

## Why (Not) Understanding Economic Liberalism From Public Opinion? Indonesia and Malaysia Compared

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### ABSTRACT

Globalizations has emerged as fascinating medium for stimulating trade across nations and borders, improving economic progress for human-kind. Moslem majority countries are not an exception from this development. This global phenomenon also shaped scholar interests for studying relationship between religious believers and market behaviors based on varieties of social sciences. A wealth society is more likely favoring economic freedom and faithful of liberty values.

Understanding the people preferences and attitude for selective issues was a first step to a more comprehensive knowledge by approaching economic liberalism from individual level. With the emerged of global trade war and creeping protectionism as severe consequences of government intervention, this paper would aim to compare and discuss findings from Malaysia and Indonesia.

Primary data sources were from two national surveys in Malaysia from 2016 and 2017 conducted by the Merdeka Center and a national survey in Indonesia conducted by CSIS Indonesia. Indonesia and Malaysia had experienced two major economic crisis of Asia Financial Crisis 1998 and Global Financial Crisis 2008-2009. Lesson from two event are extremely valuable and profound for scholar. Historical context provided several lesson learned: external crisis was critical momentum that would altered trajectory of political and economy of a nation. Crisis also provided a good momentum to push political economy reform forward as exemplified in Asia Financial Crisis 1998. From the survey, findings revealed tendency for more government intervention in the form of government subsidy and protection from foreign workers.

**Keywords:** *public opinion, trade and economic openness, Indonesia, Malaysia, Comparative Analysis*

### INTRODUCTION

“Indonesia was born a free tradet yet is consistenly reluctant to accept globalization.” (Basri 2012:46)

“regardless of their original rationale or intent, many SOEs have undoubtedly become problematic and often inefficient” (Sundaram, 2018)

Globalizations has emerged as fascinating medium for stimulating trade across nations and

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borders, improving economic progress for human-kind. With the spread of market economy or a capitalist economy embraced, the impact to society was tremendous: millions lifted out of poverty, improved quality of living, transform social relations and changing to compliment real world standard (Sally, 2016). Despite of material progress due to globalizations and flourishing market economy However, anti-globalizations and tendency for protectionism (creeping protectionism) are on the rise again (Damuri and Pangestu, 2018).

I begin this part from theoretical underpinning *first*, book of Acemoglu and Robinson (2012) and *second* a conference's book of Harisson and Huntington (2001). Acemoglu and Robinson's book (2012) reaffirmed the importance of political and economic institutions as source of nation origins for prosperity of poverty. They depicted that inclusive political institution and inclusive economic institution rather than geography and culture as contributing factors for a nation to be more prosper and progress of economic materials. On the other hand, Harrison and Huntington book (2001) had reexamined questions of countries economic performance related to ethnicity and the role of cultural values played to be driver for development in three sphere political, economic and social issues. Harrison and Huntington persuaded readers on how to build cultural values that foster human progress. In the same time, leave negative culture which made human regress.

From two school of social scholars namely the institutional school and the cultural school, we could understand culture which embedded in a society for many years and decades was not easy to alter. Culture is always difficult to change without proper incentive from force outside an individual. Yet, with establishment and developing political and economic institution which support reform plan, a country could made enormous improvement from time to time. This paper present two comparative case from Southeast Asia region – Indonesia and Malaysia.

Before elaborate more on comparative political economy of two muslim majority countries, it is also urgent to look back this conference paper of El Moussaoui (2014). Why his paper is crucial? Because he provided with deep analyses on importance of trust and why free market is weak in the islamic world or muslim majority countries. He continued that people have not the freedom to choose their goods and services due to many factors such as monopolies, heavy taxation, protectionism and others. For El Moussaoui, weakness of market economy clearly was symptom of lack of economic freedom. Therefore, in order to strengthen market economy required the economic freedom as necessary conditions such as: (1). limiting size of the state, (2). consolidating rule of law to protect property rights and (3). ensure contract enforcement, fostering competition among all market participants.

In order to achieve the novel remedies for strengthening market economy in my opinion, it also require more profound understanding by approaching economic liberalism from public support. It could be understand through rigorous public opinion. My thesis in this paper is that ***without support from individual for market and institutional reform, economic liberalism was only a visionary***. Therefore, it is profound task to understand the people preferences, attitudes, and choices was a first step to a more comprehensive knowledge on what economic liberalism notion meant for them. Indonesia and Malaysia are two founding member of Association of Southeast Asian Nation (ASEAN). ASEAN establish in 1967, was initiated to achieve regional stability in politics and security. 25 years later, ASEAN continued its journey with establishment ASEAN Free Trade Agreement (AFTA) in 1993. AFTA was aimed to accelerate its economic cooperation toward a deeper regional economic integration (Damuri and Rafiriandi, 2017).

Beside ASEAN member with AFTA as environment context for Indonesia and Malaysia, I argue that there is a mixture of economic and political reasoning. Political reasoning involve with electoral democracy and political freedom both countries enjoyed. This study time frame is after the Asian Financial Crisis (hereafter AFC) up to present. By

selecting period of twenty years (1998–2018), my paper would provide broad pictures of political development and economic progress. This year of 2018 for Indonesia has marked its 20 years old of reformation era began with the fall of Soeharto New Order Regime. And as for Malaysia, 2018 will be remembered as political tsunami happened at the Malaya peninsula that its incumbent government known as coalition of National Front (Barisan Nasional) was defeated by Coalition of Hope (*Pakatan Harapan*) formerly People's Alliance.

In addition to political reasoning, both economy is exposed to trade war that America began escalation of tension for imposing higher tariff for China's product. When we look at World Trade Organization (WTO), WTO reported a significant increase in the number of trade-restrictive measures introduced by G20 Countries, from a total of 381 in October 2010 to 1,671 in October 2016 (WTO 2016:4). Although, both countries had experienced economic transformations during 1970s, 1980s and 1990s. The economic transformations resulted growing of Muslim middle class that the new middle class face distinct challenges of identity maintenance (Pepinsky, Liddle and Mujani, 2018). Other economic factor play vital role is economic faces of globalization. Globalization has its own consequences and it had transformed Muslim identity (Khoo and Hadiz, 2010 among others). Lastly, government roles in business played the significant actors within Indonesian economy approximately around 30 percent of total market capitalization in Indonesian Capital Market (Katadata 2017) and for Malaysia economy the number even higher estimated 42 percent of total market capitalization of all public-listed firms (Gomez et al, 2018).

Therefore, economic reasons consist of several factors: decline global free trade, growing of Muslim middle class and steady government role in business indicated by presence of State-Owned Enterprises (SOEs)/Government-Linked Companies (GLCs). It combines with political reasons which are how this twenty years of Indonesian start reformation and this year Malaysia new government incoming, I argue this article is highly relevant and timely manner. By comparative, I mean for presenting the public opinion survey of two credible pollsters. This trend for surveying individual had foundation of political liberty. Before 1998, there is no political freedom in Indonesia. Then, it is impossible to ask opinion from individual freely. I may continue to argue that public opinion is an outcomes from political liberalization occurred twenty years ago. In order to discuss further, my paper asked two main questions: **first**, what is the historical context of Asia Financial Crisis 1998 for Malaysia and Indonesia and why AFC could explained changes and continuation of political environment and economic structure of two compared country. **Second**, how is the public opinion survey from Malaysia and Indonesia tell us about economic liberalism especially with free trade, economic openness and international economic cooperation and globalization and what lesson learned could be drawn.

