



Indigenization of Global Trade Negotiation Model: Perspective from Southeast Asia

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[*Abstract*]

Over the last few decades, global trade activities showed a significant increase, resulting in a rise of the wider global economic growth. The achievement is partly due to the more integrated global trade system under global trade regime such as World Trade Organization (WTO) that standardized the practice of global trade. On the other hand, it could also be seen that regional trade negotiation became more important part of global trade activity. The trade negotiation itself was pushed and tailored by regional perspective, which indigenized trade agreement. This research aims to analyze the indigenization of ASEAN's trade negotiation model. How has the current trade negotiation model within the region represented indigenous needs and aspirations? This study also offers to revisit the conceptual framework in identifying the trade negotiation model to

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measure the indigeneity of Southeast Asian automotive industry's policy. This research concludes by explaining the case studies which measure the effect of indigenization to the practice of trade agreement in the region.

Keywords: indigenization, trade negotiation, trade agreement, Southeast Asia, ASEAN

I . Introduction

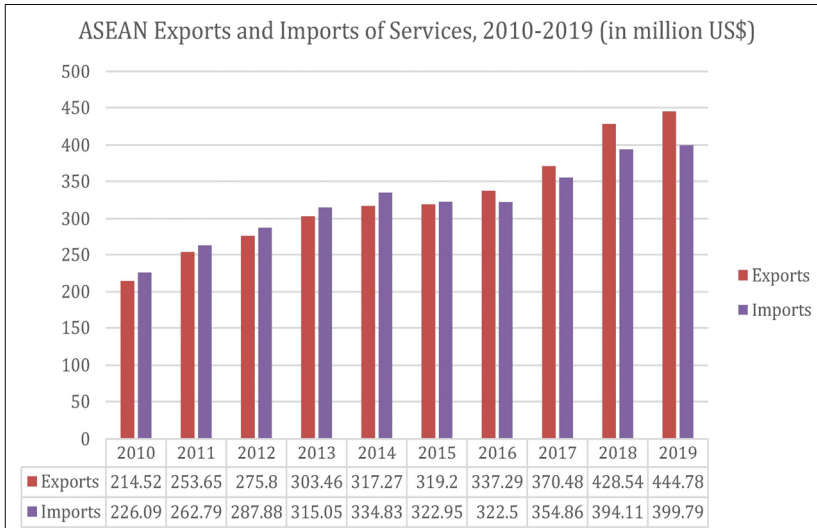
While Southeast Asia has a diversity of economic development within its region, the trends of regional trade are experiencing robust growth over the years. The ASEAN's trade in goods has increased from 6.5% to 7.2% of the global total trade in 2010-2018 (ASEAN Secretariat 2019: 18). In 2018, the trade intensity was much dominated by ASEAN's external trade, placing China, European Union (EU), United States (US), and Japan as largest trading partners. In such, trade within ASEAN's region was at 23% of the total trade, despite the establishment of ASEAN Economy Community (AEC) Blueprint in 2015.

The diversity also acts as obstacles that contribute to the slowdown of integration among ASEAN members (Salazar and Das 2007: 1–2). This challenge, also known as development gap, is explained as a situation where ASEAN encounters two speeds of development. Measured by the income, health, and education indicators, the development gap occurs between CLMV (Cambodia, Lao PDR, Myanmar, and Vietnam) and ASEAN-6 (Brunei Darussalam, Indonesia, Singapore, Malaysia, Philippines, and Thailand) (Cuyvers 2019: 2–4).

Regardless of these circumstances, the growth of trade in goods and services are perceived as key drivers of ASEAN's future economic integration, **as seen in Figure 1 and 2**. The growing trade intensity in Southeast Asia is in line with the proliferation of preferential trade agreements (PTAs) in the region, both in bilateral, plurilateral, and regional levels (Carroll et al., 2020, p. 200). Throughout the decades, ASEAN has developed PTAs with

