation created an uncertainty situation where people became suspicious to each other.

To respond the uncertainty situation, Strategic Commander of the Army, Lieutenant General Soeharto, made a decision to take over the army. He led an investigation directly to find out who was the responsible party of the coup. After he found the site at Lubang Buaya on October 1st, 1965 he then concluded that ICP was the responsible party. Further, he abolished ICP along with the other communist-affiliated organizations, i.e. *Gerakan Wanita Indonesia* (GERWANI), *Pemuda Rakyat*, *Barisan Tani Indonesia*, *Lembaga*

Kebudayaan Rakyat (LEKRA), etc. During that period, an estimation of 500,000 people, who were accused affiliated to ICP, were being sentenced to jail, murdered, or exiled without a proper trial.¹⁰¹ The anti-communism movement also emerged amongst Indonesian people which led to a demand to abolish any communism-related thinking or activity, which was believed to contradict with Islam teaching. Such uncertain situation made Soekarno to issue an executive order in 1966 which provided an authority to Lieutenant General Soeharto to restore the state's order using any extraordinary needs to secure Indonesia. However, the effect of this letter (known as Supersemar), exceeded its original objective and enabled the transfer of executive power to Soeharto, which made him the second president of Indonesia in 1967. This marked the end of the Old Order and the beginning of New Order.

Facing with a poor economic situation in the domestic, the New Order government adopted an outward looking economic policy. Acknowledging that Indonesia could not improve its economic by relying on domestic resources, Soeharto administrative implemented open doors policy, capitalism and development focused agenda.¹⁰² With the increasing sentiment on communism in Indonesia, the New Order shifted Indonesia's economic allies from China and socialist countries to western countries. As a result, Indonesia established a close relation with United States and its allies that forbade any relation with socialist-communist countries at that time. As a consequence, the relation between Indonesia and PRC was entering a new phase. A changing on Indonesia-PRC

¹⁰¹ Hannah Beech, "U.S. Stood By as Indonesia Killed Half-Million People, Paper Shows", *New York Times*, 18 October 2017.

¹⁰² Anwar Nasution, *Macroeconomic Policies in Indonesia: Indonesia economy since the Asian financial crisis of 1997* (Routledge, 2014), 286

relation would have impacted Indonesia-ROC relation as well. At that time, Indonesia had three options in terms of its relation with PR and ROC.

First, Indonesia could have ended diplomatic relation with PRC and swapped it to ROC in Taiwan. After the failed military coup, there was a perception that Chinese communist regime assisted communism revolutionary undertaken by ICP. Sentiment in Indonesia community towards communism and any countries affiliated with communism was rapidly increasing too. Additionally, PRC economy did not resonate with the New Order's focus on economic development policy. On the other hand, ROC in Taiwan had the capital to assist Indonesia's economic development agenda. Therefore, Indonesia could have swapped its diplomatic recognition to ROC as ROC resonated more with Indonesia's national interest at that time.

Second, Indonesia could have maintained diplomatic relation with PRC and remained having no relation with ROC in Taiwan. Even though Indonesia government acknowledged that PRC economy could not support Indonesia's economic agenda, Indonesia was still considering PRC massive territorial and human resources in Mainland China, which represented a potential tangible power. Hence, despite the increasing sentiment towards communism regime, Indonesia could have maintained diplomatic relation with PRC as it was the ruling government in Mainland China.

Lastly, Indonesia suspended diplomatic relation with PRC and established semi-formal relation with ROC in Taiwan. After Chiang Kai-sek fled to Taiwan and established ROC government in Taiwan, the cross-strait situation remained uncertain. Both PRC and ROC government claimed as the sole legitimate Chinese government. As a result, many countries, including Indonesia, preferred to monitor the situation in cross-strait. Taking

into account the previously mentioned considerations, Indonesia's policy makers then decided to suspend diplomatic relation with PRC while establish semi-formal relation with ROC in Taiwan led by by BAKIN (*Badan Koordinasi Intelijen Negara/State's Intelligence Coordinating Agency*) in Taiwan. It is perceived as the most logical decision at that time. Indonesia did not automatically end its diplomatic relation which would allow them some space to explore any possibility relation with PRC. On the other hand, Indonesia established a semi-formal institution led by investigating agency in Taiwan in order to monitor any development that might occur in the cross-strait. This marked the critical juncture of institutional relation between Indonesia and Taiwan.

The decision taken by the policy makers during critical juncture persists due to common exogenous shock events occur which affects a country and cause them to diverge their decision. In regards with Indonesia-Taiwan institutional relation, there are two events that occurred exogenously of the semi-formal institution but influence the institution itself up to date. During mid-1950s until 1960s, Soviet Union and PRC had divergences on the interpretation of Marxism and Leninism, which caused the breaking of political relation between them. At that time, PRC perceived Soviet Union as a threat. On the other hand, during this period, U.S. retracted their army in Vietnam. Such action was perceived by PRC that U.S. did not have further interest in the region. As a result, Soviet Union was perceived as a more tangible threat than U.S. by PRC. These circumstances made PRC to consider improving their relation with the U.S. in order to counter-balance the threat from Soviet Union. Meanwhile, U.S. perceived the dispute between PRC and Soviet Union as an opportunity to deter communism influence considering those two countries are the central of communism in the world. Therefore, the two actors started to approach each

other started with ping-pong diplomacy, followed by Henry Kissinger's secret visit to PRC in Mainland in 1971. As a result, President Nixon visited PRC in 1972 and signed Shanghai Communique which allowed both sides to discuss difficult issues, particularly Taiwan.

The subsided tension between China and U.S. had an impact to China's position in the UN. Previously, U.S. insisted to maintain ROC position in the UN Security Council. After Henry Kissinger's visit, PRC was admitted as UN Security Council permanent member representing the Chinese government. They won the total of 76 votes favoring their admittance as UN Security Council permanent members. These extensive changes at the global level, eventually influenced Indonesia's position to not swap their diplomatic recognition to ROC and remain maintaining semi-formal institution with ROC.

