Indonesia’s Response towards East Asian Financial Regionalism
Eko NM Saputro

BIODATA
Eko Saputro is a PhD Candidate at the School of Humanities and Social Studies, Deakin University, Melbourne. He is a staff member of the Ministry of Finance (MoF), Indonesia and a Member of the International Political Science Association; the Association for Asian Studies; and the Australian Political Studies Association. Email: esaputro@deakin.edu.au

ABSTRACT
This paper examines Indonesia’s response to the development of East Asian financial regionalism. As a potential leader in the regional context, Indonesian political and economic dynamics toward financial regionalism is interesting to explore because it is relatively distinct to other countries in East Asia. Three major regional institutions of the East Asian region (ASEAN, APEC and ASEAN Plus Three) will be observed particularly focusing on surveillance processes, financial support arrangements, and financial market development to determine the Indonesian response. The initial findings indicate that in consideration of the potential economic benefits, Indonesia has positively supported the arrangements in the ASEAN and ASEAN Plus Three financial cooperation; while putting participation in APEC processes of financial cooperation at a lower priority due to the lack of cohesiveness among the members and concrete initiatives.

Keywords: East Asia, Financial regionalism, ASEAN, APEC, ASEAN Plus Three

INTRODUCTION
In general, the study of East Asian regionalism brings the issues of Association of South East Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC) and ASEAN Plus Three (APT) into discussion. The activities of these three regional institutions have been contributing to the dynamic of regional economic regionalism. Particularly in finance, the regional institutions have produced many concrete initiatives even though some arrangements remain unfinished. At this point, ASEAN and APT have showed advanced progress in the area of finance such as capital/bond market development, economic surveillance, and financial service liberalisation. In contrast, it is
likely that APEC provides limited improvement towards regional financial arrangements in the region. The contribution of APEC in financial regionalism is somewhat less important since it has not produced clear outputs and has been relatively inactive in developing networks among regional finance ministers (Amyx, 2008, 117). Therefore, East Asian financial regionalism is mostly influenced by the dynamics of ASEAN and APT.

The progress of and debate around financial regionalism in East Asia has been captured by scholars predominantly with regional perspectives. Scholars such as Jennifer Amyx, Gordon De Brouwer, Helen Nesdaurai, Randall-Henning, and William Grimmes have worked on financial-monetary cooperation in East Asia mostly by focusing on the regional cooperation with a lack of member countries’ perspectives. While their works are important, it is also necessary to unveil the perspective of particular regional member countries in order to understand the response of national authorities to the existing regional financial arrangements. This paper attempts to address this hiatus by providing the means to understand the responses of member countries in the East Asia region to the development of regional financial regionalism, using Indonesia as a case study.

As a leader in ASEAN, Indonesia has played an active role in building financial regionalism in East Asia. Indonesia’s current situation and condition has built the nation as an important player in East Asia. Indonesia’s large population promises a large market and strong consumption that are significant for regional demand. The country is also abundant with raw materials and energy, which are essential for production processes in East Asian industries. Beyond that, Indonesia is also an active member of the three regional institutions as well as the G-20, reflecting its critical role in shaping regional as well as international financial architecture. Considering Indonesian domestic strengths and international status, there is a potential for Indonesia to be a new rising power in the region.

Against this backdrop, this study explores Indonesia’s response towards the dynamics of East Asian financial regionalism, focusing on the issues of surveillance processes, financial support arrangements, and financial market development in three major regional institutions of the East Asian region (ASEAN, APEC and APT). These areas are selected among other financial initiatives as they have become major issues across
the East Asian regional institutions. The first section of this paper provides an overview of the regional financial cooperation under the three institutions in order to give an illustration of current regional development. In the second section, the Indonesian response towards the cooperation will be outlined and analysed.