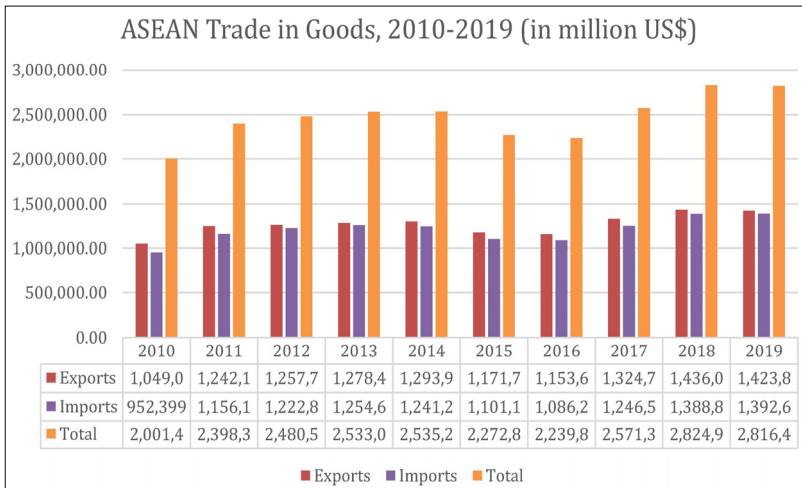
prominent trading partners, such as Australia, New Zealand, China, Korea, and India. These networks reflect the dynamism, ingenuity, and passion of ASEAN as the central actor in the region.

<Figure 1> ASEAN Exports and Imports of Services, 2010-2019



Source: ASEAN, 2019

<Figure 2> ASEAN Trade in Goods, 2010-2019 (in million US\$)



Source: ASEAN, 2019

Moreover, the growing trade agreements intensity attracted questions over the implementation, with particular emphasis in dealing with the technical barriers to trade (TBT). Neither the ASEAN plus trade agreements, nor ASEAN Free Trade Area itself can completely resolve the issue of TBT. As such, ASEAN has developed the approach of sectoral Mutual Recognition Arrangements (MRAs) to address this issue. Several negotiations of the MRAs have been concluded, which include electronics, cosmetics, and pharmaceutical products. Some agreements in other sectors, such as automotive, remain inconclusive.

Amid escalating numbers of PTAs and MRAs, the assumption that these arrangements suit the agenda of ASEAN economic integration have been put into question. Some argue that ASEAN must take a careful look at establishing a single market, which should be adjusted to the region's economic condition (Anwar 1996: 37–38). As market liberalization is much closely related to the Western approach, ASEAN is in a quandary of whether the current approach is suitable for economic integration. More specifically, given the existing negotiation approach such as PTAs and MRAs are copying from the global Western world, it underscores the need to assess the indigeneity of the model (O'Brien and Williams 2007: 122).

This paper aims to analyze the indigenization of ASEAN's trade negotiation model. How has the current trade negotiation model within the region represented indigenous needs and aspirations? The first section sketches the discourse of indigenization in social science. It is used as entry point to explore indigenization in the context of the study. It also alludes to the discussion over the economic and non-economic factors of free trade agreements. The rest of the paper is as follows: the second section presents the case study, analyzing the negotiation of ASEAN's MRA over automotive industry. The third section identifies the indigeneity of ASEAN's trade arrangement approach. The final section offers conclusions.

Interpretive qualitative research methods was employed in this study for data analysis method. As these methods emphasize the inclusion and dialogue with stakeholders, the paper analyzed the

data gathered from literature and field research (Creswell et al. 2006). To filter out the discourse of indigenization, the paper developed an extensive literature review and analysis. To increase the validity of the findings, in-depth interviews were also used as instrument to measure the perspective from various actors. To be more specific and systematic, these actors include Indonesia's policy makers and related stakeholders in the national automotive industry.

II. Defining indigenization in trade politics

In the context of trade politics and the wider global political economy, indigenization means a transformation to suit local culture (Lijuan 2010). According to Lijuan, the purpose of indigenizing is to transform things to align with the local culture, from an anthropological perspective. In the context of the automotive industry, and from the perspective of global politics of trade and investment, Kim (2010) elaborates on how the indigenization of trade policy influence flows of foreign investment. Further, Kim also inquires about how foreign direct investments should fit to local culture.