The second exogenous shock came from Indonesia's domestic level when the Indonesian government issued a decree No. 10/1959 signed by the Minister of Trade, Rachmat Mujomisero, which restricted the foreigners and their descendants to have retail and obliged them to shift the ownership to Indonesian natives' people. The spirit of this decree was to nationalize all companies that were still owned by Dutch people in Indonesia. However, at that time the retail companies were run by Chinese ethnic in Indonesia who accounted for approximately 500,000 Chinese people in Indonesia. As a result, the Chinese ethnic in Indonesia became the collateral damage from the aforementioned regulation. Chinese government responded this regulation through their ambassador in Jakarta, Huang Chen, who requested the Indonesian government through the Minister of Foreign Affairs, Subandrio, to revisit that regulation as it tended to present an anti-Chinese gesture. However, Subandrio refused such request and said that the decree had no relation with the

anti-Chinese gesture. It was merely Indonesia's effort to nationalize the foreign companies in order to strengthen the national economic power.

This non-supportive response from Indonesia made the Chinese government offered an open invitation to Indonesian overseas Chinese to return to their motherland in Beijing on December 10th, 1959. As a result, highly extensive Indonesian overseas Chinese returned to China. However, concerning that their compatriots might be those who resided in Taiwan with the nationalist government, then some of them exiled to Taiwan to join with their relatives. In reality, there was some Indonesian overseas Chinese who had resided in Taiwan since early 1950s. They established Indonesian Overseas China Association (IOCA/中華民國印尼歸僑協會) in 1958. When a massive Indonesian overseas Chinese, who became the victim of Indonesian government's discriminative policy, came to Taiwan in 1959, IOCA assisted them to re-settle in Taiwan. IOCA assistances to the Indonesian exodus were varied from buying a house or land, starting a business, conducting an investment, as well as providing other important information.

In 1960s, many of Indonesian overseas Chinese children in Taiwan enrolled in Taiwan's formal education. They then established PERPITA/台灣印尼僑生聯誼會 (*Persatuan Pelajar Indonesia di Taiwan*/Indonesian Students Union in Taiwan) at National Chengkung University with 35 people as the initial union members. The reason to establish this union was to unite the Indonesian overseas Chinese students in Taiwan, provide residential information in Taiwan, and assist to deal with cultural and language differences as well as Taiwan's education standard. Many of their activities were related to cultural, social, and network-building activities. In 1970s, the PERPITA members who graduated from Taiwan education returned to Indonesia and established a non-profit organization

called ICATI/印尼中爪哇留台同學會 (*Ikatan Citra Alumni Taiwan se-Indonesia*). The objective of this organization was to provide an effective communication means amongst Taiwan's alumni in Indonesia. Many of these alumni were back to the business in which their parents used to do in Indonesia. For them, Indonesia still had a potential and the regulation under Soeharto was friendlier to Indonesian overseas Chinese. Initially, ICATI had 5,000 members with business and social activities as their main activity. Considering ICATI members previously were PERPITA members, they then assisted the Indonesian overseas Chinese children in Indonesia who would like to continue their study in Taiwan. IOCA, PERPITA and ICATI were the Indonesian diaspora network in Taiwan who enhanced the relation between Indonesian overseas Chinese who resided in Taiwan and Indonesia.

The second exogenous shock resonated with the Indonesian government's policy to improve its economic. The existence of Indonesian overseas Chinese in Taiwan was deepening the economic ties between Indonesia and Taiwan by improving Taiwan's trade and investment values to Indonesia. Taking into account such circumstance, Indonesia maintained the semi-formal institution, led by BAKIN, to Taiwan but also added the active role of this institution to promote Indonesia's trade and provide immigration services for the Indonesian people in Taiwan. Thus, Indonesia established Indonesia's Chamber of Commerce in Taipei in 1971 as a reciprocal action to Taiwan's Chamber of Commerce in Jakarta.

5.2 The Characteristics of Path Dependence in Indonesia-Taiwan Institution

The series of events occurred from 1959 to 1971 have led Indonesia to establish a semi-formal institution focusing on increasing trade and protecting Indonesian people's

interests in Taiwan. The critical juncture along with the exogenous events occurred in both domestic and international level provide a legacy of path dependence in Indonesia-Taiwan institutional relation up to now. There are four main characteristics of Indonesia-Taiwan institutional path dependence. First, the institution is in semi-formal basis. When the first Indonesia-Taiwan institution was established in 1967, it was led by BAKIN, which made this institution as a semi-formal due to no diplomatic recognition towards the Chinese government in Taiwan. Even when Chamber of Commerce was established in 1971, BAKIN remained the Head of Representative in that institution. This condition was strengthened further by the Indonesian Government with the issuance of Presidential Decree No. 43/1973. This decree stipulated that chamber of commerce was an organization of all businessmen with the objective to unify and exert its ability and capability to help improving Indonesia's economic development. Despite that, Indonesia's Chamber of Commerce in Taiwan was led by a government official.

Similar thing occurred when Indonesia increased the status of its institution into Indonesia's Economic and Trade Office (IETO) through the issuance of Presidential Decree No. 48/1994. Since that decree, all regulations related to IETO mention that IETO is a non-governmental organization that facilitates Indonesian economic interests with Taiwan. However, the supervision of IETO is under Indonesia's Minister of Trade. Therefore, even though the nature of IETO is non-governmental but all technical regulations related to IETO are issued by the Ministry of Trade. All of IETO's Head of Representative and all the Home Staff who have been assigned to IETO come from Indonesian government officials that are approved by the Ministry of Trade. The semi-formal sense is becoming more real as these officials come to Taiwan with their regular

passport even though they are entering Taiwan for governmental duty. This is due to the Indonesian diplomatic passport cannot be used in Taiwan.