OVERVIEW ON THE DEVELOPMENT OF EAST ASIAN REGIONAL FINANCIAL COOPERATION

Association of Southeast Asian Nations (ASEAN)

The issue of financial-monetary cooperation was practically excluded from ASEAN economic discussions until the Memorandum of Understanding (MoU) on the ASEAN Swap Arrangements (ASA) was released in August 1977. The MoU became an important point for regional financial regionalism since the document provided a policy framework for ASEAN nations to collaborate on financial issues particularly in dealing with international liquidity problems (ASEAN, 1977). The initial amount of ASA was USD 100 million in which each ASEAN member country contributed an equal amount of USD 20 million. However, despite its progress toward financial-monetary cooperation in the South East Asia region, the ASA practically had little impact on addressing liquidity problems since the total fund was relatively limited to deal with payment difficulties (Henning, 2002; Pascha, 2007).

The development of ASEAN financial cooperation was further enhanced with the inception of the Asian Financial Crisis (AFC). In 1997, for the first time in ASEAN’s history, ASEAN finance ministers realised the importance of pragmatic cooperation in the area of finance including the banking sector, capital market, customs, insurance, taxation and human resource development (ASEAN, 1997). The meeting was also held to follow the mandate of the 1995 ASEAN leaders’ summit that expected to have closer economic cooperation. This foremost meeting was incidentally conducted in the early stages of the AFC. In general, the issue of liquidity support arrangements and surveillance processes dominated the progress of ASEAN financial cooperation since its formal establishment in 1997. Although other issues such as liberalisation of financial services, insurance cooperation, and customs also received attention from ASEAN member countries, the progress of these non-crisis counter initiatives seemed to be slow considering the focus of the region to mitigate the AFC impact.
ASEAN Surveillance Process (ASP)

The ASP that was initially created to deal with the Asian financial crisis, later on has been perceived as a critical element to monitor economic development in the region. The development of ASP was substantially marked when Japan, China, and Korea were welcomed to enhance the ASP with continuing support from ADB. This re-marked the collaboration of ASEAN+3 countries in creating a new monitoring system to support the self-help mechanism, particularly in dealing with crises.

Capital Market Development

Since its inception, the Roadmap for Monetary and Financial Integration (RIA-Fin) has made substantial progress, especially in capital market development. Beginning with technical training in several areas of capital market, the cooperation continued with the creation of a forum, termed the ASEAN Capital Market Forum/ACMF, which was intended to harmonise rules and regulations. The ASEAN capital market cooperation has demonstrated positive progress, particularly after the establishment of ASEAN Standards and Plus Standards. The cooperation also introduced the ASEAN Index that was expected to function as a catalyst toward deeper integration in capital markets (ASEAN, 2006). In 2009, the ASEAN finance ministers launched the Implementation Plan to Promote the Development of Integrated Capital Market in ASEAN. The Plan was aimed at providing strategic initiatives through optimising capacity and managing risks in order to build an integrated regional capital market (ASEAN, 2009). Furthermore, in 2011, ASEAN finance ministers agreed to launch the ASEAN Exchange as a stepping stone to brand ASEAN as an asset class, following the initiative of ASEAN Exchange linkages.

Financial Service Liberalisation

Since 1998, financial services liberalisation became a part of formal negotiation in the second package of the ASEAN Framework Agreement on Services (AFAS). The negotiation was conducted in the form of a “request and offer” mechanism toward particular sub-sectors. In general, the negotiation of financial service liberalisation has shown slow progress. For instance, the fourth round of the negotiation was initially expected to be concluded in 2007, but it was extended until 2008. In this regard, there was a tendency that ASEAN member countries were cautious in providing commitments considering their domestic readiness to liberalise financial services. Rajan
and Sen (2002) argue that there was no single member willing to offer commitment in all sub-sectors in financial services. This situation was contrary to the sense of liberalisation that reflects the attempts of particular parties to remove their domestic barriers and also their willingness to open their market for foreign competitors (Park & Bae, 2002, 5).