As far as social science is concerned, definitions of indigenization are primarily Western-oriented (Alatas 1993: 308–310). This is related to the divide of economic development in the world at large, where many terminologies depict a dichotomy, such as North and South as well as developing and developed countries. While economic development is shaped by the overall income and education level, it also conforms with the fact that the developing world is lacking in indigenous approaches to research and innovation. Thus, the clear need for it in developing countries.

Alatas outlines different levels of indigenization in the social sciences. First, in metatheoretical level, emphasizing on the role of the ontological, epistemological, and ethical assumptions in shaping social science; second, in the theoretical level, where indigenous historical contexts and cultural practices underlie the creation of new concepts in social science; third, at the empirical level where indigenization is best placed as a model to investigate pre-existing

problems in the Third World previously neglected; and fourth, at the level of applied social science, which focuses on the policy plans and priorities, as well as the collaborative works between voluntary organizations, non-governmental organizations, and the government themselves (1993: 312). This study aims to utilize the empirical level to approach the research question.

Discourse of indigenization is however often misunderstood as nativism, where the Third World countries are expected to express wholesale rejection the Western thought. This view is not applicable to the context of trade diplomacy given the interdependency among countries. As this paper pragmatically contextualizes indigenization, it is considered here as not an opposition of Western thought, but rather a selective adjustment to the indigenous aspirations and needs (Alatas 1993: 311). It is a blend of knowledge, values, and skills from foreign, traditional, and emerging practices (Yan 2013: 21–22). This pragmatic approach suits this study, where indigenization is not at odds with globalization. Instead, indigenization is the local interpretation of global values, a bridge between Western thought and local values.

The pragmatic approach of indigenization, therefore, provides a strong basis for further identifying indigenization in trade politics. It has been commonplace to assume that current global trade is predominantly shaped by the Western values and thought. Most of the best instruments of the trade liberalization, such as PTAs, MRAs, as well as dispute settlement mechanisms are admittedly evolved from Western practices, particularly the US and the EU. Throughout much of history, this approach is uncritically widespread in the practice of global trade. The proliferation of trade agreements over the decades are the evidence of Western influence (Dingwerth and Weinhardt 2018). In 2020, the number of PTAs in force has reached 305 agreements, which speeds up the trade liberalization agenda but at the same time makes the risk of the spaghetti bowl effect unavoidable (Lamy 2014: 65–66; World Trade Organization 2020).

The uncritical acceptance of global trade models from Western thought has raised some concerns. A number of previous studies identified that trade agreements only secure a suboptimal economic

outcome for some regions and encounter sociocultural challenges at the local level (Cherry 2012; Cuyvers 2014; Islam et al. 2014). More broadly, the views that the current global trade approaches need a major change also emerged from the environmental perspectives, given the inevitable adverse environmental impacts of global production chains (Ciccaglione and Strickner 2014: 151–152).

Critical views of the current global trade system have also been raised, in response to the technical aspects of the trade liberalization, such as MRAs. Pelkmans highlights the critical response from European industrial confederation towards MRAs, claiming that such arrangements is far from easy (2005: 86–88). He further argues that the mutual recognition approach is not always the answer to the needs of business groups. Trade arrangements using MRAs come with obstacles: implementation may be difficult to measure; there may be no detailed guidelines on arrangements; principles may not be understood and adopted fully; potential drawback through relatively high costs, both economically and non-economically, particularly in monitoring process of MRAs; the slow and long process of MRAs dispute settlement, as seen in cases heard at the European Court of Justice (ECJ); and the complexity of implementing MRAs, which undergo multi-interpretation of arrangements (2005: 103–105).

Moreover, as multilateral agreements, MRAs are also at risk of vested interests at the level of governments. Multilateral agreements in the economic sector are prone to being shaped by narrow political interests, as may be seen in some cases involving the EU. The agricultural subsidies, for example, was based on French and Italian interests. It was crafted to balance Germany's power over the manufacturing sector (Vaubel 2013: 242–244).

The political and technical constraints of MRAs underline the fact that such an approach is less beneficial on the diverse economic region, such as Southeast Asia. The EU, instead, employs MRAs as approach for economic integration since the region has relatively no significant gap of development among its member states. Unlike the EU, the Southeast Asian regional development gap has a potential risk to restrain MRAs from its optimum outcome.