The semi-formal arrangement between Indonesia and Taiwan is adopted in the establishment of extended institutions that implement the cooperation between both sides. As an example, when Indonesia and Taiwan secured cooperation in labor, they established a Joint Working Group (JWG) to implement all of the agreed actions. In practice, JWG was represented by the Indonesia's Ministry of Manpower, BNP2TKI, and Taiwan's Ministry of Labor and Ministry of Foreign Affairs. Hence, JWG only acted as an extended institution to implement Indonesia-Taiwan labor agreement, but the actual implementing parties were coming from the governmental officials. Similarly, the same arrangement was adopted through the establishment of Higher Education Summit (HES). HES seemed to be a semi-formal institution with the responsibility to facilitate the implementation of Indonesia and Taiwan higher education cooperation. Again, in practice, Indonesia's Ministry of Higher Education and Taiwan's Ministry of Education were the representatives in HES.

The latest substantive cooperation between Indonesia and Taiwan, the Morotai Development, seemingly had a different arrangement where PT Jababeka, an Indonesian private company that has been working closely with the Indonesian government to establish special industrial zone, became the implementing party. However, Taiwan's implementing party was ICDF, which was a development agency established by the Taiwan's government. In addition, the Morotai Development Steering Committee, that managed the overall project implementation, was led by Indonesian Coordinating Ministry of Economic along with all ministries under this Coordinating Ministry. As for Taiwan,

the Morotai Development Steering Committee was represented by Ministry of Foreign Affairs and Ministry of Economic Affairs.

The second characteristic is the institution only serves economic affairs and other affairs supporting Indonesia-Taiwan economic relation. Indonesia-Taiwan institution has never been and will never be able to discuss about political affairs. This is due to Indonesia's Ministry of Foreign Affairs has never been involved directly in Indonesia-Taiwan relation, whereas Taiwan's Ministry of Foreign Affairs is heavily involved since the beginning of Taiwan's institution to Indonesia. Compare to other ASEAN member states that have a representative in Taipei, Indonesia's representative is the only representative that does not have either political division, official from the Ministry of Foreign Affairs, or retired diplomat in its institution. As previously mentioned, all of Indonesia's institutions in Taiwan, from BAKIN, Chamber of Commerce and IETO, were not managed by Ministry of Foreign Affairs. The last two institutions were and are still being managed by Ministry of Trade. The budget for implementing this institution's activities is also coming from the Ministry of Trade with the focus on promoting trade and investment.

Furthermore, since Indonesia agreed to adopt One China Policy, the Ministry of Foreign Affairs immediately issued a technical guidance to limit the interaction between the Ministry of Foreign Affairs' officials and any Taiwan's governmental officials. This guidance is still applicable until now. The absence of Taiwan's Ministry of Foreign Affairs counterpart makes it difficult and almost impossible for Indonesia and Taiwan to discuss political related affairs. As an example, Indonesia and Taiwan have a highly slow progress on the Morotai Development Agenda. Although this project is highly economic but the

characteristic of special economic zone, which includes political consideration in a sovereignty, has made this project stalled since 2012.

The third characteristic is the interaction between Indonesia-Taiwan institution can be transformed into cooperation only if the institutions have the utility to undertake such activity. When BAKIN was established, the institution only had two functions; trade promotion and immigration. Hence, Indonesia and Taiwan could not secure any cooperation at that time because the institution did not have such function. When the institutions were transformed into Chamber of Commerce, it enabled the institutions to sign a cooperation agreement as Indonesia's Chamber of Commerce then had the mandate to undertake such activity. In addition, Taiwan's Chamber of Commerce acted as a counterpart to Indonesia's institution whereas Indonesia's BAKIN had no counterpart from Taiwan. Therefore, Indonesia-Taiwan cooperation could occur only when the institutional channel through Chamber of Commerce were established.

However, because the institutions had no capability to implement the first cooperation in agricultural, they delegated the implementation of this technical cooperation into Taiwan's Technical Mission (TTM) and the relevant local district government in Indonesia. In its development, such technical cooperation also involved Indonesia's ministry, academic institutions, and other entities. Although there was an increasing officialdom of these institutions in 1994 but the first substantive cooperation could be secured a decade later when IETO had a representative from the Ministry of Manpower. This enabled IETO's function to deal with Indonesian labor issues, including human trafficking issues that often experienced by the Indonesian workers in Taiwan. This utility-based logic becomes stronger when Indonesia could secure the cooperation in education in

2011. Such cooperation was possible when IETO assigned one of their directors to deal with any education related issues even though there was no representative from Indonesia's Ministry of Education. The reason of this assignment was due to the increasing number of Indonesian students in Taiwan.

Table 15. Responsibilities of Divisions in TETO

| Division | Responsibilities |
|----------------------------|---|
| Public Affairs | <ul style="list-style-type: none"> • Maintaining contact and communication with the Indonesian government, Parliament, NGOs. • Promoting bilateral relations in the areas of education, culture, science & technology, agriculture, tourism etc |
| Economic | <ul style="list-style-type: none"> • Promoting two-way trade and investment activities between Taiwan and Indonesia. |
| Information | <ul style="list-style-type: none"> • Promoting and providing information about Taiwan, TETO, and maintaining media liaison. |
| Overseas Compatriot | <ul style="list-style-type: none"> • Assisting Taiwanese expatriate community and Taiwan schools in Indonesia. |
| Service Division | <ul style="list-style-type: none"> • Offering consular services such as issuance of visas, travel documents and entry permits to Taiwan, and legalization of documentations. |

Source: Rangga Aditya, "Taiwan Tunnel: A Tool for Indonesia-Taiwan Economic Cooperation Arrangement", Conference Proceeding: Graduate Students' Conference, College of International Affairs, NCCU: 2014.