**Asia-Pacific Economic Cooperation (APEC)**

The financial issue became a part of APEC’s concerns, at least since 1994 when the APEC Finance Ministers met in Honolulu. At that moment, they primarily conveyed three main issues: sustaining growth with low inflation, financing investment and infrastructure development, and promoting capital market development (APEC, 1994).

In financial capital markets, APEC financial cooperation was initiated by enhancing public access to economic and financial information. At this point, a standard for dissemination of macroeconomic and financial data, namely the Special Data Dissemination Standard (SDDS), was introduced to member countries for adoption. In later developments, regulatory issues were considered by APEC finance ministers to promote financial and capital market development. In this case, the ministers agreed on the principle consisting of four core conditions that emphasised a stable and transparent legal and regulatory system as one of the conditions (APEC, 1997).

The issue of economic/financial surveillance emerged for the first time during the APEC Leaders’ Summit in Vancouver, November 25th 1997, in response to the AFC. However, instead of creating an APEC owned surveillance unit, the leaders simply endorsed the Manila Framework created by several countries plus IMF, World Bank, Bank for International Settlement (BIS) and ADB, on November 18th, 1997. The framework basically endorsed the IMF as the main actor in the international monetary system, and also underlined its role in surveillance processes (Ito et al., 2005, 10). Regarding this arrangement, APEC finance ministers echoed the Leaders’ endorsement. Unfortunately, a discussion on the operation of surveillance was absent from the APEC finance ministers in the midst of the AFC, although they admitted that the issue was critical. This phenomenon might contribute to the disappointment of Asian member countries that perceived APEC as lacking crisis sensitivity. The issue of surveillance even disappeared from the Ministers’ statement after their 8th annual meeting.
ASEAN Plus Three (APT)

It can be said that the APT is the newest regional institution compared to the two previous institutions (ASEAN and APEC). Some scholars (Beeson, 2007; Ravenhill, 2006; Sheng, 2009; Yue & Pangestu, 2006) even argue that the establishment of APT was basically the result of the dynamics in ASEAN and APEC, particularly during the AFC. The birth of the APT forum was a reaction to the absence of collective action and the sense of solidarity of ASEAN and APEC during the financial shock. During the economic turbulence, ASEAN had limited resources to protect their members from the crisis. Unfortunately, APEC, consisting of major world economies, was unlikely willing to provide assistance to the victims of the crisis.

In later developments, the APT forum displayed more concern for economic issues rather than political agendas. Shin and Cho (2010) argue that East Asian countries tend to restrain themselves from domestic political issues in order to maintain economic cooperation. In some cases, even when two East Asian countries had a political dispute, their commitment toward economic cooperation was not affected by the political dispute.

There are several financial initiatives under the APT framework that have been explored and implemented. In this paper, three major initiatives related to regional economic surveillance, liquidity support arrangements and regional bond market developments will be discussed since they have exhibited major progress and concrete results.

Surveillance Processes

The APT surveillance process has been formed under the Economic Review and Policy Dialogue (ERPD). Operationally, during ERPD sessions, finance minister deputies provide a report of their own economy for other members. The ERPD report consists of macroeconomic development, financial market development, recent macroeconomic policy management, economic outlook, and economic policy issues and challenges. At this stage, the APT surveillance process relies on self-assessment rather than having third party assessment define the objectivity of the surveillance. The process would be followed by exchange of views and policy discussion that lead to peer review processes. The peer review is an important feature of the ERPD that is expected to create peer pressure for other members to make policy adjustment as suggested during the process.
The effectiveness of the ERPD has been challenged by several scholars (Kawai & Houser, 2007; Jung in Nesadurai, 2009; Anas & Atje, 2005). Their critiques of ERPD include the degree of pressure that may emerge as a result of peer review, the analytical and psychological barriers that are faced by less advanced economies in criticising advanced members and the absence of permanent surveillance units that facilitate continuous surveillance mechanisms. The debate reached its peak when there was a demand to create a surveillance unit to support the operation of Chiang Mai Initiative Multilateralization (CMIM). At the APT deputy finance ministers’ meeting in Nha Trang, 2010, several deputies argued that the ERPD was not needed anymore since APT was about to launch the new regional surveillance unit, namely ASEAN+3 Macroeconomic Research Office (AMRO), that would take over most, if not all, of the ERPD processes. Therefore, in order to avoid duplication, some member countries proposed to terminate the ERPD. In contrast, some members argued that ERPD was still needed since it provided direct exchange views and policies as part of its process that could not be found in other types of surveillance mechanisms. Finally, the supporters of ERPD succeeded in maintaining the process along with the operation of AMRO.