However, ASEAN has adopted sectoral MRAs to bridge \ economic integration within the region. This approach is not only a wholesale imitation from the EU, but also welcomed by most ASEAN member states, despite the uncertainty of economic outcome.

III. The long journey to economic integration: a case study from the automotive industry

The automotive industry is one of the most politically sensitive sectors. In the trade agreement negotiations, concessions are often made on the automotive industry at the last minute (Kim 2010). As such, it is important to note that this case study fits the picture of wider trade negotiation dynamics in the Southeast Asian region. Despite critical standpoints presented in the previous section, MRAs are received favorably by ASEAN member states. ASEAN has embraced the MRAs through the signing of the ASEAN Framework Agreement on Mutual Recognition Agreements (MRAs) in 1998. The association asserts that MRAs would benefit manufacturers and the wider business groups by reducing the cost; providing greater certainty on market access; increasing competition and innovation; and creating a freer flow of trade (ASEAN Secretariat 2012).

The ASEAN's endorsement of MRAs has attracted its member states to conclude negotiations on cosmetic, electronic, services, and pharmaceutical sector. Meanwhile, MRAs on service sector experienced difficulties in the level of full implementation. These arrangements have been signed from 2005 to 2014, involving engineering, nursing, architectural, dental, and medical practitioners, tourism professionals, and accountancy services. ASEAN encountered key challenges in implementing MRA for medical practitioners, given the restrictions applied in some countries that limit the practice of foreign medical doctors. For instance, the Philippines, though issuing temporary permits, enforces significant restrictions over the length of stay and the type of practice for foreign medical doctors (Mendoza and Sugiyarto 2017: 21–22).

More recently, ASEAN member states have also entered the final negotiation phase of MRAs on Type Approval for Automotive

Products (APMRA). The arrangement should have been signed by 2020. Through APMRA, technical barriers to trade in automotive sector are expected to be eliminated. However, the negotiation faltered as Vietnam adopted protective measures through the Decree of 116/2017/ND-CP regarding Requirements for Manufacturing, Assembly and Import of Motor Vehicles and Trade in Motor Vehicle Warranty and Maintenance Services. This policy prevents Vietnam's trading partners from exporting automobile products without issuing Vehicle Type Approval (VTAs) certificates. The VTAs are required to confirm that the automobile products met the specified standards on consumers protection, human health, and safety protection of environment (European Commission 2018). As a result, ASEAN member states such as Indonesia and Thailand encountered obstacles in exporting Completely Built-up (CBU) products. Similar circumstances have also been reported by European countries as Decree 116 nearly stopped CBU exports to Vietnam (VIR 2018).

To analyze the stakeholders' perspective on APMRA in Indonesia, in-depth interviews with the business groups and government official were undertaken by this study. The business groups, represented by the Association of Indonesian Automotive Industries (GAIKINDO), argued that the Decree 116 caused unforeseen impacts, including the delay on loading time, ranging from 7 to 35 days. Because of this, CBU exporters must also prepare specific units of each type for vehicle testing and road tests. In the context of APMRA, GAIKINDO is also frequently involved by the Indonesian government during the negotiation. However, the association was mum in articulating its interests, as well as their aspirations about APMRA. GAIKINDO also takes a careful approach in representing the automotive industries by underlining the non-profit intention of the association. Instead, GAIKINDO acts as hub in the automotive industries network, emphasizing the economic cost of Decree 116. APMRA is not part of their concern. GAIKINDO has adopted a soft approach in lobbying for the industry.

While GAIKINDO's gesture appears uncritical to the government approach on APMRA, the government is of the position that APMRA is best tools to eliminating technical barriers on automotive industries. Two interviews were carried out from

different portfolios, including the Indonesian Ministry of Trade and the Indonesian Embassy in Hanoi, Vietnam. The Indonesian Ministry of Trade understands that the APMRA negotiation requires extra time and effort to conclude. It also expresses no critical views on the decision to pursue the diplomatic approach through multilateral arrangements. Indonesia has specified no policy against Decree 116, and instead focused on the negotiation of APMRA, assuming that such technical measures will be scrapped once the arrangement is signed. The ministry also confirmed the collaborative work among various government departments over trade diplomacy, where the Ministry of Foreign Affairs plays an important role. The Indonesian Embassy in Hanoi, through its Trade Attaché, also pursues a diplomatic approach and acts as an extension of the Ministry of Trade. The embassy, however, takes a broader approach with rare attention to the details of the APMRA negotiation.

