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**Cost and Benefit of Globalization:  
Lesson Learned from Indonesian History**

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# Cost and Benefit of Globalization: Lesson Learned from Indonesian History

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## Abstract

This paper is aimed at investigating the impact of globalization in Indonesia from long term recorded history. The methodology in this paper is focused on the literature survey with the qualitative analysis. The result shows that the presence of globalization in Indonesia tends to put the relationship between Indonesia (Nusantara or Netherland Indies) and the great power/globalizer as the Periphery-Centre (Core) relationship. It is shown that the globalizer influences Indonesia and not the other way around. The positive effect on Indonesia is globalization could increase peoples wealth and enrich Indonesias civilization without losing the real Indonesian culture. However, the presence of negative effect, could be very devastating, such as war and internal conflicts, in the time of clash among great powers/globalizers or in the time of changing time of influence from old great power to the new one.

**JEL Classifications:** F0, N95

*Keywords:* Globalization, Indonesia

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## 1. Introduction

Each time I start to teach Introduction to International Economics, I always ask my students when globalization was started, especially the influence of globalization in Indonesia. Most of the answers are the globalization is something new which is just started around the 21st century. To give them a clue on how old the globalization is in Indonesia, I always try to show their names. Most of the classes have shown that their names could be traced into three different groups of names. Some of their names or parts of their names are closer to Indian (Sanskrit) name such as Saraswati and Dewi, some are closer to Arabic names, such as Mohammad and Azis; and some are

closer to Westerns names, such as Christian and Samuel. After I mentioned some names, I told them that their name could be a clue to guide the presence of globalization in Indonesia (or the Netherlands Indies or Nusantara in the past) which was started long time ago, especially the relation of globalization with the influence of the world globalizers (India, and then by the Arab, and followed by the Western countries (Europe and the United States of America, USA).

The influences of the globalizers are not only through economic ties, such as trade, investment, and labor migration, but also culture and religion (or ideas and including names). After all, the lasting legacy is religion or ideas, for example, Hinduism and Buddhism came from India, Islam came from the Middle East through India, and Christianity (both Catholicism and Protestantism) came from Europe

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such as Spain and Portuguese; however, two major important European countries in relation with Indonesia in the past, namely Britain and the Dutch, were more interested in trade rather than spreading Christianity. And the only globalizer which is not specifically associated with religion is USA (United States of America) which campaigned for democratic ideas.

Indonesia (or the Netherland Indies or Nusantara in the past) is an archipelagic country between two continents (Asia Mainland and Australia) and two Oceans (between the Indian Ocean and Pacific Ocean). From that location, *Nusantara* is becoming the focal point that connects the exchanges (both trading and non-trading exchanges) among India, the Middle East, Western World and China both from the past and the present situation. This is closer to what so-called "silk road in the sea" which means the Indonesia position is like the countries/cities in the Asia Mainland that connected the trade of China with Arab and Europe in the past before the sea trade route took over most of the trade among countries.

This geographic location and archipelagic condition could make Indonesia become easier to be intruded from the sea, especially the globalizers in the past, in the present days and probably in the future. Globalizer (s) of the world are not static, but there are dynamic relations. It is very complex to explain how the globalizer rise and fall but it happens all the times. No single globalizer could stand forever. Paul Kennedy (1989) provide a good summary of the rise and the fall of globalizer or great power: *"The triumph of any one Great Power in this period, or the collapse of another, has usually been the consequence of lengthy fighting by its armed forces; but it has also been the consequence of the more or less efficient states productive economic resource in wartime, and, further in the background, of the way in which that states economy had been rising or falling, relative to the other leading nations, in the*

*decades preceding the actual conflict."* (Paul Kennedy, 1989, *The Rise and Fall of the Great Powers*, page xv).

In this paper it is defined that the globalizer or great power of the world means that the civilization is supported by the huge scale of economic, political, and military power that can influence the world order either through peaceful ways or through war. Most of them are not only the prime movers of goods and services, capital, people, weapons, information and other material things, but also the most influential thing such as value or ideas which become lasting even after the power of the globalizer declines. The fall of the old globalizer will be followed by the rising of new globalizer. Sometimes the fall of the older one is caused by the large scale of war while sometimes the new globalizer was the former periphery country of the fall globalizer.

One of the example how the Nusantara has been influenced by the great powers (globalizers) during the war time in the past: the story of Ferno Mendes Pinto in Reid (2010) describes the war between the Bataks and the Acehneese in the 16th century was also including the great powers or globalizers at that time: the Bataks were helped by the Portuguese army (the Western super power at that time), while Aceh was assisted by the Ottoman (Turkish) soldiers <sup>1</sup>.