A more advanced step regarding surveillance has been made by APT financial cooperation through AMRO. After a series of discussions, the APT finance ministers launched the operation of AMRO in 2011 serving as an independent surveillance unit that will monitor and analyse regional economies as well as contribute to early detection of risks and the decision-making process of CMIM (APT 2011). Located in Singapore, AMRO is expected to provide a report as supplement to the IMF’s global surveillance report.

Liquidity Support Arrangements

The APT liquidity support arrangement started in 2000 when an expanded ASA was merged with a network of bilateral swap arrangements (BSAs) under the Chiang Mai Initiative (CMI). Both ASA and BSAs were basically aimed at providing liquidity support for APT member countries facing short-term liquidity problems. Different from ASA that allowed ASEAN members to draw the maximum of up to twice their commitments, the basic drawing principle of BSAs only allowed the requesting countries to draw up to 10 per cent of the maximum drawing amount without an IMF-linkage program (Rana, 2002,
If they wanted to draw the remaining funds, they should commit to an IMF program arrangement. In 2000, ASA was expanded by ASEAN member countries (including the new ASEAN members) with a total size of USD 1 billion. Next, it was increased to USD 2 billion in April 2005 reflecting stronger ASEAN members’ commitment toward regional financial cooperation.

The operation of CMI had been reviewed in order to further develop better regional liquidity support arrangements. The reviews included several key elements of CMI such as size, pooling structure, surveillance, decision-making process, IMF linkage, and the type of contract agreement. The significant change toward the regional arrangement was produced in Kyoto in which all ASEAN+3 finance ministers agreed to govern the self-managed reserve pooling based on a single contractual agreement (APT, 2007).

In their 12th meeting in Bali, the APT finance ministers agreed on all main elements of the CMIM including the shared contribution of each nation, borrowing access, surveillance mechanisms and participation of the Hong Kong Monetary Authority, China (APT, 2009). Following the Bali meeting, in December 28, 2009, the establishment of CMIM was simultaneously publicised by APT member countries, which expected the greater announcement effect to boost confidence and stability in regional markets. Eventually, the announcement was relatively successful in mitigating the effects of the global financial crisis from hampering the East Asian region, although several member countries such as Singapore and Malaysia experienced negative growth during that period.

**Bond Market Development**

The AFC produced a lesson learned regarding mismatch in maturity and currency. In response to this problem, the APT finance minister deputies proposed the creation of the Asian Bond Market Initiative (ABMI) during their meeting in Chiang Mai, 17 December 2002 (Miyachi, Kawawaki, & Ahmed, 2003). The ABMI has produced many outputs. Among these outputs the establishment of the Credit Guarantee and Investment Facility (CGIF) and the Asean+3 Bond Market Forum (ABMF) are considered as being the most important results. The CGIF was established in May 2009, aiming to support the issuance of local currency-denominated corporate bonds in the region (APT, 2009). The initial size of CGIF was USD 500 million, and then increased to USD 700 million. Operationally, the ADB acts as a trustee that manages the fund and
provides credit enhancement for corporate bonds in the region. In this case, the credit enhancement facilitates corporate bonds to have higher market access.