I arrange the paper as follow: Part I is introduction, Part II depicts a literature review from economics studies and political scientist on individual preferences influence political process that shaped policies on trade and government role in an economy. I also highlighted sociologist view with regard to economic transformation. Variety of social science paradigm and methods– economist, political scientist and sociologist- present in this sector to provide rigorous framework to understand the issue clearly.

Part III discuss Indonesian and Malaysia in comparative perspective. Part III elaborate environment and historical context that shaped current trend of individual preferences. This section also discuss two major crisis – the AFC and Global Financial Crisis of 2008 and how it influenced the two economy. Part IV present of public opinion survey begin with the Center for Strategic and International Studies (CSIS 2017) and the Merdeka Center (Merdeka 2016 and 2017) with discussion based on literature review and historical context. In last part V, I will provide conclusion.

## LITERATUR REVIEW

Economic liberalism discussed in this paper emphasizing two aspects: free trade and government role in economy. Since there is ample theories of international trade policy, I begin to present what previous study said of the free trade. Neoclassical trade theory firmly postulates that free trade **is beneficial** for a country and the world, but **there are** gainers and losers from free trade. Based on Neoclassical trade theory, literature on formation of the individual preferences provides two major explanations for people trade policy preferences as illustrates Figure 1 below:

Figure 1 Comparative Advantage and Specific Factors



Source: Damuri and Pangestu (2018: page 111-112)

Based on first explanation of comparative advantage, implication could be draw that individual would then base their perception of trade policy on the factor of production they owned. Therefore, in a capital-abundant country, the owner of labor **would be the loser** so he would **negatively perceived** free trade. Contrary to first, second explanation of the specific factors: the owner of factors production would base their preferences on **how openness affects their industries**. Studies cross country of Mayda and Rodrik (2005) found out that trade preferences at individual level closely follow comparative advantage of Heckers-Ohlin model. But other study for example Busch and Reinhardt (2000) found that trade policy preferences of American manufacturing workers can be explained by comparative advantage of the industry they work, meaning supporting the specific factors of Richardo-Viner model.

It also relevant to present study from Mansfield and Mutz (2009) here. Their study findings were interesting to compare with Mayda and Rodrik also wih Busch and Reinhardt. Mansfield and Mutz argued that the distribution gain from trade to the factor of production does not have major effect on individual preferences, rather than people's perception of the benefits of trade for the economy in general that determine their opinions. Thus, they find that ethnocentrism and foreign policy attitude also effect people attitude toward openness.

I also add policy based<sup>2</sup> literature from Patunru and Rahardja (2015: 8-12), they argued that there are number of factors have played a role in reemergence of inward looking in trade (protectionism). Those factors can be summarized as follow: (1). Exchange rate movements – rule of thumb plays here when the real exchange rate appreciates, export becomes more expensive. To compensate for reduced demand, sectors that produced traded goods **often** ask government protection (tariff or non-tariff measures). (2). A drop in

<sup>2</sup> Writers published their paper for The Lowy Institute for International Policy is an independent policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia – economic, political and strategic

Indonesian competitiveness after Global Financial Crisis 2008 commodity boom made export nearly tripled and revise in 2013 end of commodity. (3). It related to the trauma with International Monetary Fund (IMF) in the wake of AFC 1997-1998. IMF's tight money policy during monetary crisis worsen domestic economic situations for Indonesian state, private sector and people as well. (4). Character of new Indonesian President Joko Widodo. Prior to be the 7<sup>th</sup> Indonesian President, Jokowi was governor of Jakarta and mayor of small city around a million inhabitant. He was well known for his success there and chose 'the heterodox approach' toward development (5). The use of active industrial policies in many emerging East Asian countries, which *may* have prompt Indonesia following the path.

In conjunction with economist, I present what the political scientist opinion on the growing literature for public opinion. As argue by two prominent Indonesianis who recently launched new book "Piety and Public Opinion" – Tom Pepinsky, William Liddle and Saiful Mujani (hereafter PLM) a renowned political scientist, that their study is not the first to drawn on individual level public opinion to study Indonesian politics or Indonesian Islam<sup>3</sup>. Moreover, they appreciate strength of survey based approach are standardization, comprehensiveness and representativeness. With data from survey, they could test relation between piety and many faces of Muslim attitudes regarding their political choices, their market behavior of Islamic products and Muslim attitude toward world affairs in general. What I found interesting from their book is their effort to develop what so-called piety index.

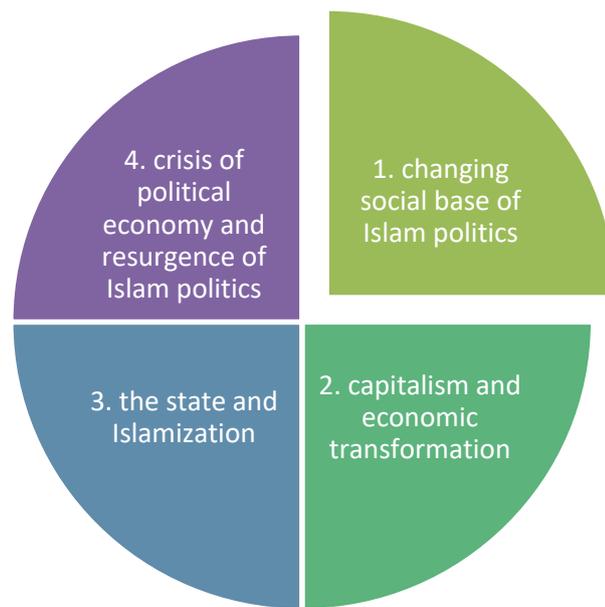
Although defining piety or "religiosity" is so difficult; But PLM followed the path of conceptual foundations of religiosity that was initiated by Steven Fish through his book "Are Muslim distinctive? A look at the evidence" released in 2011. Fish research attempts to compare religiosity between Muslim and non-Muslim using World Value Survey various edition. Later, PLM constructed indicators of piety such as: religion is important, think about religion, prays at obligatory daily times, fast during Ramadhan, studies or read the Qur'an, attends communal religious meetings, participates in ritual prayers for the deceased (*tahlilan*), and pays zakat after Ramadhan. After constructing piety indicator, PLM postulated what they measurement of piety index after considering dimensionality, breadth and *Aliran* and ethnicity (PLM 2018: 33-51). To my knowledge, the piety index was developed with Islam Indonesia local context and have not try to expanded to other Muslim society.