The findings of the stakeholders' views on APMRA highlights the fact that both government and business groups pay little attention to revisiting the existing trade diplomacy tools and strategies. While business groups somewhat hesitate to put pressure on the government, MRAs are perceived as a panacea by the government to address issues on technical barriers to trade. Multilateral agreements keep the government safe and within its comfort zone. It serves as a protective shield to counter opposition in domestic politics, as multilateral recognition projects more authority (Vaubel 2013: 245–248).

IV. Indigenization of Southeast Asian trade negotiation model: paving the way

Most of trade negotiation models, including PTAs and MRAs, adopt traditional approaches in identifying the variables. Some variables such as economic interdependence, outcome valuation, non-agreement alternatives, institutional constraints, and political support, contribute to the shape of trade negotiation model. These variables were used to analyze the negotiation of the Comprehensive Economic and Trade Agreement (CETA) between Canada and EU.

Alternative views in creating a conceptual framework for trade negotiation model also exist, emphasizing the role of marginal interdependence, outcome valuation for multilevel negotiations purpose, elasticity of political commitment regarding contested provisions, interjurisdictional constraint, and multi-stakeholder support (Duchesne and Morin 2013: 6–8). This framework, however, applies to negotiations among countries with relatively the same levels of progress on social and economic development (Devereaux et al. 2006: 72). Outcome valuation as a variable, for example, is hard to measure among countries with big development gaps. It would also be difficult to use the framework to identify the aspirations of the government, as it focuses on the identification of technical aspects of the agreement.

This study revisits the conceptual framework in identifying trade negotiation model to measure the indigeneity of Southeast Asian automotive industry’s policy through APMRA. This study offers seven substantive variables to shape determining factors of the trade negotiation model, which include: values, motives, actors, interaction, strategy, process, and outcome. Each variable plays equally important roles in revealing the indigenous values of the negotiation model.

<Figure 3> Determining Factors of Indigenization on Trade Negotiation Model



First, values represent the norms underlying the element and determining the motives and standards. In the context of ASEAN, the values are reflected by mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations (ASEAN Secretariat 2016). All levels of regional policy making within the association are derived from these values. It also inspires the soft approach in policy making, through which voluntarism and informal agreement play dominant role in ASEAN, unlike the formal legalism approach adopted by the EU (Wunderlich 2012: 655–657). The procedural norms in ASEAN are shaped by the principle of consultation and consensus, with informality as the main character. A consensus is made as an effort to compromise with the diverse points of views of all member states (Chew 2018: 104; Nischalke 2002: 93–94). In the APMRA context, the fact that pre-existing MRA in the services sector fail to implement consensus and one single standard demonstrates the incompatibility of MRAs in ASEAN.

Second, motives variable depicts the general attitude among policy makers. The history of ASEAN is much shaped by precautionary security approach, anticipating the rivalry of the two great powers in Asia (Bilal 2016: 172; Indorf and Suhrke 1981: 65–66). In such, the association was not prepared and necessarily ready to deal with economic integration. Over the decades, ASEAN's achievement can be seen in safeguarding political and security stability, in line with its initial *raison d'être*. The policy for economic integration, therefore, is characterized by the effort to narrow the development gap, rather than persuading the improvement of the quality of life. It can be seen from the time-consuming negotiation of APMRA which merely focuses on bridging the technical regulation gaps and neglects the broader purpose of integration.

Third, actors variable demonstrates the role of multi-stakeholders in policy making. This could be the varying levels within government or the diverse background of the actors, including government, business, and civil society. Business groups, in particular, play the main actor in society-centered approach, which shapes the direction of government policy (Oatley 2018: 277–278). In the ASEAN, the policy making process involves all levels of

government, comprising of heads of government, ministers, and committees. Involvement of non-governmental actors are also important in providing insights and technical details in policy making. It has been commonplace to find unresolved issues in the process of formal legalism over ASEAN economies, as it is characterized by complex issues on development (Austria 2012: 144–146). In the context of APMRA, the role of multi-stakeholder actors prevails. However, the findings in APMRA negotiation reveal that each actor has insufficient intention to create synergy among actors to gain optimum outcome.

