



Open Access Indonesia Journal of Social Sciences

Journal Homepage: <https://journalsocialsciences.com/index.php/OAIJSS>

The Urgency of Indonesia Government to Dealing with Mercatilism from Developed Country

R Djoko Andreas Navalino¹, Sumartono Sumartono^{2*}, Wildan Akbar Hashemi Rafsanjani³

¹ Department of Defense Economic, Faculty of Defense Management, Universitas Pertahanan, Bogor, Indonesia

² Department of Math, Faculty of Teacher Training and Education, Universitas Dr Soetomo, Surabaya, Indonesia

³ Department of Peace and Conflict Resolution, Faculty of National Security, Universitas Pertahanan, Bogor, Indonesia

ARTICLE INFO

Keywords:

Government
Mercatilisme
Policy

*Corresponding author:

Sumartono Sumartono

E-mail address:

sumartono.unitomo@gmail.com

All authors have reviewed and approved the final version of the manuscript.

<https://doi.org/10.37275/oaijss.v4i2.46>

ABSTRACT

This research is based on fact that with the global economic every people have a chance to cooperation with other. In that condition, the government of Indonesia are still ignorant with danger and impact of mercatilism. Prevention and regulation to face the mercatilism still appear unthinkable. The purpose of this research is to develop the awareness of the government of Indonesia towards prevention practice mercatilism in indonesia by reaching complete comprehension. The main object is the regulation to prevent mercatilism from develope country to maintain sovereignty. This qualitative descriptive reasearch is based on fact and observation with literation as adjunct. The results of this research are expected to obtain insights to the government in establishing efficient policy related to economy management in advance, both in preventing and face of the mercatilism. This research expects awareness from the government toward the danger of mercatilism for develompent country and capability of the government in managing policies in economy related with mercatilism.

1. Introduction

Mercantilism developed in the 18th century in the West European region with the aim of protecting the development of trade and wealth of a country. In general, mercantilism seeks to increase export production but limits imports (LaHaye, 2008). At that time, the colonies of mercantilism countries produced raw materials but later became consumers of the products of the colonial state. In protecting national wealth, mercantilist countries rely on protectionist policies in the hope of expanding exports and reducing imports. The aim of mercantilist economic policy is to develop the country, especially in times of war, the country is aggressively seeking ways to strengthen the economy and weaken foreign enemies. (Widodo, 2006)

These mercantilists view the state as a zero sum game because it cannot be denied that each country has its own national interests. Mercantilism is a means of which the state maintains the wealth and attracts profits for its country. The state regulates all policies relating to the economy. But in fact, by giving the economic authority to the state, there are a lot of good things that are created in that country considering a country is not just running its economy but also thinking about the consequences and political aspects when the country implements its economic policies. In another case, if economic policy is left to individuals or markets, what might happen later is competing with each other to gain individual benefits



by ignoring the state as an important entity (Boyle, 2008).

One of the successes of the practice of mercantilism in Asia is seen in economic developments in Asia. The emergence of "Four Asian Tigers" namely Hong Kong, South Korea, Singapore, and Taiwan during the 1970s and 1980s experienced rapid economic growth. Plus if we take a contemporary example of Japan, which now occupies the third position after the United States and China as the country with the highest economic power in the world. The success of these countries is the realization of the mercantilism strategy that they implement where the government plays an active role in regulating and maintaining the country's economic development process. (Herlitz, 2011)

The current trend of the international political economy leads to the failure to implement a purely economic ideology to fulfill national interests. This causes tensions in competition and blaming each other because each party is considered to violate the trade agreement. An example is a dispute between western countries, especially the United States and the European Union with China. Even though politically China adheres to communism, China's economy tends to be liberal. While the US and E.U. have long been known as countries with liberal economies that reject government intervention in economic activities. (Jasmanto, 2017)

China began its expansion with careful planning to rival western countries. In this case, China makes developing countries the target. Developing countries and small countries tend to be easily "controlled" by China, which will have a large influence on their economic development and also make the country dependent on China. If China's economic power has become large, then China has the opportunity to compete with western countries (Cohn, 2010).

China's cascade of expansion has reached the southeast Asian region where China is cooperating with Myanmar in the construction of pipelines and oil terminals so that oil from the Middle East region does

not go far to China. China has also expanded by acquiring state ports from Sri Lanka, where the port can be the center of ships from and to China from the western part of the earth. Thailand also cooperates to build canals that can save up to 3 days for ships heading to the African Continent.

Urgency law reference regarding practices of mercantilism

Regarding the reference to international law on the practice of mercantilism, it should begin to be considered by the World Trade Organization (WTO) as an organization that oversees countries to regulate trade. As is known that the countries that are members of the WTO have agreed to hold free trade. This indicates that every obstacle in international trade in the form of tariffs and non-tariff must be abolished (Ohmae, 2005).

Inevitably, ready, not ready, each producer not only faces domestic competition but also abroad. Because free trade has an impact on the ease of goods coming in and out among WTO member countries. Mercantilism is a practice commonly practiced today by developed countries with the existence of free trade phenomena like now. This practice is carried out by expanding to other countries so that production costs are cheaper than in the country of origin, and by considering that the environment in the country of origin can still be maintained. This practice has been around for a long time and along with the development of the process of mercantilism, it has changed to become more modern as well (Ermilova et al., 2018).