## 2. Methodology and Literature Survey

This paper is seeking answer of cost and benefit from the long term relationship between Indonesian and the globalizer (or the prime mover of globalization in its time). The methodology is based on secondary data/literature survey with qualitative analysis.

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<sup>1</sup>Another example was at the time of the cold war between Communism and Capitalism, Indonesia was greatly affected which in 1965 cost the lives of millions of people (no statistical records that satisfied for the numbers).

In economics terms, the globalization is usually attributed with the increasing of the movement of goods, services, factor of productions (labor and capital) and, and tourism. It is hardly to find the role of ideas is mentioned as the indicator of globalization; however, Goldin and Reinert (2007, page 15) emphasize the role of ideas and it become the most powerful influence on development: *"Ideas are the generation and transmission of distinctive intellectual constructs in any field that can have an impact on production systems, organizational and management practices, governance practices, legal norms, and technological trends."*

The role of ideas is also emphasized by Keynes in his famous quotation *"The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economists."*

In broader interpretation, ideas could include such as religion, democracy, nationalism, marxism, knowledge, and technology. In the long term, the ideas live longer than the physical impact of the movements of goods, services, factors, and tourism.

In Reid (1993), the expansion of economic relation of Southeast Asia during the period 1450-1680 has shown that the trade has flourish Southeast Asian nation with China, India, and the West. Several important traders in that period as mentioned in Reid (1993) are the Javanese, Acehnese, Buginese, and Malay (most of them from Sumatra Island). In addition several kingdoms that have big influence in trade in the period are Aceh, Banten, Tuban, Demak, Gresik and Macazzart. The trade is only one important factor, ideas; especially religion is also in high peak at the time of golden age of commerce. The development of most of the new religion which influential was started in the city port then move into

the inland. Reid (1993, page 133) mentioned: The most intense period of both Islamization and Christianization coincided with the high tide of the age of commerce, the silver boom 1570-1630". In that era, the direct relation among kingdoms in Indonesia with the Mecca and the Ottoman Empire had given advantages to the Islamization in several kingdoms in Indonesia. Islam was formally adopted by the the rulers of Mataram (Central Java), South Sulawesi, Buton, Lombok, Sumbawa as noted in Reid (1993). However, the Christianization was only success in Philippines, some part of Eastern Indonesia, and also some interior region in Sulawesi (Toraja), Kalimantan (Central Kalimantan), and Sumatra (interior of North Sumatra, mostly Batak).

Those who converted into a new religion from the previous belief as explain in Reid (1993) could be come from some perceptions that the new one is most powerful in military and economy in the beginning. And it will drive them into wealthy and powerful one. If this reason is applied in our current situation where the world superpower is the USA, then the spread of the democracy idea will be easier. This reason could traced the pattern in the past such as the spread of the Hindu and Buddhist from the India when became the superpower in the past. This is also could be applied on how the Roman Empire and the West could enhance the spread of Christianity. And also the spread of Islam through the power of Ottoman Empire.

It means that the globalizer affect the nation/country, not only in economy but also beyond economy. And the only way for globalizer to lead and become the main trend setter is keeping most advanced in its economy and military. And the innovation and its size (both economy and population) are important for the achievement as globalizer. But the most important thing is ideas. We can put the flow how the specific nations could become the great power or globalizer: most advanced ideas that

affect the most sophisticated innovation. The innovation needs economies of scale to be efficient in the domestic market in the first place before sent abroad. This is the reason why the size of population (and GDP) is very important before using the foreign market to support economies of scale. This is in-line with the theory of overlapping demand that the first market target for the innovation should be based on the domestic demand first before moving to the demand of other country/economy.

In our current situation, US has been the centre in innovation since the 18th century with the many innovation in transportation and telecommunication both in military and civil life. According to Acemoglu (2012), the nation that succeeds is the nation which provides the political and economical institution which supports the "creative destruction": there is certainty that the most innovative, efficient, and work harder will get the highest return compared to the less (old) innovative, less efficient and less effort.

One of the most provoking book from Zakaria (2009) mention about the *Post American World* and the Rise of the Rest (especially China and India) which underline the declining of US as the global superpower and the rising of some countries economic and military power. The other interesting analysis is the work of Jacques (2012) in *When China Rule the World*, put attention of the rise of the China and showing that the rise of China is the reemergence of a civilization which is more than the people could imagine. However, Friedman (2012) mentions some other potential super power such as Turkey, Russia, and Mexico.

### 3. Analysis: Indonesia and Globalization from Recorded History

Lets begin by understanding a short history of Indonesia and its relation of the global-

izer<sup>2</sup> of India, Arab, and Western World.