Based on the data of organizational arrangement, TETO has five divisions consist of public affair, economic, information, overseas compatriot and service. Economic division has responsibilities in maintaining trade and investment activities. Meanwhile the information division is responsible in providing all information related to Taiwan and TETO as well as maintaining media liaison. Overseas compatriot division is working for assisting Taiwan expatriate community and Taiwanese school in Indonesia. Lastly, service

division is in charged with consular services while rest of function needed is the authority of public affairs division. Details of each division responsibilities present in Table 15.

Table 16. Responsibilities of Divisions in IETO

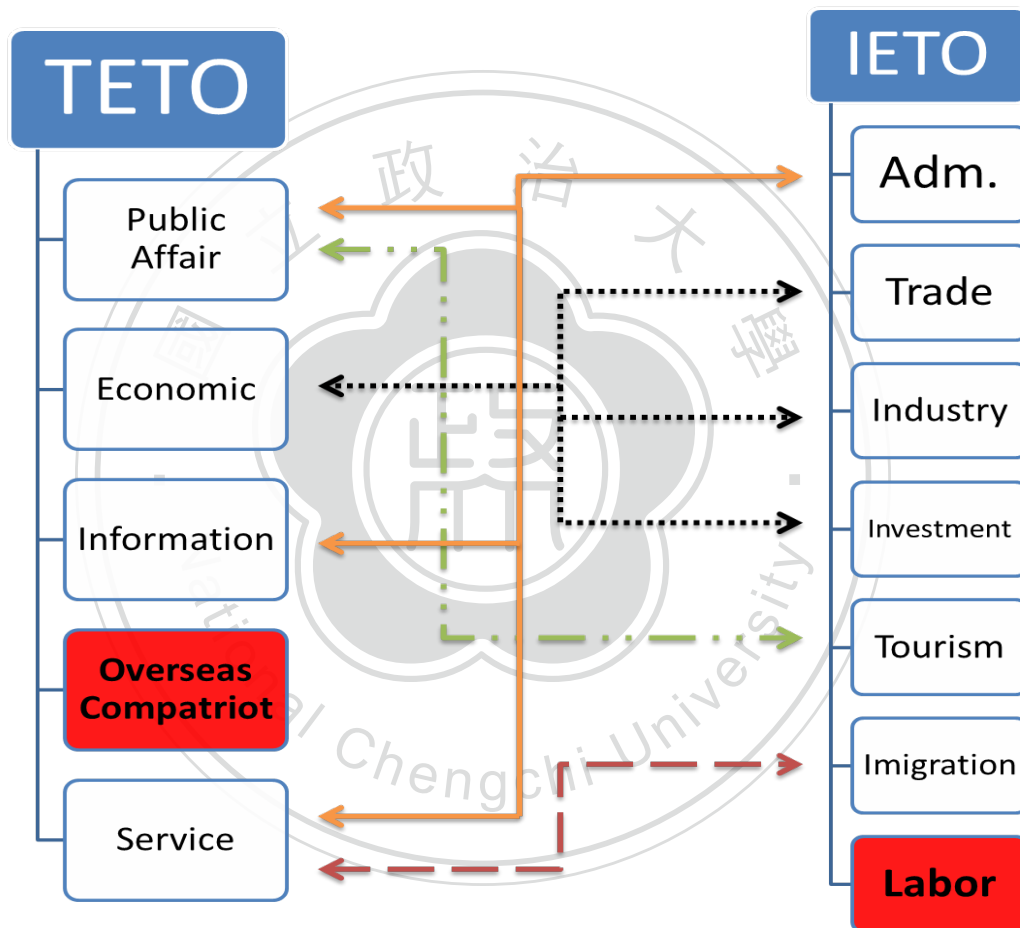
| Division | Responsibilities |
|-----------------------|---|
| Administration | <ul style="list-style-type: none"> • Maintaining consular services related to legalization of documents. • Maintaining contact and communication with Taiwan government and non-government agencies. • Maintaining media liaison. • Providing information about Indonesia and IETO. • Providing assistances to Indonesia government officer who conduct visit to Taiwan. |
| Trade | <ul style="list-style-type: none"> • Maintaining trade relations with Taiwan in order to enhance and increase economic and trade cooperation with Taiwan. |
| Industry | <ul style="list-style-type: none"> • Maintaining industry relations with Taiwan in order to enhance and increase economic and trade cooperation with Taiwan. |
| Investment | <ul style="list-style-type: none"> • Maintaining investment relations with Taiwan in order to enhance and increase economic and trade cooperation with Taiwan. |
| Tourism | <ul style="list-style-type: none"> • Maintaining tourism relations with Taiwan in order to enhance and increase economic and trade cooperation with Taiwan. |
| Immigration | <ul style="list-style-type: none"> • Issuing visas, travel documents and entry permits to Indonesia |
| Labor | <ul style="list-style-type: none"> • Protecting, advocating and assisting Indonesian workers in Taiwan |

Source: Rangga Aditya, *Ibid*

On the other hand, IETO organizational structure consists of seven divisions; administration, trade, industry, investment, tourism, immigration, and labor. Trade, industry, investment and tourism division consecutively are in charge in maintaining every issue related with the divisions in order to enhance and increase economic and trade

cooperation with Taiwan. Furthermore, immigration division is responsible in issuing visas, travel documents and entry permits to Indonesia while labor division is in charge to protect, advocate and assist Indonesia worker in Taiwan. Table 16 is describing the responsibilities of every division in IETO.

Figure 10. TETO-IETO Division Counterpart



Source: Rangga Aditya, *Ibid*

From the above explanation on responsibilities of every division in TETO and IETO, it can be concluded that TETO public affair, information and service divisions is counterpart of IETO administration. Economic in TETO is the counterpart of IETO trade, industry and investment divisions. Some of TETO public affair division responsibilities

are counterpart with the function of tourism in IETO while some of TETO service division work is counterpart with IETO immigration. Only TETO overseas compatriot and IETO labor division that does not complement with each other. It occurs because the responsible of TETO overseas compatriot is to protect the rights and interests of Chinese citizens residing abroad which does not complement with IETO labor division function to protect, advocate and assist Indonesian workers in Taiwan. In nutshell, both divisions have similar function; to protect their citizens who reside in each respecting country.

The fourth characteristic is the institutions have always been considering PRC position. When BAKIN was first established, Indonesia was still monitoring the development of cross-strait dispute on their claim over Mainland as well as UN Security Council. When PRC took over UN Security Council permanent member's chair, Indonesia only established semi-formal institution in Taipei. Although Taiwan already increased their officialdom's representative in 1989 but reciprocal action by Indonesia did not take place until 1994. This was because Indonesia was still waiting for their MOU with PRC which included the possible arrangement of Indonesia-Taiwan relation that did not hamper Indonesia-PRC relation. The increasing of officialdom implicated to the party mandated for Indonesia-Taiwan institution. Previously, all of Indonesia's Chamber of Commerce's Head of Representative were coming from Indonesia's intelligent agency. After IETO was established through the Presidential Decree No. 49/1994, IETO's Head of Representative was then replaced by Ministry of Trade.

Indonesia's consideration on PRC position was becoming crystal clear when IETO and TETO could not secure any cooperation from 1996 to 2004. Indonesia tended to carefully maintain their relation with Taiwan at that time because there was a growing

tension in the cross-strait relation, triggered by Taiwan's presidential election. PRC was not in favor of that election as it could give a perception that Taiwan was an independent and sovereign state. As a result, PRC conducted two of missile exercise nearby the cross-strait in 1996 and 1998 as their attempt to warn Taiwan. The conflict escalated rapidly in 2000 when the candidate from pan-green coalition, pro-independence political parties, won the presidential election. The hostile situation in cross-strait decreased when Hu Jintao offered to resume negotiation on direct three links with Taiwan in 2004, which opened up postal, transportation, particularly airlines, and trade between China and Taiwan. Only then, Indonesia resumed their negotiation with Taiwan and finally secured the first substantive cooperation.

5.3 The Relation between Increased Quality of Institutions and Increasing Cooperation in Indonesia-Taiwan

This dissertation argues that the institutional channel is the main factor that allows Indonesia and Taiwan to secure cooperation. Although there might be other factors, i.e. domestic issues, people-to-people relation, changing of international context, but the data shows that there is a highly strong connection between the institutional channel arrangement and cooperation.

By measuring the goal of current Indonesia-Taiwan institutional channel, it is found that TETO and IETO share the same goal. According to TETO Jakarta website the vision and mission of TETO is acting as the representative office of the Government of the Republic of China in Indonesia and the mission is to take care the interests of Taiwan as

well as to promote bilateral relations between Taiwan and Indonesia.¹⁰³ From the very beginning Taiwan already considered TETO Jakarta as government agencies which has special mission to promote bilateral relation between Taiwan and Indonesia. On the other hand, IETO vision as stated on their website is to promote economic cooperation between Indonesia-Taiwan which could give positive contribution to Indonesia's national interest in global development.¹⁰⁴ Moreover, IETO mission consists of four things; first is enhancing economic relation such as industry, trade, investment, tourism, as well as socio-cultural. This mission would be pursued by enhancing, expanding and increasing trade and economic cooperation between Taiwan and Indonesia. Second is protecting Indonesia citizens in Taiwan through representation and protection of their economic interest. Third is conducting cooperation and coordination with government and non-governmental agencies both in local and national level. The implementation of these missions is pursued by increasing economic, trade, industry, investment and tourism relation as well as giving assistance to facilitate the marketing of Indonesia export commodity to Taiwan. Lastly is representing all Indonesia interests in Taiwan.

At Taiwan's national level, TETO is treated as Taiwan embassy then the regulation applied from Minister of Foreign Affair (MOFA). Department of Policy planning of MOFA refers to Article 141 of the ROC Constitution as their foreign policy doctrine stated, as follows:¹⁰⁵

"The foreign policy of the Republic of China shall, in a spirit of independence and initiative and on the basis of the principles of equality

¹⁰³ "The Taipei Economic and Trade Office (TETO) Jakarta, Indonesia," accessed on September 30, 2014, <http://www.roc-taiwan.org/id/ct.asp?xItem=468203&CtNode=4821&mp=292&xp1=>.

¹⁰⁴ "Sejarah Singkat" *Loc. Cit.*

¹⁰⁵ "Foreign Policy Guidelines," accessed on September 29, 2014, <http://www.mofa.gov.tw/en/cp.aspx?n=B7411BDCD003C9EC>.

and reciprocity, cultivate good-neighborliness with other nations, and respect treaties and the Charter of the United Nations, in order to protect the rights and interests of Chinese citizens residing abroad, promote international cooperation, advance international justice, and ensure world peace.”

Corresponding with Taiwan foreign policy doctrine, since 2008 MOFA has pursued a policy of “viable diplomacy”, the principles of Taiwan foreign policy are dignity, autonomy, pragmatism, and flexibility. They enable Taiwan to consolidate relations not only with country that does have diplomatic ties but also country which does not have diplomatic relations. In economic dimension, the foreign policy is directed to push free trade agreements with its major trade partners and be included in regional economic integration, so as to create an environment favorable for economic development.

On the other side, IETO regulations come from the Indonesia Presidential Decree No. 48 Year 1994.¹⁰⁶ In the consideration part of the decree, it is stated that the increasing role of IETO is intended to accelerate and increase cooperation in economic and trade with Taiwan. The first dictum determines the increasing role of Chamber of Commerce into IETO whereas the second dictum is stressed on its non-governmental economic institution status. Moreover, the fourth dictum stated in general that IETO is under coordination of Indonesia Minister of Trade.