Final contribution for this literature review to be added came from sociology. Khoo and Hadiz (2010) depicted how Islam influenced politics or also familiar by term of Islam politics in two Muslim-majority countries of Southeast Asia, Indonesia and Malaysia. Although their paper was considered broad focus that is on Islamic politics trajectories with four basic factors intertwined among four factors below. They conclude that "Islamic politics cannot be divorced from the contemporary and secular needs of those who articulate variants of that politics." (Khoo and Hadiz, 2010:26)

Figure 2 Four Basic Factor

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<sup>3</sup> An important story to add here, Saiful Mujani explained during his book launch that public opinion survey began for his dissertation writing on Muslim Democrat with supervisor from William Liddle and later Tom Pepinsky joined their teams. Saiful Mujani also emphasized that first public opinion survey occurred during the election of 1999, they monetized the momentum of first election in reformation era.



Source: Khoo and Hadiz (2010:4)

Indonesia new order economic growth was approximately 7,5 percent per annum (1967-1997) with less political freedom and power of politics lied at President Soeharto and his cronies. Nevertheless, economic development had transformed the chronic drop out country in 1966 into lower middle income country. Malaysia had experienced even more spectacular economic growth, it had grew sustain 9 percent per annum (1988-1997). Sundaram and Wee (2014) divided Mahatir's regime into three phases, 1981-1985 *new roles for the states*; 1986-1997 *inducing private investment*; and 1997-2003 *crisis management*. Malaysia currently is consider upper middle income country. Asia Financial Crisis 1998 was a remarkable event that charted two different trajectory for this two allied country.

## INDONESIA AND MALAYSIA: A COMPARISON

This part present Indonesia and Malaysia in comparison, there is urgency to understand historical context in order to chart better explanation prior to present the public opinion survey. History is a structural recording of an articulate resultant political and economic power from the past (Ali, 2018). A common sense explains the importance of historical context: *whoever controls the past controls the present, whoever controls the present controls the future.*

The comparison start with performance of Indonesia and Malaysia using Economic Freedom Index of the Fraiser Institute. Economic Freedom Index provided empirical evidence how a country performed economic performance in the past. Back to the past in 1995 Indonesia ranked 29<sup>th</sup> among 115 nations in terms of economic freedom, down from its place in 1985 (ranked 15<sup>th</sup>) and in 1990 (ranked 13<sup>th</sup>) (Gwartney, Lawson and Block 1996:116). The level of economic freedom in Indonesia 1995 was still higher than in Denmark, France, Italy, Spain, Sweden, Greece, India, Bangladesh and Nepal. It was about the same level as in Belgium, Germany, Peru, Uruguay and Oman (Feng 2003:268). However, Indonesia's potential gains of economic freedom were compromised by its lack of political freedom.

For Malaysia, level of economic freedom was not declined fast rate. In 1995 Malaysia

economic freedom rank 23<sup>rd</sup> drop from rank in 1990 14<sup>th</sup> and 1985 rank 15<sup>th</sup>. Nevertheless, Indonesian and Malaysia dropped their rank and quartile after the AFC 1998. In 2000, Malaysia level of economic freedom ranked 67<sup>th</sup> and Indonesia economic freedom ranked 90<sup>th</sup> and both countries were in 3<sup>rd</sup> quartile. Table below provided complete picture of economic freedom for each country. It also presented five indicator of economic freedom: (1). Size of government; (2). Legal system and property rights; (3). Sound Money; (4). Freedom to trade internationally; (5). Regulation

Year	Countries	<b>SUMMARY INDEX</b>	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to trade internationally	5 Regulation
1985	Malaysi a	<b>6.89</b>	5.56	5.75	8.38	7.93	6.96
1990	Malaysi a	<b>7.27</b>	6.26	5.94	9.00	8.26	7.00
1995	Malaysi a	<b>7.47</b>	6.92	6.04	9.11	8.33	7.04
2000	Malaysi a	<b>6.75</b>	6.08	5.12	8.15	7.34	7.04
2005	Malaysi a	<b>6.85</b>	6.03	6.21	6.60	7.39	8.04
2010	Malaysi a	<b>6.85</b>	6.13	5.72	6.52	7.49	8.39
2015	Malaysi a	<b>7.14</b>	6.80	5.76	7.01	7.51	8.64
2016	Malaysi a	<b>6.91</b>	6.86	5.76	5.79	7.54	8.61

Source: EFW 2018 download from this link: <https://www.fraserinstitute.org/economic-freedom/dataset?geozone=world&page=dataset&min-year=2&max-year=0&filter=0>

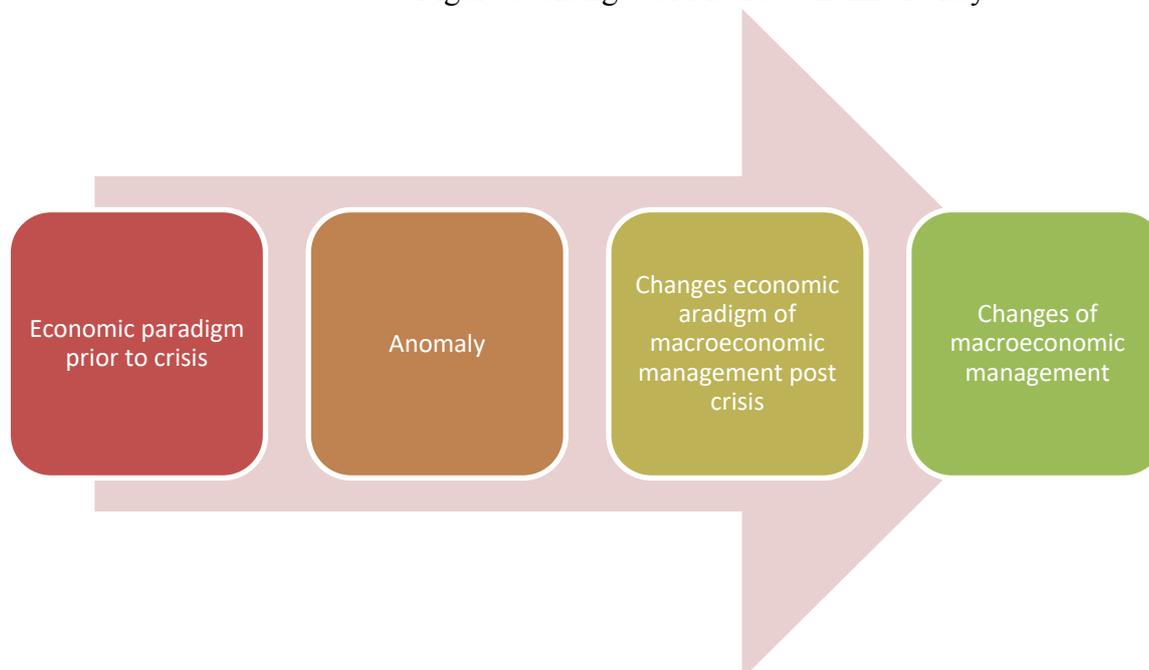
Year	Countries	<b>SUMMARY INDEX</b>	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to trade internationally	5 Regulation
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1985	Indonesi	<b>5.91</b>	6.35	4.27	9.27	5.58	4.19
a							
1990	Indonesi	<b>6.22</b>	7.13	4.22	8.76	5.89	5.16
a							
1995	Indonesi	<b>6.39</b>	7.96	3.17	9.09	6.10	5.53
a							
2000	Indonesi	<b>5.85</b>	7.57	3.22	6.20	6.87	5.37
a							
2005	Indonesi	<b>6.34</b>	7.59	3.57	7.39	6.98	6.17
a							
2010	Indonesi	<b>6.83</b>	7.90	4.25	8.99	6.77	6.26
a							
2015	Indonesi	<b>6.98</b>	7.77	4.52	9.36	6.99	6.26
a							
2016	Indonesi	<b>7.14</b>	7.81	4.88	9.68	7.00	6.34
a							

Source: EFW 2018 download from this link: <https://www.fraserinstitute.org/economic-freedom/dataset?geozone=world&page=dataset&min-year=2&max-year=0&filter=0>

Syamsul Bahri (2017) provided analytical framework to understand changes and continuity of government policies to reform Indonesian and Malaysian economy in the wake of AFC. He argued that response of government officials toward the cause of crisis would determine economic policy especially macroeconomic policy to overcome the crisis. The changes of macroeconomic management after the crisis followed below path:

Figure 3 Changes of Macroeconomic Policy



Source: Syamsul Bahri (2017:234)

In addition to analytical framework, Bahri identifies three factors of political economy landscape in Indonesia substantially different with Malaysia and the factors created divergence trajectory post crisis. *First factor* is competing narrative between Indonesian technocrats and technologist<sup>4</sup> in the cabinet. *Second factor* is cause of economic crisis, technocrats believed that cause of crisis due to moral hazard and nepotism as a contributing factor of why external shocks from other currency (Bath and Ringgit) created huge external debt and monetary crisis. *Third factor* is economic reform package that was discussed and deliberated between Indonesian government and representative of IMF so that Indonesia could be obtained support from the institution and gained back market trust. In other words, Indonesia government policy to overcome the crisis was to liberalize as many as possible its economic sector. For the Malaysia case, Bahri also recognize three factors including: (1). distributive<sup>5</sup> paradigm of economic development, (2). Political decision from Malaysian government on the root cause of crisis, and (3). controlling the capital flow in order to stabilized Ringgit currency. Unlike Indonesia, Malaysia government was not liberalizing its economy during the crisis.

The AFC 1998 was a crucial momentum that finally created different trajectory for two neighbor country. Indonesian economy needs many years to gain pre-crisis performance and I

<sup>4</sup> On one hand, technocrats were an idiom for economist and academicians serving long tenure with New Regime and They also renowned as Mafia Berkeley. On other hand, technologist were an idiom for engineering and military background also serving in Soeharto's Administration for quite sometimes. Both were embraced market economy and openness. Difference is how the government should play role in open economy (Fajar 2010 and Bahri 2017)

<sup>5</sup> Gomez et al (2018:8) mentioned the *Malaysian* government primary intent when actively intervening the economy in 1970 respond to two important issues: equitably redistributive wealth between ethic group and nurture entrepreneurial domestic enterprises that will drive industrialization.

suspect Malaysian economic performance is much better than Indonesia. Fast forward the time, subprime mortgage of America resulted Global Financial Crisis (hereafter GFC) in 2008. Malaysian economy impacted more than Indonesia as contagious factor of GFC spread all over the world. The crisis also altered perception and policy toward market economy. Razeen Sally (2016) urged the GFC ended an era of market liberalization. He then continued, “the world economy after the World War II up to 1980 marked first phase of spreading capitalism around the region and from 1998 up to 2008 marked second phase of global capitalism”. Comparing two era of capitalism was important to provide global environment context to understand open economy like the two countries applied. Each era could illustrated by characteristic as follow in figure 4:

Figure 4 Comparative capitalism

1945-1980	1980-2008
<ul style="list-style-type: none"> <li>• Atlantic economy unity between North America and Western Europe</li> <li>• Rise of East Asian Tigers</li> <li>• Soviet bloc and China close themselves off</li> </ul>	<ul style="list-style-type: none"> <li>• Capitalist golden age</li> <li>• Market economy spreads to nearly all Asia</li> <li>• Economic activity restrictions removed giving individual "natural liberty"</li> </ul>

Source: Sally (2016:4)

Since 2008, Sally recorded public policy has been more interventionist and the balance between state and market has shifted. Following remedy of GFC, Keynesianism was once again embraced to be a savior of economic depression. Since Keynes argued that a chronic lack of aggregate demand prolong the debt-deflation of the Great Depression; hence *government* should use deficit spending to stimulate demand. Unlike remedy for AFC, Indonesia and Malaysia followed the same path to overcome the GFC 2008. The same path meant there was no big difference strategy both countries pursue.

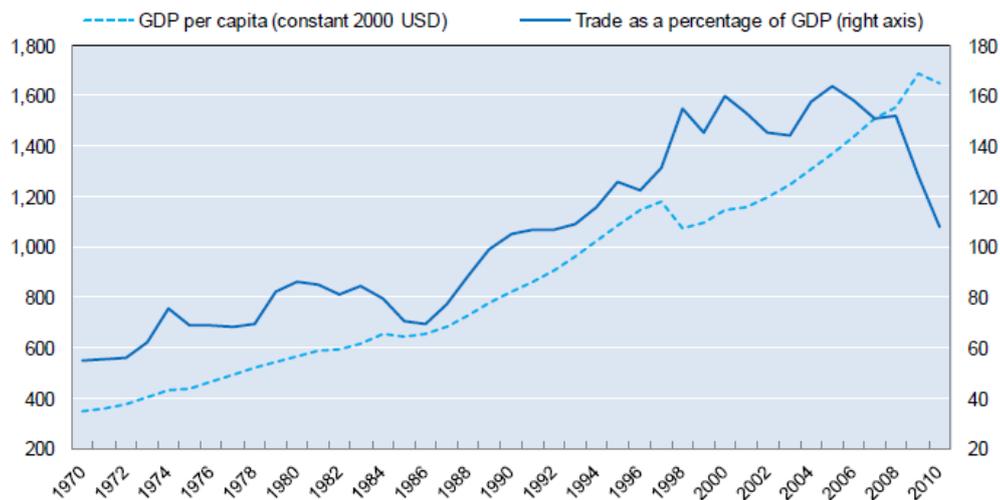
In order to provide current situation on trade in Indonesia and Malaysia, I presented several indicators, start from comparative economic openness among several ASEAN countries; Gross Domestic Product (GDP) compare to trade; Indonesia and Malaysia trading partner and lastly non-tariff barrier enforce by each country that consider harmful trade measure. Indicators were produced from several institution who in charged of promoting free trade and competitive market among nations, such Organization of Economic Cooperation and Development (OECD) report on Indonesia’s economic openness (2012), OECD Malaysia economic assessment (2016) and Global Trade Alert of Center for Economic Policy Research (CEPR). Those indicators were mostly typical macroeconomic indicator selected to give sense of comparison and would sum up with what’s similarity and dissimilarity between the two economies.

Table 1 Indonesia and Malaysia Compared

Country	(Export Import)/GDP percentage	+ as	Stock as percentage	FDI/GDP	Average (MFN) percentage	tariff as	2017 Economic Freedom Index
<b>INDONESIA</b>	<b>42</b>		<b>25,6</b>		<b>6,9</b>		<b>61,9</b>
<b>MALAYSIA</b>	<b>134</b>		<b>40,0</b>		<b>6,1</b>		<b>73,8</b>
PHILIPPINES	63		19,9		6,3		65,6
THAILAND	127		44,8		11,0		66,2

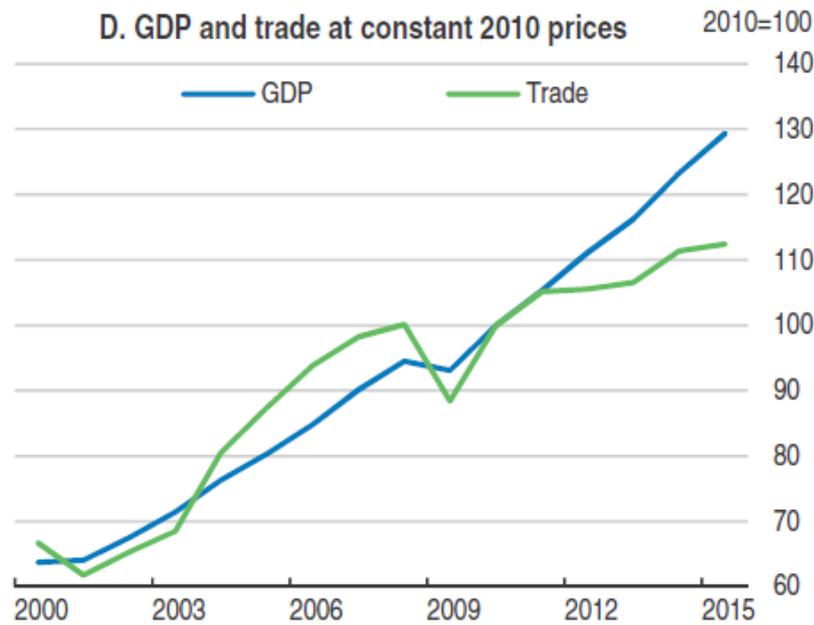
Comparative indicator of economic openness from Hill and Pane (2018)

Malaysia was better positioned compare to Indonesia based on its connection to global trade and global investment as indicated in export and import proportion to GDP (as percentage) and stock Foreign Direct Investment (FDI) proportion to GDP (as percentage also). But both is quite the same when it came to average tariff. GDP per capita and trade as percentage of GDP for Indonesia and Malaysia respectively.



Source: World Bank's World Development Indicators.

Source: OECD assessment on Indonesia (2012)



Source: OECD assessment on Malaysia (2016)

Indonesia and Malaysia top trading partner in goods trade present below:

1995 and 2010, Value in billion USD

Panel A. Destination of exports

	1995	Ranking in 2010		2010	Ranking in 1995
Japan	12,288	1	Japan	25,782	1
United States	6,322	3	China	15,693	6
Singapore	3,767	4	United States	14,302	2
Korea	2,917	5	Singapore	13,723	3
Other Asia	1,766	8	Korea	12,575	4
China	1,742	2	India	9,915	21
Hong Kong, China	1,657	14	Malaysia	9,362	11
Netherlands	1,452	11	Other Asia	4,838	5
Germany	1,382	13	Thailand	4,567	14
United Kingdom	1,129	18	Australia	4,244	12

Panel B. Origin of imports

	1995	Ranking in 2010		2010	Ranking in 1995
Japan	9,217	3	China	20,424	8
United States	4,756	4	Singapore	20,241	2
Germany	2,819	12	Japan	16,966	3
Korea	2,451	6	United States	9,416	4
Singapore	2,367	2	Malaysia	8,649	5
Australia	2,015	9	Korea	7,703	6
Other Asia	1,828	11	Thailand	7,471	7
China	1,495	1	Saudi Arabia	4,361	8
France	1,064	16	Australia	4,099	9
Saudi Arabia	943	8	India	3,295	10

Note: The "Other Asia" category encompasses all Asian economies not otherwise specified in the Comtrade Database, such as Chinese Taipei.

Source: UN Comtrade Database.

Source: OECD assessment on Indonesia (2012)

**Table 3. Malaysia's trading partners**  
Percent share in 2015 in goods trade

Export partners	Share
Singapore	13.9
China	13.0
European Union (28 countries)	10.1
Japan	9.5
United States	9.4
Thailand	5.7
Hong Kong, China	4.7
Indonesia	3.7
Korea	3.2
Import partners	Share
China	18.9
Singapore	12.0
European Union (28 countries)	10.2
United States	8.1
Japan	7.8
Thailand	6.1
Chinese Taipei	5.3
Korea	4.5
Indonesia	4.5

Source: Department of Statistics, Malaysia.

Source: OECD assessment on Malaysia (2016)

Last indicator harmful trade measure from global trade alert in 2015, comparing five Asian countries (Indonesia, China, Malaysia, Thailand and India). Malaysia and Thailand had small harmful trade measure lower than Indonesia, China and Thailand.

Number of harmful measures implemented by specified jurisdiction, by type of measure	Total measures				
	Indonesia	China	Malaysia	Thailand	India
Bail-out / state aid measure	6	6	1	1	19
Competitive devaluation	0	0	0	0	0
Consumption subsidy	0	1	0	0	0
Export subsidy	3	11	2	1	25
Export taxes or restriction	18	10	1	2	14
Import ban	6	3	1	0	6
Import subsidy	0	0	1	1	2
Intellectual property protection	0	2	0	0	0
Investment measure	13	17	4	3	12
Local content requirement	15	9	4	0	107
Migration measure	2	1	2	1	2
Non-tariff barrier (not otherwise specified)	25	9	3	1	12
Other service-sector measure	4	3	0	0	1
Public procurement	9	7	0	0	13
Quota (including tariff-rate quotas)	5	7	0	0	2
Sanitary and phytosanitary measure	4	0	0	0	0
State trading enterprise	0	0	0	0	0
State-controlled company	2	1	0	0	1
Sub-national government measure	0	2	0	0	1
Tariff measure	12	15	3	1	37
Technical barrier to trade	3	1	0	0	0
Trade defence measure (anti-dumping, countervailing duties, safeguard)	17	45	7	14	135
Trade finance	1	1	2	0	95
<b>Total</b>	<b>115</b>	<b>131</b>	<b>18</b>	<b>22</b>	<b>356</b>

Source: <http://www.globaltradealert.org>, accessed 13 May 2015.

### *Similarity*

Malaysia and Indonesia certainly is a open economy with modest economic growth after AFC 1998. Both also have a mixture of market economy and more interventionist government policy by presence and persistent of Government Linked Company (GLC) in Malaysia or State Owned Enterprises (SOE) in Indonesia. GLC and SOE role in the economy is supporting government provision of public goods and they has development support in rural areas where there is no way private enterprises's presence and full function. There is a policy for SOEs to provide public service obligation. For example: Presiden Joko Widodo's policy on the one price oil policy in order to lower down development equality for Eastern part of Indonesia. This populist policy had estimated cost approximatelt 53 million USD<sup>6</sup> or 800 billion IDR.

### *Disimilarity*

Malaysian economy relatively connect with global economy through trade. Picture above GDP and trade at constant price of Malaysia provides a informative picture on how trade keep growing after the GFC. On the other front, trade as percentage of Indonesian GDP is declined after the GFC. By the measure of harmful trade of global trade, Malaysia is perform extremely better than Indonesia. We could observe that bigger size of demography (population) and geography (areas) the more a country implement harmful trade as compare to smaller size country. Indonesia (115), China (131) and India (356) tend to commit more protectionist in terms of non tariff measure rather than Malaysia (18) and Thailand (22). I end this section presenting similarity and dissimilarity Malaysia and Indonesia economy as well with focus to trade policy, its relation with GDP and restriction toward trade from non tariff measure.

## **INDONESIA AND MALAYSIA: SURVEYS**

I present the public opinion survey, primary data for Malaysia Liberalism survey for two years – 2016 and 2017 came from the Merdeka Survey and primary data for Indonesia came from the CSIS national survey of 2017. Basic feature between two surveys are quite the same: respondent are randomly selected based on multistage random sampling and survey is conducted through face to face interview with respondent.

### ***Malaysia***

I provide findings as follow: (1). Descriptive data of survey sample; (2). Main findings.

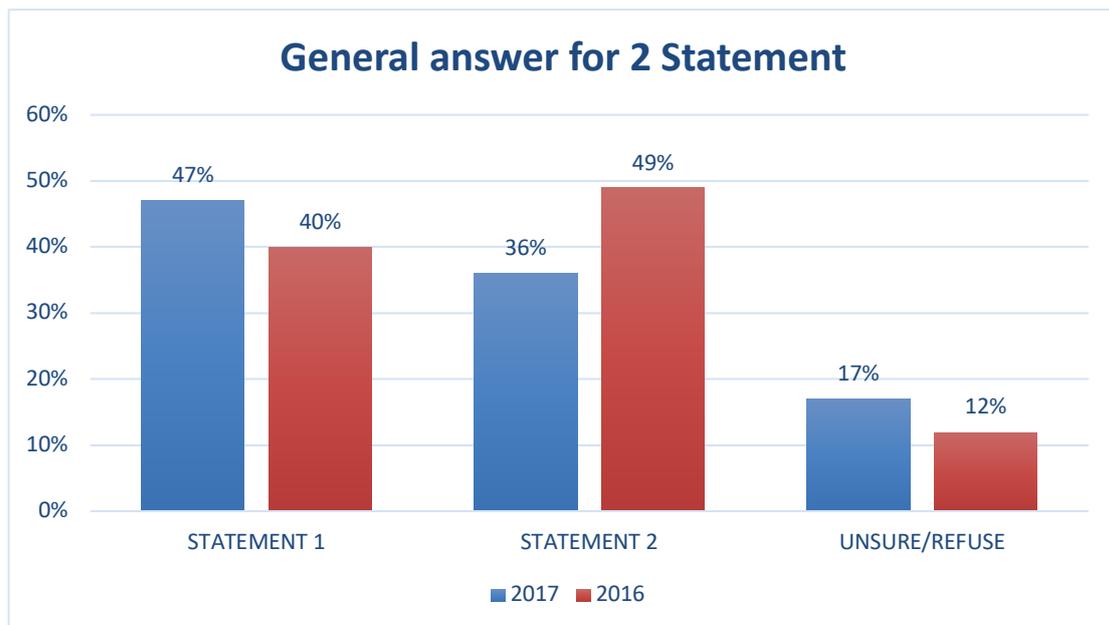
Descriptive data

<b>ITEMS</b>	<b>NUMBER</b>
Total Sample	1206
States	14
Constituencies	222
Margin of Error	2.82%
Ethnicity :	
<i>Malay</i>	52%
<i>Chinese</i>	29%
<i>Indian</i>	7%
<i>Muslim Bumiputera</i>	6%
<i>Non-Muslim Bumiputera</i>	6%
Gender :	

<sup>6</sup> <https://bisnis.tempo.co/read/1045997/jokowi-kebijakan-bbm-satu-harga-habiskan-biaya-rp-800-miliar/full&view=ok>

Male	50%
Female	50%
Age Group :	
21-30	25%
31-40	17%
41-50	20%
51-60	18%
>60	20%
Occupation/Sector :	
Private	35%
Self-employed/Business	20%
Homemaker	18%
Retired	14%
Government	8%
Student/Others	5%

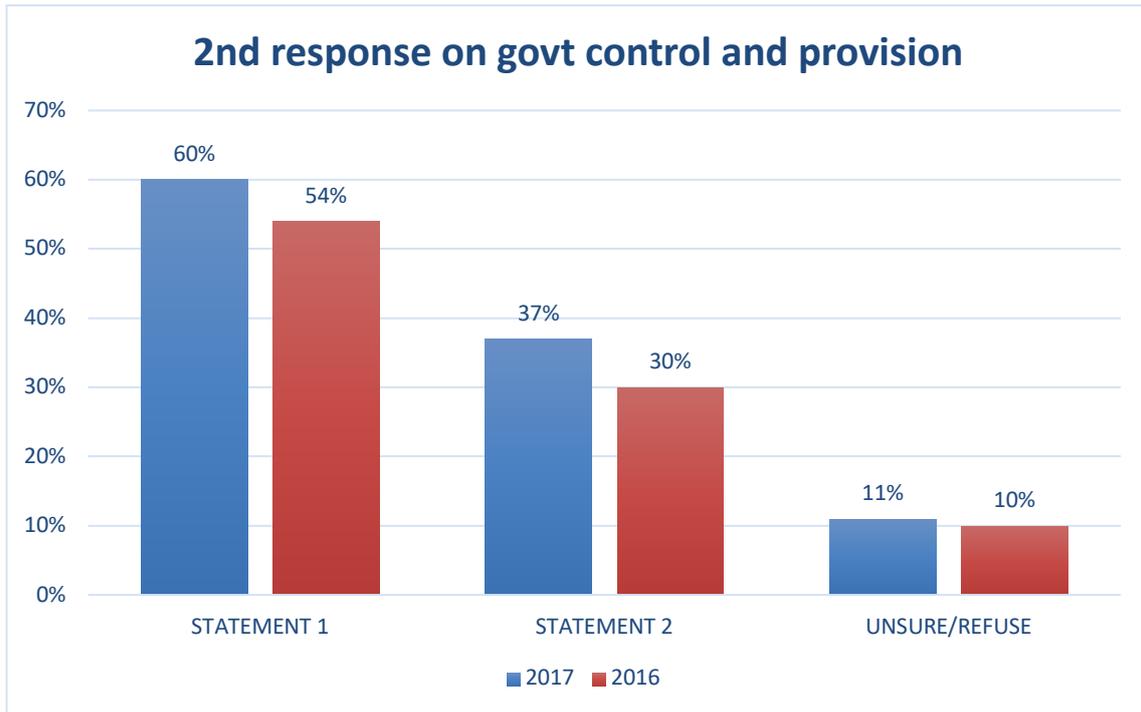
Source: Merdeka Survey (2016-2017)



Source: Merdeka Survey (2016-2017)

Statement 1 – a big role of the government in the economy with many GLCs is good. This helps Malaysia’s economy and creates many jobs. Many Malaysian benefit.

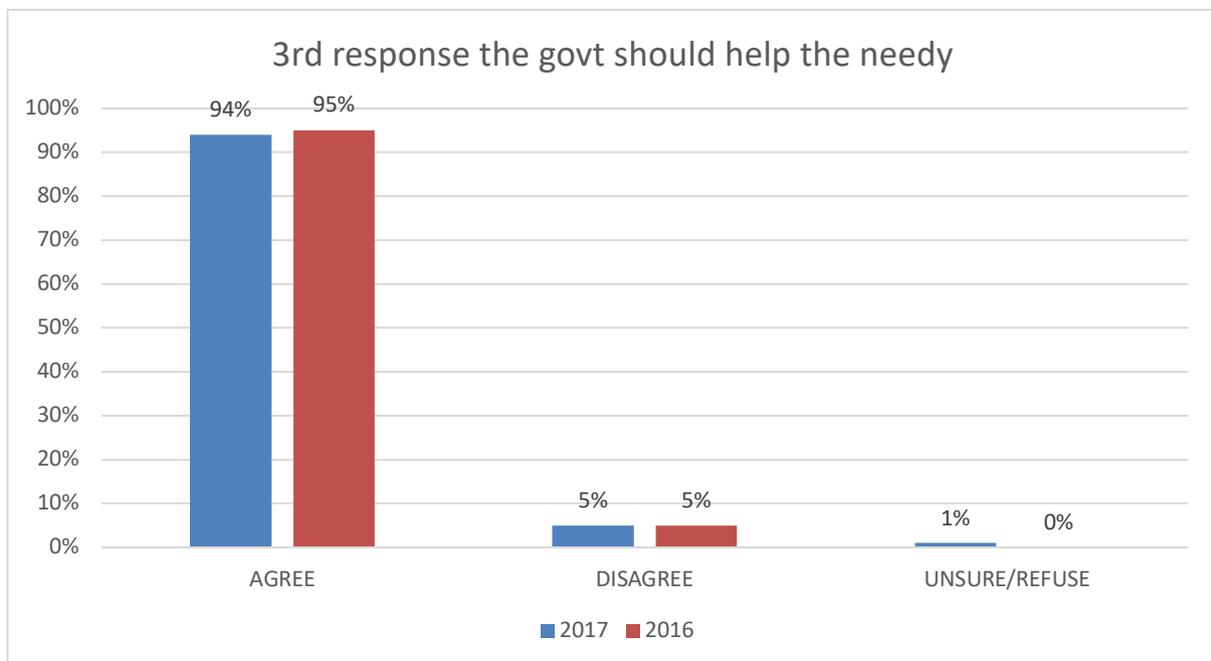
Statement 2 – an open economy **without** GLCs would be good. This would create fair competition, opportunities for all, more jobs and more growth. Many Malaysian would benefits.



Source: Merdeka Survey (2016-2017)

Statement 1 – *The government should control trade (domestic and international) and gives subsidies to Malaysian producers and business to help them.*

Statement 2 – *Free trade (domestic and international) **without** subsidies would make Malaysia competitive and be beneficial to business and consumers in the long run.*



Question – *the government should help the needy, **irrespective** of race*

I provide findings as follow: (1). Descriptive data of survey sample; (2). Main findings.  
Descriptive data

Characteristics	Number (%)
Median age	31
Male	50.1
Median expenditue (Rp thousand/month)	1593.8
Living in java	56.9
Education	
University graduate	12.6
secondary school graduate	44.6
Employment	
Self-employed	24.70

Source: CSIS national survey (2017)

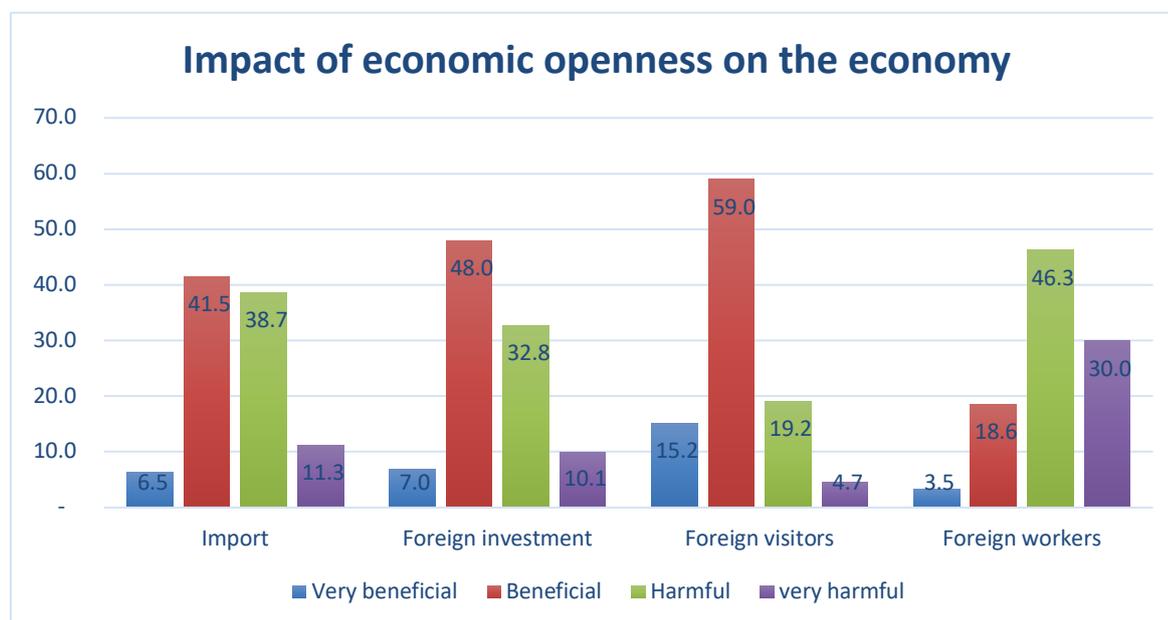
The questions on four aspects of economic openness as capture by concept of trade, investment, tourism and migration were as follows:

*Q1: Do you think the importation of product from abroad to Indonesia is **beneficial** or **harmful**?*

*Q2: Do you think it is beneficial or harmful to have companies from abroad operating in Indonesia?*

*Q3: What is your opinion about foreigners visiting Indonesia for tourism or business?*