The latest outcome of ABMI was the establishment of ABMF. This forum is dedicated to foster standardisation and harmonisation of regulation related to regional cross-border bond transaction (APT, 2010). Interestingly, the forum involves not only capital market authorities but also private sectors. The collaboration between regulators and market players are expected to facilitate sharing of knowledge, expertise and experience to promote harmonisation and standardisation that lead to market integration (Yamadera et al., 2010, 102). Operationally, ABMF is tasked to identify major barriers in cross border transactions. The outcome of this initial process will become a platform to create a standard of business procedure and information that could potentially reduce transaction costs and risk due to various economic stages in the region. In this regard, it still remains unclear whether ABMF will modify the existing standards or produce new standards that will be applied in all APT member countries.

INDONESIA’S RESPONSE

The Indonesian responses toward the development of the East Asian financial regionalism are mainly influenced by the outcomes of the initiatives in the three regional institutions. In general, it can be said that ASEAN and APT have largely appealed to Indonesia rather than APEC since both institutions have produced concrete outcomes. APEC, in contrast, has not produced solid or tangible initiatives in the areas discussed in this paper.

| Table 1. Indonesian response to selected initiatives |
|-------------------------------------------|---------|---------|---------|
| Financial Support Arrangement            | ASEAN   | APEC    | APT     |
| Joined & Activated ASA                   | None    | None    | Joined and Contributed |
| Financial Market Development             | Prudentially Committed | None    | Positively follow the ongoing process |
| Surveillance Process                      | Setting up NSU | None    | Synchronizing national and regional surveillance mechanism |
As stated in the table 1, it is clear that Indonesia has no response towards the development of financial support arrangements, development of financial markets, and surveillance processes in the APEC framework. On the other hand, Indonesian engagements with these areas of cooperation are found in both ASEAN and APT frameworks. The following discussion examines in more detail Indonesian responses in each regional institution.

**Nurturing ASEAN collectiveness**

For Indonesia, the first attempt to engage in ASEAN financial initiatives was in 1977 when Indonesia joined the ASEAN Swap Arrangement (ASA) along with 4 other ASEAN member countries (Singapore, Malaysia, the Philippines, and Thailand). Two years later, Indonesia even activated the swap facility amounting at USD 20 million as a prevention measure towards slower economic performance (Henning, 2002, 14). Following the ASA, Indonesia has also committed to the negotiation of financial issues under AFAS. During the Soeharto Administration, the commitment could be seen in the promptness of the government in adopting AFAS into the Indonesian regulatory framework. At that time, the government needed only 15 days to legalise the agreement as part of Indonesian regulation since the signing of the agreement, 15th of December 1995. Presidential decree No. 88 on AFAS was released by former president Soeharto by the 30th of December 1995. This regulation provided a legal basis for relevant authorities in Indonesia to work with their counterparts in ASEAN related services including the financial sector.

As mentioned in the previous discussion, the financial issue became a part of the AFAS negotiation process since the second package was started in 1998. In November 2002, President Megawati Soekarnoputri signed the Presidential decree No. 81 ratifying the second package commitments on financial services. The trauma of the AFC seemed to be a strong consideration for Indonesia to present a prudent position that delayed the ratification of the commitment. Rajan and Sen (2002) even argue that Indonesia basically did not make any specific commitment in financial services, as it only mentioned general conditions for the banking sector. Cautiously, Indonesia also stated in its schedule of specific commitment to maintain a right to withdraw, modify, and make
technical changes to the offer; a statement that was not provided by other ASEAN member countries.