¹⁰⁶ Indonesian Presidential Office, *Ibid.*

Table 17. Cooperation in every Institutional Stage between Taiwan and Indonesia

| TETO | Goal Synchronized | IETO |
|--|---|---|
| <p><u>Vision - Mision</u></p> <ul style="list-style-type: none"> • The representative office of Taiwan. • Take care of the interests of Taiwan. • Promote bilateal relations between Taiwan and Indonesia. | <ol style="list-style-type: none"> 1. Representing each government interest. 2. Promote, expand and accelerate bilateral economic cooperation especially in trade, investment, tourism, and socio-cultural. 3. Create an environment favorable to contribute in global economic development. | <p><u>Vision - Mision</u></p> <ul style="list-style-type: none"> • Promoted economic cooperation between Indonesia-Taiwan which could give positive contribution to Indonesia’s national interest in global development especially in industry, trade, investment, tourism, as well as socio-cultural. • Enhance, expand and increase trade and economic cooperation between Taiwan and Indonesia. |
| <p><u>Regulation</u></p> <ul style="list-style-type: none"> • Consolidate relations with country that does not have diplomatic relations. • Protect the rights and interests of Chinese citizens residing abroad, promote international cooperation, advance international justice, and ensure world peace. • Pushing free trade agreements with its major trade partners and be included in regional economic integration. • Create an environment favorable for economic development. | | <ul style="list-style-type: none"> • Protect Indonesia citizen in Taiwan economic interest. • Conducting cooperation and coordination with government and non-governmental agencies. • Representing all Indonesia interests in Taiwan. <p><u>Regulation</u></p> <ul style="list-style-type: none"> • Accelerate and increase cooperation in economic and trade with Taiwan. • Act as non-governmental economic institution. • Under coordination of Indonesia Ministry of Trade. |

Source: Compiled from many sources by author.

As presented in table 17, there are three things that can be assumed as synchronized common goal. First, both institutions are representing each government interest. Second, both sides have objectives to promote, expand and accelerate bilateral economic cooperation especially in trade, investment, tourism and socio cultural. Third, both sides pursue to create an environment favorable to contribute in global economic development. In addition, the measurement on goal found that Taiwan goal is more general while Indonesia is more specific to certain things.

In addition to the goal, it is also found that TETO and IETO share the same understanding about the function of their institutions. Data gathered from an in-depth interview with Mr. Andrew Hsia,¹⁰⁷ a former TETO Jakarta representative and an anonymous IETO high rank official resulted similar perception from the officials about their own institution and the counterpart. Taiwan understanding is broader while Indonesia's is more specific to economic per se. Hence, symmetrical synchronized in understanding can be found in four things. First, both sides have the similar understanding about the role of each office to increase economic cooperation. Second, both sides agree that the institution has the ability to conduct cooperation. Third, both sides understand that their counterpart is an important economic cooperation partner. Fourth, both parts have a strong desire to increase mutual cooperation. The detail interviewees responses are represented in table 18.

¹⁰⁷ Mr. Andrew Hsia formerly was the representative in TETO Jakarta from 2009 – 2013. He was the Minister of Mainland Affairs Council, Republic of China from February 2015 to May 2016.

Table 18. Interview Result Related to Understanding Variable

| Question | Taiwan ¹⁰⁸ | Indonesia ¹⁰⁹ |
|--|--|--|
| What is your respected institution role-in? | Comparing with others ASEAN countries, Republic of China representative office in Jakarta is the only representative that named TETO instead of TECO. However, the office function remains similar with others. Its role is representing all Taiwan interest in Indonesia by applying “pragmatic diplomacy” and increasing cooperation with Indonesia. | IETO role is increasing economic activity and cooperation between Taiwan and Indonesia. In addition, also gives protection to Indonesian citizens particularly Indonesian workers. |
| Is your respected institution has abilities to conduct cooperation with your counterpart? | We have been cooperating with the government of Indonesia in various fields and not limited only in economic. We invited many people from Indonesia governments, parliament members, NGOs, and scholars to Taiwan in order to share value about the importance of Taiwan-Indonesia cooperation. Thus, we do believe we have all abilities needed to conduct cooperation with our counterpart and we want to increase it to the maximum level possible in the spirit of equality and respecting each other. | IETO has ability to conduct cooperation with our counterpart. In annually budget plan we always make financial arrangements in certain amount for establishing cooperation process with our counterpart. We keep up our good effort and try to work as close as possible with our counterpart. |
| What do you understand about your counterpart? | Indonesia is one of the important countries in the region and has a lot of potential things to support greater cooperation with Taiwan. However, sometimes they respond every cooperation opportunity very carefully. | Our counterpart has quite good effort to increase and create economic cooperation. Nevertheless, we also have to synchronize every offer with our government interest. |
| What do you want from your counterpart? | Working together to enhance and increase mutual cooperation in all possible fields in the spirit of equality and respecting each other. | Increasing mutual cooperation in economic in a smooth way. |