#### 3.1. Indian influence on Indonesia

India is one of the great civilizations in Asia which has influenced most of the Southeast Asian nations. And some writing in the past put the name of the Southeast Asian nations as "Indian Archipelago" as the title of the writing of Horace St. John (1853) which put how deep the Indian influences in the region. The influence of Indian civilization could be seen in most Asian countries such as buildings, languages, and religions (Hinduism and Buddhism). Probably the kasta system in Hindu is similar with the division of labor idea in the economic principles which probably making this civilization became efficient and very effective to influence many nations in the past. The influence of India, could be seen, for example the writing of Noor (2010, page 8) "*Most accounts tend to agree that the Indianisation process was already underway between the second and third centuries, and evidence Indianized societies and polities in Southeast Asia can be found from the fourth to fifth (century) precisely when the Gupta Dynasty of India had reached its peak and was spreading its cultural and political influence abroad from the Bay of Bengal*".

The influence of India in Nusantara had reached it culmination around 7th century especially at the time of the rise of Sriwijaya Kingdom in Sumatra as maritime power in Southeast Asia until 1520 which was marked by the fall of Majapahit, the largest maritime kingdom in Java. There are many artifacts which show the influence of India from Muara Takus Temple, Borobudur Temple, Prambanan Temple, Sanskrit language, Pallawa script, Mahabarata and Ramayana epic, and including Hindu and Buddha religions. Until now, many words in Indonesian language were originated

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<sup>2</sup>In fact, globalizer is not only one country or nations or so-called "globalizers"; however, this study is only use globalizer to put the most powerful globalizer at the certain time.



from Indian or Sanskrit. Bali, which is sometimes called "Little India", is the perfect image of the religious and cultural influence of India on Indonesia until today. If we see the order of the Indian influence into Indonesia, it started in Sumatera (along the Malacca Straits) and then moved into Java and Bali.

The glorious history of Sriwijaya was recorded in the Notes of Sulaiman which shows how rich this kingdom was, especially related to gold (Reid, 2010). Sriwijaya had been the biggest maritime kingdom around the 7th until 10th century in Southeast Asia, not only in economic and political power but also because of Buddhism that had a linkage with India and even with China. The fall of Sriwijaya was followed by the development of some Islamic Kingdoms along the Malacca Straits. In the meantime, in Java, especially Central Java and Yogyakarta, the influence of India reached its culmination in the Mataram Kingdom between 732-928. The fall of Mataram (Hindu) was followed by the development of some Islamic Kingdoms in Java. However, in the Eastern part of Java, the Majapahit Kingdom (1292-1486) had become the most influential kingdom in Javas history, which was then followed by the development of Islamic Kingdoms. It is clear that the development of the Islamic Kingdom was heavily influenced by India, especially through the relation with the Gujarat traders beside the Arab. It seems that the Indian influences in Indonesia were focused on three islands: Sumatra, Java, and Bali. The changing of the period of influences had been marked by conflicts and wars between the old and the new kingdoms.

### 3.2. Arab influence on Indonesia

Sometimes the term of Arab and Islam is used interchangeably. This civilization influences at least three continents: Africa, Asia, and Europe since the 7th century. It was started by one single man, Prophet Mohammad and spread to the continents which created many Islamic King-

doms/Empires. Among the well-known were the Abbasiyah Dynasty (located in what is now Iraq). The Umayyah Dynasty (in Cordoba, Spain, and the Ottoman Empire (present-day Turkey). The legacies of this civilization are buildings, languages, and religion which spread in those continents.

The influence of Arabia on Indonesian Kingdoms started around 13th century until the fall of the last Moslem Kingdom: Aceh in 1905 and Bone in 1906. Most of the influences were started by the merchant either from Gujarat of India or Arabs. However, India influence is significant in Islam development in Indonesia as stated by Noor (2010, pages 12): *"The Islam that arrived in places like Pasai-Aceh, Malacca, and Java came from Indian Muslim centers of economic activity and learning such as Gujarat.."*

Since 13th century, there were many kingdoms in Nusantara which converted from the Hindu/Buddha/animism kingdoms into Islamic kingdom, such as Mataram Kuno into Mataram Islam in Java or Kingdom of Gowa, Bone, Wajo, and Soppeng in South Sulawesi. Most of the conversions were started by trade relationships in peaceful way, but some of them created battles among the kingdoms itself or even conflict inside the kingdoms. Some Islamic kingdoms had a big trade linkage with the world, such as Aceh, Banten, and Gowa. Some of the legacies of Arab/Islamic civilization were mosques, literatures, and Islam as religion. The order of the time of the Arab influential were started in Sumatra, then moved to Java Island especially in Northern Part of Java, then into Sulawesi especially South Sulawesi, and then to Kalimantan. