

CHAPTER I

INTRODUCTION

In the era of globalization, building good relations with other countries is central point. Countries can't survive alone in the international world, thus it cause dependence from one country to another. The awareness of interdependence trigger countries to establish relations and cooperation with one another to achieve their respective interests. Those relations and cooperation can be in the form of bilateral, multilateral, or regional. Bilateral trade relations are often carried out by countries. To make it easier for the author to conduct research and the reader to understand this paper better, the author divide this chapter into several sub-chapters. The sub-chapters include background, framework, hypothesis, research methodology, research limitation, and thesis structure.

A. BACKGROUND

South Korea and Indonesia relations has been going around for decades. The relations has been establish since August 1966, but the cooperation only on the consular-level relationship. Diplomatic relations were only officially established in September 1973 where South Korea has an embassy in Jakarta and vice versa Indonesia also has an embassy in Seoul. Since then, both South Korea and Indonesia continue to improve their relations and cooperation in the form of bilateral, multilateral, even regional level. The cooperation was based on the nature of complementarity of resources and advantages of each countries. South Korea facilitates with capital or investment and technological resources, especially IT (Information Technology) field, while Indonesia provides natural and human resources as well as broad market. Not only in the industry and technology field, South Korea and Indonesia relations keep getting closer and wider by expanding relations scope such as in the energy, environment, marine and fisheries, forestry, agriculture, defense and security, tourism as well as socio-cultural field (Indonesian Ministry of Foreign Affairs, 2021).

South Korea and Indonesia relations enter new stage in 2017 when President Moon Jae In introduce brand new program to elevate both states cooperation and relations during his state visit in Jakarta, Indonesia. Those program was called New Southern Policy which aimed to elevate South Korea relations with ASEAN and India. Although South Korea and ASEAN relations remain strong, South Korea economy has been heavily depend on the major power countries such as US, China, Japan, and Russia. However, with the growing protectionism in US during Donald Trump administration, China's expansion of influence in Asia as well as US-China trade war, South Korea begin to seek for another alternative to reduce their dependence on those countries. Moreover, South Korea also wish to expand their economic horizon with other countries but at the same time maintaining their relations with US and China. As a result, President Moon establish New Southern Policy to create a strategic foreign policy based on the more balanced form of diplomacy with their traditional major power countries (US, China, Japan, and Russia) and Southern Asia region (Kwak, 2018).

New Southern Policy is South Korea's ambitious diplomatic initiative to achieve greater strategic autonomy. This initiative propose three pillars such as peace, prosperity, and people. South Korea sees Southeast Asia and India as their brand new partnership because of their economic growth. Among ASEAN countries, South Korea and Indonesia agreed to elevate their relations into more inclusive one. Chung Eui-yong, South Korea Foreign Minister, said that Indonesia was the center partner of New Southern Policy and pledge to boost mutually beneficial cooperation in field (Suoneto, 2021). The decision was based on common visions, goals, and interest that was shared between both countries. Chloe Wongi, head of the Center for ASEAN-India Studies of the Korean National Diplomatic Academy (KNDA), also stated that both South Korea and Indonesia are unwilling to take side in the rivalry between US and China. Moreover Santo Darmosumarto, Indonesian Foreign Ministry's director for East Asia and Pacific affairs, emphasize both countries share similiar view that

cooperation in the Indo-Pacific region should be ensure it would not turn into a battleround between more influential power (Septiari, 2021).

As New Southern Policy is aimed to diversify South Korea's economy from major power countries as well as seek for mutually beneficial economic cooperation, this initiative was expected to increase trade exchange for both countries. Several trade agreement has already signed under New Southern Policy umbrella in effort to build a base for mutually beneficial, future-oriented economy (Wongi, 2021). This could indicate that South Korea and Indonesia cooperation has reached new heights under Moon and Joko Widodo leaderships. During Chung Eui-yong, South Korea Foreign Minister, visit in Jakarta on June 25th, President Joko Widodo stated that he was very satisfied with the extend of South Korea investment in Indonesia as well as South Korea was one of Indonesia's most important relationship. Moreover, South Korea is now trying to broader their cooperation with Indonesia beyond just the economy sector (Suoneto, 2021).

As mentioned above, South Korea and Indonesia relations enter new phase under Moon and Jokowi leadership. This was marked by the establishment of New Southern Policy as the starting point to improve and strengthen relations between two countries. Therefore, the authors are interested in examining the impact of the implementation of the New Southern Policy in increasing the trade exchange of South Korea and Indonesia.

B. RESEARCH QUESTION

Based on the explanation above, the author addressed research questions **“Why there is a decrease on the trade exchange (export and import) and investment between both South Korea and Indonesia?”**

C. THEORETICAL FRAMEWORK

Cooperation is an important aspect in the dynamics of international relations, especially in the era of globalization which interconnectedness is

clearly emphasized. None of the countries can survive alone in international affairs. No country is able to meet their own needs, on that basis the state cooperates with other countries to complement each other's needs. International cooperation is carried out by countries to meet the needs of their citizens and other interests guided by the foreign policy of each country. Establishing relations with other countries is a must as a result of the interdependence and the increase of complexity of human life in the international community. The existence of this dependence causes there is no country that close themselves to the outside world, especially in the era of globalization where the interrelationships between countries are so emphasized.

Generally, international cooperation is carried out in the social, political, cultural, defense and security, and economic fields. Some scholars conclude that “cooperation occurs when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy cooperation” (Milner, 1992). In this case, it can be understood that the policies issued by countries in cooperating with other countries have been adjusted to reduce negative consequences that may have an impact on these countries and to achieve mutual benefits.

There are several reasons why countries decide to cooperate with other countries. One of the goals of international cooperation is to improve friendly relations between countries. The existence of international cooperation will be able to strengthen relations between the countries involved. This is because the countries involved can meet each other's needs and help if at any time one of them needs support. Considering the different geographical conditions and resources (both natural resources and human resources) of each country, the needs of each country are also different, that's why one country needs another country to fulfill their needs.

There are several forms of international cooperation, namely bilateral, multilateral and regional. Bilateral cooperation is cooperation between two countries which aim to gain benefits for both countries.

Moreover, multilateral cooperation is cooperation that involves more than two countries and is not bound by certain regional boundaries. Furthermore, regional cooperation is cooperation carried out by countries in certain areas to achieve common interests. Bilateral relations, specifically bilateral economic cooperation is a form of cooperation that is often carried out by countries. This is because the economy plays an important role in a country and the survival of its people.

Bilateral economic cooperation is economic cooperation that involves two countries and is mutually supportive. Bilateral cooperation aims to foster existing relations and establish trade relations with partner countries. Bilateral trade agreement is a wide-ranging tax, customs, and trade agreement that often includes investment guarantees. According to Anak Agung Banyu Perwita and Yanyang Mochamad Yani, there are three motives that are sought by two countries when conducting bilateral relations. Those three motives are maintaining national interest, maintaining peace, and increasing economy prosperity. On the other hand, bilateral trade cooperation is carried out with the aim of expanding access between two countries' markets and increasing their economic growth. The cooperation usually regulates the reduction of trade barriers such as reduce or eliminate tariffs, quotas, and other trade restrictions on goods traded between the countries involved. Thus, it would encourage trade exchange and the increase on export and import for countries involved (Grossman, 2016).

As previously mentioned, the purpose of countries conducting cooperation is to meet each other's needs and seek benefits, bilateral economic cooperation is expected to meet the economic needs of the two countries which are mutually beneficial and to achieve economic stability. Bilateral economic cooperation can help to introduce and sell products produced by one country to other countries involved in the agreement. Furthermore, cooperation that reduces trade barriers is expected to encourage increased productivity of goods and expand production markets, which will increase profits for the country. Bilateral economic cooperation

also helps countries to meet their needs that they cannot meet on their own. Therefore, bilateral economic cooperation can encourage an increase in exports and imports of a country. In addition, an increase in exports can create new jobs because one of the factors that determine the smooth level of production is the availability of raw materials and a sufficient number of workers.

In addition, international economic cooperation is also commonly used to obtain debt or investment in a country. The investment or debt is used to accelerate infrastructure development, which in turn can speed up the distribution process and facilitate distribution coverage so that all people can feel the equitable development throughout the region. With the infrastructure that has reached various regions, it can improve welfare and economic stability. Furthermore, foreign entrepreneurs investing in one country can provide jobs for local residents.

Considering many benefits that can be obtained from carrying out bilateral economic cooperation, it is not surprising that it is the cooperation that is mostly carried out by countries. South Korea and Indonesia are also seeking mutually beneficial relations from the bilateral economic cooperation that has been carried out. Therefore the author would like to analyze the impact of the implementation of the New Southern Policy on trade exchanges and investment between South Korea and Indonesia. Since Indonesia is South Korea's major partner in the New Southern Policy, the author wants to see if there is an increase or even decrease on trade exchanges and investment between these two countries.

D. HYPOTHESIS

Based on the background, theoretical framework, and research question which already stated above, the author conclude hypothesis namely the economic cooperation carried out by South Korea and Indonesia through the New Southern Policy was in fact has decrease in term of trade exchanges and investment due to several factors as indicated by:

1. There is a lack of strategic planning from South Korean government in New Southern Policy.
2. There is a lack of diverse exports from Indonesia.
3. There is a doubt of New Southern Policy's future after the conflict between US and China subsidy.

E. METHODOLOGY

a. Data Collection Method

The author used qualitative research to conduct the research. Qualitative research is a continual process in order to improve understanding by making new significant distinction of the phenomenon studied. The empirical materials will be collected from journal articles, book, news, magazine, reliable website, and so on which can support the research process conducted by the author (Mulyadi, 2011).

b. Data Analysis Method

The result of qualitative research was drawn out by generating and analyzing empirical materials using deduction method. The author will collect data and understand facts related to general research topics and then apply or direct them to specific things (Mulyadi, 2011).

F. RESEARCH LIMITATION

The scope or limitation of this research is the impact of the New Southern Policy on the trade exchange between Indonesia and South Korea. The author will solely focus on analyzing the increase in trade exchanges and investment between the two countries after the implementation of the New Southern Policy.

G. THESIS STRUCTURE

a. Chapter I:

This chapter stated about introduction which consist of background, framework, hypotheses, research methodology, research limitation, and thesis structure.

b. Chapter II:

Chapter II will explain about New Southern Policy in more depth from its background to its policy to elevate trade exchange between South Korea and Indonesia.

c. Chapter III:

Chapter III will discuss and answer the research question of this study. The author will discuss the trade exchanges that have been carried out by South Korea and Indonesia and analyze whether there is an increase or decrease on trade exchanges and investment after the implementation of the New Southern Policy.

d. Chapter IV:

This chapter will consist of the conclusion from this study.