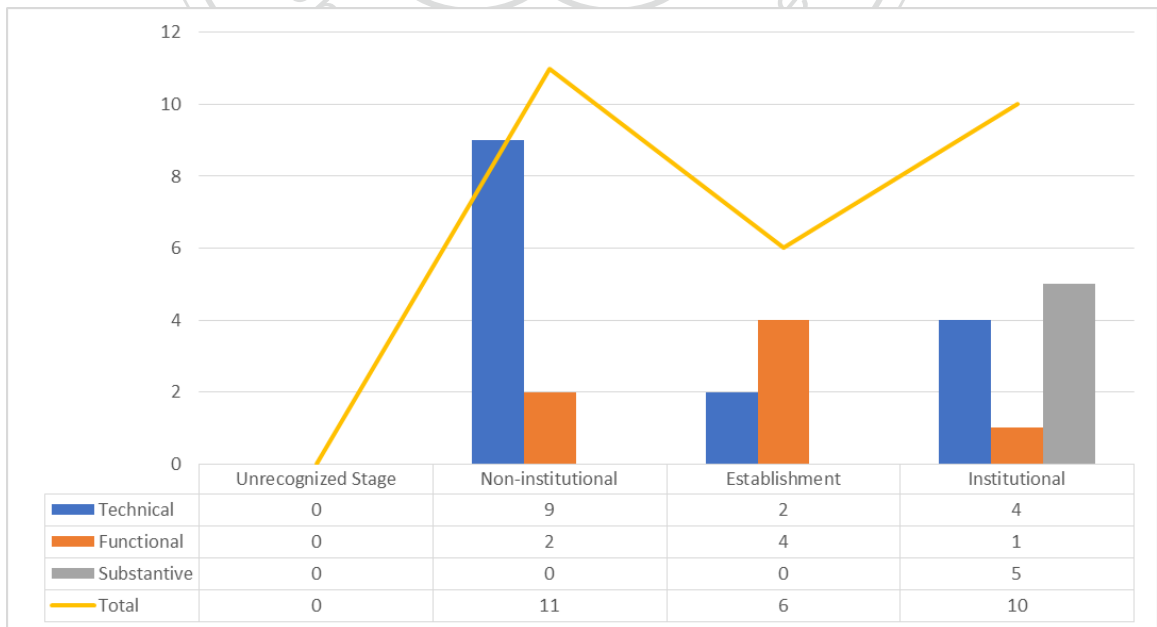
Source: interview transcripts by author.

¹⁰⁸ Andrew Hsia, interview by author, 9 September 2014.

¹⁰⁹ IETO Taipei official, interview by author, 24 September 2014.

As a result of synchronized goal and understanding between TETO and IETO, the establishment of the institutional channel enables Indonesia and Taiwan to cooperate and sign an agreement. As presented in the figure below, Indonesia and Taiwan could secure cooperation when they entered non-institutional stage, continued up to the establishment stage. During the institutional stage, the number of cooperation indeed was decreasing but the quality of cooperation was increasing. The increasing quality of cooperation can be seen from the signing of substantive cooperation only occurs during the institutional stage. The objective of substantive cooperation is to collaboratively resolve topics with important substance or meaning to each other. Whereas, the technical cooperation aimed to merely provide technical assistance to the beneficiary. The signing of technical cooperation during the institutional stage was also only extending the existing technical assistance. Hence, the quality of the technical cooperation was not quite substantial as the substantive cooperation.

Figure 11. Comparison between the Number and Quality of Cooperation at Each Institutional Stage



Source: compiled by author from various sources.

The above analysis and elaboration confirm that all hypotheses are accepted. The Indonesia-Taiwan institutional channel was indeed established through Indonesia's decision in the early period of critical juncture, marked by the establishment of BAKIN in 1967. This has shaped four characteristics of path of interaction between them. Secondly, the institutional channel between Indonesia and Taiwan does have a role to create path dependence that gives a virtue for both entities to create mutual cooperation without harming each other interests. When Chamber of Commerce was established as the representative and counterpart for each entity, Indonesia and Taiwan started to secure cooperation for their mutual benefits. Lastly, the institutional channel indeed enables Indonesia and Taiwan to secure more cooperation in line with the increasing quality of the institutional channel itself. When Indonesia and Taiwan agreed to upgrade the officialdom of their institutions in 1995, both entities enabled to initiate more substantive cooperation which covers the topics with more substance or important meaning for them.

CHAPTER 6 CONCLUSION

6.1 Research Findings

This research presents that historical institutionalism provides a better analysis in understanding how the institutional relation between Indonesia and Taiwan was constructed and impacted the interaction of institutional channel up to date. Indonesia-Taiwan institutional channel was established from a series of events occurred long in the past and created four characteristics of path dependence, which are still influencing how the institutional channel interacts up to now. Since the beginning of institutional channel was established, Taiwan's position has always been static. Triggered by their efforts to maintain relations with other countries in the region without any diplomatic recognition, Taiwan's Ministry of Foreign Affairs has always been deeply involved in the institutional channel. On the other hand, Indonesia's position towards the institutional channel was dynamic. The first institution that Indonesia established in Taiwan aimed to promote trade and provide immigration services for the Indonesian citizens who resided in Taiwan. At first, the institution was led by Indonesia's intelligent agency.

In 1994, the Ministry of Trade was appointed to manage the institution up to now. This changing was influence by how Indonesia perceived PRC. As one of the biggest countries in the world, both in term of the human resources and geographically, China has always been considered important by Indonesia. Taking into account the uncertain political situation between PRC and ROC in Taiwan, Indonesia decided to wait to resume relation with PRC before moving further with Taiwan. When this occurred in 1990, Indonesia then expanded the role of its institution to Taiwan by including several additional divisions,

such as investment, labor, education and tourism. Therefore, Indonesia's perception on its relation with China becomes Constanta in Indonesia-Taiwan relation. This was once again proved when Indonesia and Taiwan were not successful in securing any cooperation from 1996 to 2004 due to the hostile cross-strait relation during that time.

This research also affirms that institution is indeed the basis to foster interaction and secure cooperation between Indonesia and Taiwan. As previously elaborated, the cooperation between Indonesia and Taiwan did not happen until the institutional channel was established for the first time in 1971. When the institutional channel was increased, the quality of cooperation agreed by both entities was increasing as well. All of substantive cooperation between Indonesia and China were signed after TETO and IETO were established. In terms of the institution itself, Taiwan's institution has more general goal and function. The absence of diplomatic relation has made Taiwan to treat its institution as the sole representative in Indonesia. Therefore, the goal of Taiwan's institution is quite similar to an embassy, which is protecting the interests of Taiwan in Indonesia. Meanwhile, Indonesia's institution has a more specific goal and function. This is because since the first institutional establishment, economic, particularly trade has been the emphasis on Indonesia's interaction with Taiwan. Such condition created a path dependence to Indonesia, which was then being further formalized through various governmental regulations.