*Q4: What is your opinion about having many foreign workers in Indonesia?*

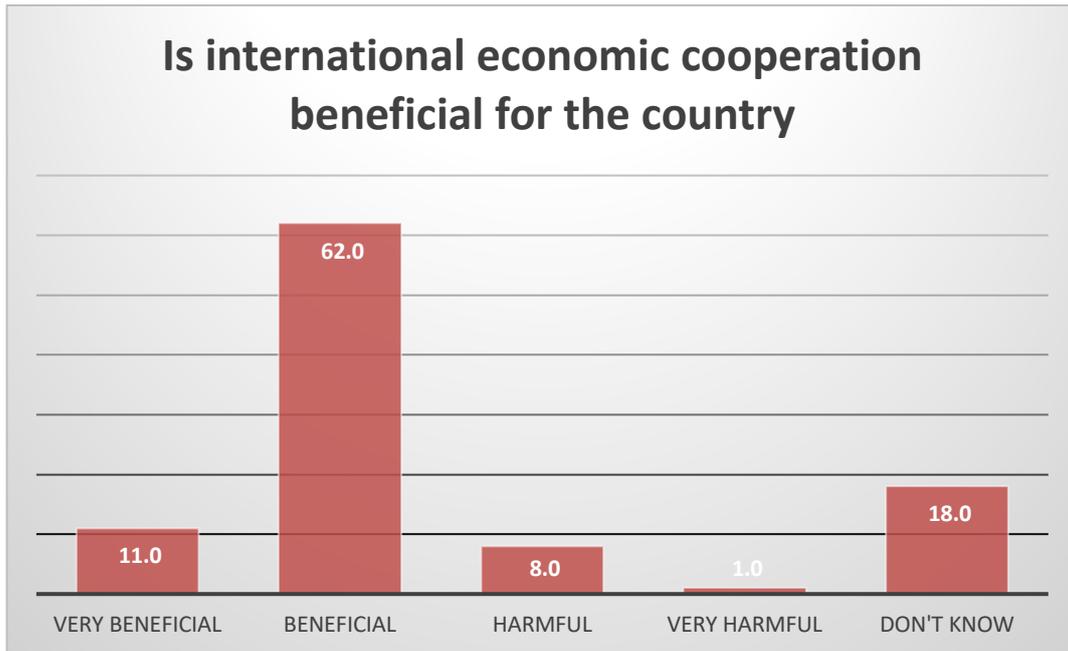


Source: CSIS national survey (2017)

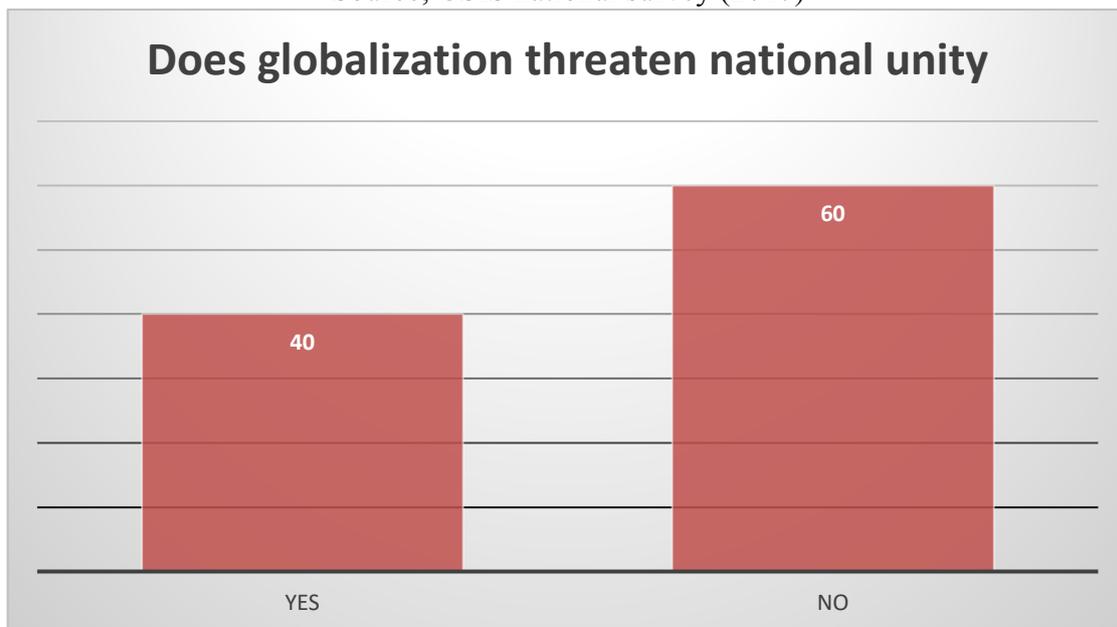
Beside the four questions, in two related questions respondent were asked about Indonesian participations in cooperative international economic arrangement and about globalizations. Questions were following:

*Q5 – Do you think Indonesia’s participation in various cooperative international economic arrangement is beneficial for Indonesia’s economic interest?*

*Q6 – Do you think globalization poses a threat to the unity of the nation?*



Source; CSIS national survey (2017)



Source; CSIS national survey (2017)

## DISCUSSION AND CONCLUSION

Based on public opinion survey some general points could be drawn: *first*, Merdeka survey already provides us with comparison of two years and I know that this year the pollsters also will continue to survey the respondents. Interestingly, this 2018 remarked changes in federal and local government after *pakatan harapan* wins the 14<sup>th</sup> General Election. This year result should more interesting to find out and analyse. *Second*, although set of questions from Merdeka and CSIS is different in nature. However, respondent opinion on government role in domestic and international economic agreement, they want government more involve. In the case of Malaysia, respondent also want government help the needy irrespective of race and provide subsidy for local business in order to help them.

*Third*, for Indonesian respondent tendency toward foreign workers consider harmful rather

than import and foreign investment. But when it comes to tourism, Indonesian is always welcome to foreigner. A common feature of Indonesian and Malaysian is bigger role of government involvement in business by investing through GLCs or SOEs and provide them with public service obligation (PSO). Although, PSO tends to distort market prices because SOEs in many cases is the monopolist non competitive industry.

This paper begins with historical context that Indonesia and Malaysia shared impact of AFC 1998 to their respective economy and political structure. Globalization of finance had also created problems to two open economies like Indonesian and Malaysian market. Role of national leaders complete with local dynamics of politics and international relations will probably influence public discussion and debate on openness, free trade and proper role of government in a small open economy like Indonesian and Malaysia facing. The emergence of New government under the Prime Minister Tun Dr Mahatir winning the General Election this year and next year will be a decisive moment for President Joko Widodo and Indonesian as a nation also, whether or not he could continue his presidency<sup>7</sup>. Historical context teaches us that crisis could be a valuable momentum to changes course of economic development by changing old economic paradigm which already obsolete into new paradigm more suitable with challenges and opportunities lay ahead.

Two surveys revealed public opinion could be positioned to be “a start line” to understand public support for market friendly reform and market mainstreaming. From two survey, there is a need to continue popularizing the idea of economic liberalism – in this case is free trade, economic openness and economic freedom in general sense- by choosing partners along the way. It is important to know more on taxonomy of political attitude toward free market reform – the Indonesian case informed us- technocrats, politicians, bureaucracy, media, civil society organizations and academia.

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<sup>7</sup> Analysis for two leaders could be found here: [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2018\\_46@50.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_46@50.pdf) and <https://www.lowyinstitute.org/publications/trade-protectionism-indonesia-bad-times-and-bad-policy>

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