In 2005, under Soesilo Bambang Yudhoyono (SBY) Administration, Indonesia has offered commitments in the areas of commercial banking business such as acceptance of deposits, lending, mortgage, money transmission services, and foreign exchange for the third package of financial services under AFAS. The offers showed the higher degree of Indonesian confidence toward liberalisation in the financial service, compared to the initial commitment. However, the commitment was just legalised by the Presidential Decree No. 51 in 2008, three years after the signing of the commitment. Further Indonesian commitments toward liberalisation in financial services under AFAS was marked by the release of the Presidential Decree No.6/2009 on the implementation of the fourth package of commitments on financial services. In its specific commitment of this package, Indonesia provided a very limited offer in factoring services.

In 2011, a progressive offer was made by the Indonesian Government in the fifth package of AFAS in which the government allowed foreign-service providers to hold up to 49 per cent of capital share in the form of joint-venture companies. This commitment is basically in addition to the existing Indonesian regulation that allows foreign investors to hold 99 per cent and 80-85 per cent of total capital shares of banking and non-banking domestic companies, respectively. This offer reflects the high degree of liberalisation in Indonesian financial sectors, not only in the banking sector but also in the non-banking sector. It can be said that Indonesia is too open compared to other ASEAN member countries in terms of financial services.

Despite the growing trend of financial service liberalisation in Indonesia, the contribution of this sector toward economic growth was limited. A study conducted by the Indonesian capital market and financial institution supervisory agency (Bapepam-LK)\(^2\) reveals that the financial service sector has not provided significant impact on economic growth (Bapepam, 2008).

Indonesia also established a National Surveillance Unit (NSU) in response to the ASEAN surveillance process, In general, the Indonesian NSU is aimed at (i). monitoring and analysing macro-economic indicators; (ii). mapping the relations among economic

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\(^2\) Bapepam-LK is the unit under the Ministry of Finance Indonesia, which has mandate to supervise and regulate capital market and financial service, excluding the banking sector. From December 2012, the mandate has been transferred into Otoritas Jasa Keuangan (OJK)/Financial Service Authority which is outside the Ministry of Finance.
sectors; (iii). conducting early crisis detection; (iv). and providing inputs for policy formulation (Syaifullah, 2006). The Indonesian NSU consists of two entities. For monetary and banking sector developments, Bank Indonesia (the central bank) has been in charge, while the Ministry of Finance has been dealing with fiscal and real sector developments (Anas & Atje, 2005,16). Within the Bank Indonesia, the surveillance process is divided into two parts. For monetary issues, the Directorate for Monetary Policy and Economic Research (Direktorat Riset Ekonomi dan Kebijakan Moneter) is in charge; while for banking sector, the surveillance is conducted by the Banking Division (Dewati, 2006, 28).

In the Ministry of Finance, the NSU was established in 2003. The establishment was quite late, since the ASP was inaugurated in 1998. The delay might correlate with the internal priority agenda as well as restructuring process within the Ministry of Finance in the wake of the AFC that took much attention from the ministry. The lack of human resource capacity and infrastructure were other reasons for the delay. Therefore, along with several ASEAN member countries, Indonesia sought ADB to support the newly Indonesian NSU.

Since there are two institutions that are in charge of dealing with the economic surveillance process in Indonesia, the Ministry of Finance and Bank Indonesia set a joint forum namely fiscal monetary coordination meeting (Syaifullah, 2006, 34). The meeting is a medium for both institutions to share their views as well as to reconcile the findings of the Ministry from the real or macro-economic sector, with the analysis of Bank Indonesia. Moreover, the output of the meeting will partly become joint inputs for policy making process in both institutions. Under the newly democratic regime, the Indonesian NSU has been providing economic analysis not only for the ASP but also for the ERPD of the APT.

APEC and intangible outcomes

In the early development of APEC, Indonesia contributed to formulate an important milestone in APEC’s history, namely the Bogor Declaration, at the 1994 Leaders’ Meeting. Not only being the host country of the declaration, Indonesia was also keen to support the core message of the declaration to build a free and open trade and investment in the region (Soesastro, 2004, 16). Soesastro adds that the Indonesian
Government even realised some points of the Bogor Declaration by deregulating trade policies in 1995 and 1996. Former Indonesian president Soeharto recognised that globalisation and trade liberalisation were inevitable and should be faced. The President frequently stated that like or dislike, ready or not ready, Indonesia had to face globalisation.