Fourth, interaction variable reflects the patterns of interrelatedness among the actors. It could be within the region or the wider level. The interaction of trade negotiations in ASEAN is much shaped by the role of economic diplomats who have successfully attracted external and more powerful trading partners (Broome 2014: 88–89; Selmier II and Oh 2013: 240). However, it has always been the case when the setting of negotiations is within the region, more obstacles mount up. This variable is precisely seen in the negotiation of APMRA, as countries with emerging automotive industries such as Indonesia, Vietnam, Malaysia, and Thailand have competing interests in optimizing the Southeast Asian market access.

Fifth, strategy variable defines the initiatives of the actors to set plan of action in securing the trade deals. For ASEAN, two concurrent strategies are deployed in achieving economic integration, proposed as looking outward and looking inward. Looking inward consists of policy priorities in narrowing the gap within ASEAN, given that the region is not endowed by homogenous economic performance. Issue on CLMV remains important for ASEAN to resolve in order to create equality in economic development (Furuoka 2019: 694–695). The looking outward strategy can be seen from the concept of the ASEAN centrality, emphasizing the role of ASEAN as leader, convener, convenience, and necessity (Mueller 2019: 180–182). This concept, however, is under strong scepticism, as in fact it is inevitable to perceive the proposition of centrality as subordinate of East Asian regionalism. The strategy in the context of APMRA tends to falter on looking inward, as mutual

recognition is aimed to reduce the technical barriers among ASEAN member states.

Sixth, process variable explains the progress of trade negotiations undertaken by the actors. It focuses on how the actors attempt to assure the compliance of the rules from existing trade regimes, while at the same time also to undertake selective adaptation to their indigenous needs. The ASEAN wholesale imitation of European style of APMRA negotiation model reflect one side of this variable. However, the adjustment of the model to the needs of the ASEAN member states is far from sufficient. Interestingly, the trade approach of ASEAN are somehow less helpful in assisting the region to deal with the current shaky global structures, including the emerging regional challenges raised by China and India (Guan 2004: 77–78).

Seventh, outcome variable portrays the expected result of trade negotiation, which could possibly weigh more on economic gains or non-economic gains. It is important to include non-economic gains in the trade negotiation, as ASEAN has failed to link PTAs with tangible economic integration. More importantly, the fact that bilateral PTAs of ASEAN member states with extra-regional partners look more attractive than ASEAN's own arrangements should be treated with caution (Ravenhill, 2017: 146, 2008: 477–480). The negotiation stage of APMRA provided little interest in exploring non-economic outcome, given the EU-like style of arrangements.

The seven variables above consider current trade negotiation models in Southeast Asia to be incompatible to indigenous needs and aspirations. The case study of APMRA negotiation and the experience of Indonesia show this. There is an apparent risk in the future if the trade negotiations in Southeast Asia remain in status quo.

V. Conclusion

Through the case study of the automotive industry, this study argued that there is an urgent need to accelerate the indigenization

of trade negotiation models that fit the needs of Southeast Asia. It has highlighted the fact that the conceptual framework of indigenization in political economy is far from enough. The study has also uncovered the need to develop indigenization theories in the field of sociology and the wider social science.

We have the following insights to offer. First, this research has set an alternative conceptual framework to identify the indigeneity of trade negotiation model. Seven variables in the framework were proposed, comprising values, motives, actors, interaction, strategy, process, and outcome. In the ASEAN context, many PTAs and MRAs negotiations oppose ASEAN values and motives. The variables from the proposed conceptual framework have also identified that APMRA negotiation represents insufficient indigenous aspirations, specifically from the context of ASEAN as regional institution.

Second, while this study does claim to represent the big picture of indigenization of trade negotiation models, it proposes an initial tool to study indigenization in light of political economy. Further examination of the conceptual framework is necessary to advance the development of indigenization.

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