6.2 Opportunity and Challenge

There are several opportunities that can be drawn from the above analysis. Since the first institutional channel was established more than 40 years ago, Indonesia and Taiwan has shown their goodwill and interest to secure various cooperation. Even though

IETO's role is focusing on economic but it does not hinder Indonesia from securing cooperation in other fields with Taiwan. It is obvious that IETO consider TETO as their counterpart and vice versa. Therefore, enhancing the utility of institutional channel to further increase the relation and cooperation would be the best alternative for Indonesia and Taiwan.

In addition, IETO and TETO have been working for more than 20 years. Apart from the experiences of dealing and communicating with each other, the institutional channel is familiar with each other's culture, norms and values. Hence, IETO and TETO have better opportunity to construct a better understanding to secure Indonesia and Taiwan's interests compare to other governmental agencies.

Third, although the Ministry of Trade manages IETO, the institutional channel still has its own rights to endorse, suggest, and authorize cooperation with Taiwan. This was proved by the signing of non-trade cooperation signed by IETO. After all, IETO is the only institution that has the authority to sign every memorandum of cooperation with Taiwan on behalf of the Indonesian government as long as it is not contested the One China Policy.

Lastly, Taiwan's interest in developing economic relation and cooperation in the region could be accommodated by IETO because it has the function as an economic institution. There is an opportunity for Taiwan to further deepen economic ties with Indonesia through various fields by signing mutually beneficial cooperation with IETO.

Apart from these opportunities, several challenges may need to be responded in order to enable Indonesia and Taiwan further enhancing their relation and cooperation. The first challenge is Indonesian government understanding on One China Principle. After Indonesia signed the MOU in 1990, Indonesia has always perceived One China Policy from

Mainland's perspective. This has put a barrier for IETO to expand an interaction with TETO. Indonesian government should put its own barrier and limitation towards One China Policy by prioritizing the national interests so better and more beneficial cooperation with Taiwan could be secured.

Second, the increasing number of Indonesian workers, particularly blue collar workers who reside in Taiwan, has automatically diverted IETO's focus from economic to the protection of these Indonesian citizens. Yet, IETO has limited number of officials to deal with the labor issues in Taiwan. Joint Working Group is supporting IETO to cope with the labor issues at the policy level, whereas IETO is still responsible at the operational level. Hence, a support on resolving labor issues at the operational level is necessary so IETO can maximize its main function.

Even though TETO and IETO perceive each other as counterpart and each structure has similar function, the interaction and communication between them only occur on a case-by-case basis, i.e. during JWG Meeting or HES Summit. A sharing idea mechanism between both institutions is necessary so both institutions can strengthen the trust among them.

Lastly, as of now only limited scholars and officials who understand Taiwan discourse in Indonesia and vice versa. As an impact, there is a lack of input and consideration feeding to IETO and TETO. In practice, input and consideration feeding to the institutional channel is important as they could provide other perspectives to IETO and TETO in regards with enhancing relation and cooperation.

6.3 Future Recommendation

This research is just an initial stage of analyzing Indonesia and Taiwan institutional channel through historical institutionalism. Nonetheless, it provides new perspectives to understand the nature of Indonesia-Taiwan institutional channel which leads to the enhanced interaction and cooperation. At theoretical level, a comparative study between Taiwan and other states could be carried out to understand whether the same pattern occurs in Indonesia-Taiwan only or with other states as well. A research of public policy focusing in institutional-based could be undertaken as well in order to gain a holistic understanding how institutional supports the government securing its national interest.

At empirical level, this research has presented that utilizing TETO-IETO is the most effective practice for Indonesia and Taiwan to expand relation and cooperation. Indeed IETO has its own shortfall, i.e. it is managed by the Ministry of Trade, and Indonesian government is still limiting the Ministry of Foreign Affairs interaction with Taiwan. However, this limitation only applies in official exchange, either through visit, correspondence or symbol. But in term of economic cooperation, the Ministry of Trade, especially IETO has an extensive authority to deal on this topic with Taiwan, only if IETO focuses to formulate such cooperation. In order to achieve this, IETO and TETO have to take substantial effort, formulate common interest and goal by increasing their interaction and communication progressively. Taking into account the existing opportunities and challenges, there are several possible actions that each respective government could take to further enhance the relation and cooperation:

1. Develop a confidence building framework, namely “Indonesia-Taiwan Cooperation Forum” which includes IETO, TETO, officials from various

government agencies, particularly those who share interest in Indonesia-Taiwan cooperation, parliament members from Indonesia's House of Representative Commission 1 (International Relation) and Commission 6 (Trade) to discuss, share and exchange each other's expectation.

2. Hold Focus Group Discussion (FGD) every quarter where IETO and TETO can share their program and action plan so both institutions can align their efforts for mutual beneficial goals.
3. Carry out joint research in various areas possible for cooperation so the result may be used as an input for both institutions. IETO and TETO officials should also be included in the research team.
4. Create a scholarship program for IETO or Ministry of Trade's officials, Indonesian Investment Coordinating Board, Ministry of Industry, and Indonesian Intelligence Agency to study politic and economic in Taiwan's higher education system.
5. Formulate a joint technical program between IETO and Directorate of Citizens and Legal Entities Protection, Ministry of Foreign Affairs focusing on resolving the labor issues experienced by the Indonesian workers in Taiwan.
6. Distribute a hand-book of cross-strait relations to Indonesian government agencies, especially those who have the interest in securing cooperation with Taiwan.
7. Undertake further research on "Taiwan-Southeast Asian Countries Interaction and Cooperation". This can be used as a benchmark and determine the best relation practices between Taiwan and Southeast Asian countries.

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