Indonesia’s expectations of the benefits inherent in joining APEC have dropped especially due to the lack of APEC support during the Asian financial crisis. As a victim of the AFC, Indonesia felt that APEC was not responsive and less effective to help the nation from the economic turbulence (Kuncoro, 2007). APEC even recommended to the strengthening of the IMF’s roles in tackling the crisis; a proposal that was eventually found not suitable for the Indonesian case.

The lack of concrete and pragmatic cooperation under the APEC finance ministers’ process is another reason behind the less supportive response of Indonesia. Until today, there are no concrete and unique products of APEC in relation to the three areas discussed in this paper so far. Although there are several discussions on financial issues, APEC finance ministers’ processes remain as a talking forum without clear outcomes.

The character of APEC as legally non-binding cooperation, also discourages member countries, including Indonesia to commit to specific issues. For instance, although Indonesia did not provide any improvements planned for financial services as a part of its Individual Action Plan (IAP), for 2010, this stance gained no pressure from other APEC member countries.

**Reaping more benefits from the APT**

For Indonesia, deeper regional cooperation and integration offer potential benefits and opportunities. Referring especially to finance, Indrawati (2007) underlines that the APT has proven an important forum in responding to financial crises as well as globalisation. Therefore, in recent years, Indonesia has encouraged the ASEAN Bloc to work closely toward East Asian financial regionalism. At the 2011 ASEAN Finance Minister Meeting (15th AFMM), the President SBY encouraged ASEAN states to unify and to be more competitive as a driving force for East Asian regionalism (Theo, 2011). This appeal is

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3 The whole Indonesia IAP for 2010 can be accessed through [http://www.apec-iap.org/document/INA_2010_IAP.htm](http://www.apec-iap.org/document/INA_2010_IAP.htm)
plausible since ASEAN member states could not stand alone to compete with their Plus Three colleagues that have higher levels of economic development.

In concrete support, Indonesia joined CMI in 2000 as the initial initiative of APT toward liquidity support arrangements. Under the CMI scheme, despite its contribution to the ASA amounting to USD 200 million, Indonesia further refined the CMI mechanism by signing several BSA agreements with Plus Three countries. With Japan, the agreement was signed in February 2003 with a total amount of up to USD 3 billion (MoF Japan, 2011). The BSA has been renewed and increased twice, and by 2009, the amount was doubled to USD 12 billion. In the same scheme, Indonesia also maintained BSA with China. The first BSA with China was signed in December 2003 amounting at USD 1 billion. Then, 2 years later, it was renewed and increased up to USD 2 billion (Jhaveri, 2005). With Korea, Indonesia has agreed to make a two-way BSA in which both Indonesia and Korea provide USD 2 billion as liquidity support assistance.

In further engagement with the APT financial initiatives, Indonesia signed the Article of Agreement of CMIM as well as contributing USD 4.5 billion in 2010. The signing was relatively quick despite complex administration and bureaucratic processes including coordination with Bank Indonesia (BI). The CMIM was viewed by the Indonesian Government as an alternative source for liquidity support as well as correction for the IMF as the existing international support fund (Rahmi, 2009). In the recent improvement of the CMI’s total size, Indonesia committed to double its contribution to CMIM (USD 9.104 billion). This commitment shows greater support from Indonesia toward the existence of the APT regional pooling fund.

To further respond to the CMIM Agreement, recently the Indonesian MOF and BI, along with LPS and the Indonesian Financial Service Authority (Otoritas Jasa Keuangan/OJK), established a Crisis Management Protocol (CMP) as a part of surveillance processes. The protocol is aimed at providing guidance and procedures to implement crisis prevention measures and national mitigation (Brodjonegoro, 2012). In practise, the protocol covers a surveillance process, exchange of information, the sharing of data, discussion among relevant institutions, and a decision-making process. It includes guidelines to make timely decisions as to whether the authorities need to declare a crisis, or a situation that may lead to crisis. The establishment of CMP is a complementary action supporting the existence of the NSU, as the main surveillance
unit in Indonesia. The CMP is also expected to be in line with the procedures in the regional initiative on economic surveillance, in order to create a better crisis mitigation process between national and regional arrangements that lead to systematic and simultaneous measures.

In terms of financial market development, Indonesia has contributed to the regional bond market development through credit enhancement regional bond issuance as well as harmonisation and standardisation of regulation and best practice. For credit enhancement, following the signing of the CGIF agreement in Tashkent, May 2010, Indonesia contributed USD 12.6 billion to the scheme (Suharmoko, 2010). The contribution that was disbursed in July 2011, was claimed as a minimal guarantee needed by Indonesian corporate bonds that are eligible to access the credit enhancement of the CGIF. The eligibility of Indonesia to access the CGIF could be larger since Indonesia has recently enjoyed the new higher credit rating of investment grade. The upgrade would potentially enhance the Indonesian corporate bond eligibility since ADB, as the trust fund of CGIF, uses the sovereign rating as one of its assessment criteria. Anggit Abimanyu, the former head of Indonesian fiscal policy office, has encouraged Bank Indonesia to use Indonesian reserves to further contribute to the CGIF as a long-term investment (Antique & Latif, 2011). Positive responses are also shown by the Indonesian private sector that perceived the CGIF as a stimulant to boost investors’ confidence and decrease level of risks (Darmawan, 2011). Although there have been no Indonesian corporate bond issuers who have already utilised credit enhancement from CGIF yet, this arrangement looks to gain positive feedback from market players.

Further Indonesian support toward regional liberalisation project under ABMI is shown through its engagement in the ABMF. In this forum, the Indonesian engagement is not only coming from the government side (represented by Bapepam-LK and Debt Management Office of the MoF), but also from non-state actors (represented by Indonesian Central Securities Depository/KSEI and Indonesian Stock Exchange/IDX). This composition reveals the strong commitment of the Indonesian market and regulators. Unfortunately, the early development of ABMF has not resulted in any concrete outcomes that push or encourage national regulatory agencies to harmonise or standardise their regulations or practice. Therefore, the Indonesian government has not transformed any instruments within its national regulatory system to accommodate
the harmonization and standardization of bond market regulations and practices under the APT framework.

CONCLUSION

Indonesia has joined numerous initiatives as part of East Asian financial regionalism. Among the initiatives, Indonesia has emphasised its concern about financial issues particularly in the wake of the AFC. The financial initiatives of ASEAN, APEC, and APT have been embraced by Indonesia in order to gain greater national economic sustainability.

Especially on the financial support arrangements, surveillance processes, and financial market development, it is found that Indonesia has considered ASEAN and APT as more important forums than APEC due to their concrete and tangible programs. This phenomenon supports the contention that Indonesia continually has maintained its involvement with ASEAN economic strategy to build a regional community.

On the broader level, the APT forum has attracted the Indonesian Government to further cooperate with Plus Three countries in the financial sector. For Indonesia, the APT financial cooperation has provided alternative resources not only for crisis prevention measures, but also for market developments. The concrete and tangible results of the APT financial initiatives have become strong incentives for Indonesia to further engage with the APT forum. The cooperation has gained positive responses not only from Indonesian financial authorities but also non-state actors.

The democratic wave is believed to encourage Indonesian financial authorities to be more active and opened in joining the East Asian financial regionalism. Considering its stable economic and political condition, it is predicted that Indonesia's democratic regime will continually attempt to reap more benefits from ASEAN and APT financial regionalism in the future.
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