Modern practices are currently under the guise of investment because developing countries need investment and injections of funds for their country's economic growth. This is a breath of fresh air for developed countries to expand with capital injection funds and help manage resources. The practice of mercantilism has yet to have clear regulations. The importance of regulations for this should be



considered by the WTO and included in The General Agreement on Tariffs and Trade (GATT).(Jasmanto, 2017)

This is in line with the WTO mission which wants justice in trade in the international community. Mercantilism is almost like a dumping practice which is equally detrimental to the recipient country or importer. In the GATT it has been regulated regarding dumping in Article VI of The General Agreement on Tariffs and Trade (GATT), that dumping action is not prohibited unless such action causes losses to domestic industries that produce similar goods, threatens the loss of domestic industries that produce similar goods, or hinders the development of domestic similar industries (Bossche, 2017).

The practice of dumping has been regulated by the WTO and ratified by its member countries, but regarding mercantilism it is still not regulated even though the danger level is almost the same or even more. The inequality produced by mercantilism between developed and developing countries is very pronounced. Equitable free trade and the same as the WTO's objectives become nonsense if this practice does not begin to be prevented.

With this fact, the Indonesian government should start preparing for mercantilism from developed countries so that we can still maintain resources, sovereignty and unity in this country. The government must be aware of geochemical and geopolitical changes in the world. Learning from the Sri Lanka case where the main port of Sri Lanka must be acquired by China because the Sri Lankan government cannot pay the country's debt to China. Don't let things like this happen to our country.

Mercantilism as a practice of trade and state sovereignty

The concept of Mercantilism has existed from the 15th century until the next three centuries because of the shifting base of the economy from local to national,

from feudalism to capitalism, and from limited scope to international scale trade (Herlitz 2011). Mercantilism is an economic practice adopted by many countries in order to conduct trade and efforts to gather wealth. Mercantilism is also believed to be the main reason for European countries to carry out colonialism over the country with abundant natural resources and abundant sources of production in Asia and Africa. In implementing the practice of mercantilism in addition to being supported by economic forces, other forces must also be supported, such as the military, diplomacy and others, especially to deal with pressure from other countries that are competitors.

Mercantilism is now no longer carried out by countries in Europe, but by developing countries with new economic powers, namely China. Even China through the OBOR initiative has explored various other developing countries through investment strategies and infrastructure development in target countries such as countries in Africa, such as Nigeria, Zimbabwe, Djibouti, Angola and countries in Asia such as Sri Lanka and ASEAN such as Thailand with the construction of the Kra Canal, with Vietnam, Malaysia, and finally with Papua New Guinea. The provision of loans is of course with the interest framework, or with another cooperation mechanism. Some countries such as Sri Lanka, Nigeria, Angola which are given loan assistance (debt) are finally trapped in debt bondages that cannot be paid (bankrupt), which has implications for the loss of state assets and even disrupt the sovereignty of the country concerned.

Ohmae (2005), a Professor from the University of China, stated that many Chinese production sectors have faced overcapacity since 2003. Therefore the Chinese leadership hopes to solve the problem of excess production by exploring new markets in neighboring countries through One Belt One Road (OBOR). The OBOR initiative is seen as providing more opportunities for development in China's less-



developed border region. China also intends to explore new investment options that maintain and increase the value of capital accumulation in recent decades. OBOR is also considered to have the potential to grow into a model for alternative regulators of international politics and can function as a means to create a new global economic and political order.

Meanwhile, in ASEAN, China also makes a lot of investments in the form of infrastructure projects, but in its implementation there are conditions that must be met by the country concerned, namely having to use labor from China. This means that it is in accordance with the understanding of mercantilism at the outset so that in addition to conducting trade practices, China is also stockpiling wealth by exploring areas outside its country. Indonesia is one of the countries that have "enjoyed" debt from China with all its consequences. But behind that, there are psychological and social consequences of the community that contribute to the stakes. As was the case in Vietnam recently which experienced incidents of friction between local communities and Chinese equations workers

2. Conclusion

The government needs to increase public awareness and the government about mercantilism. As we know that mercantilism is the new of capitalism that can devour all the developing countries and make a big poverty gap between rich and poor countries.

3. References

Bossche PV 2017. *The Law and Policy of the World Trade Organization*. Cambridge, UK: Cambridge University Press.

Boyle C. 2008. *The Mystery of Modern Wealth: Mercantilism, Value and the Social Foundations of Liberal International Order*. Sage Journal. 10(2): 60-8.

<https://doi.org/10.1177/1354066108092305>

Cohn, T. H. (2010). *Global political economy*. London: Pearson.

Ermilova M, Ushakov D, Muryani M. 2018. Economic Growth Stability under National Markets' Integration: Mercantilism Striking Back. *Anais da Academia Brasileira de Ciencias*. 1 (Suppl 2): 1229-39.

Herlitz L. (2011). The Concept of Mercantilism. *Scandinavian Economic History Review*. 12(2): 101-20.

Jasmanto J. 2017. The Neo-Mercantilist Model of Development for Indonesia. *Verity: Jurnal Ilmiah Hubungan Internasional*. 9(18): 50-8.

LaHaye L. 2008. Mercantilism: The Concise Encyclopedia of Economics. 12: 198-209.

Ohmae, K. (2005). *The next global stage*. Upper Saddle River, NJ: Wharton School Publishing.

Widodo T. 2006. From Dutch Mercantilism to Liberalism: Indonesian Historical Perspective. *Journal of Indonesian Economy and Business*. 21(4): 150-4.

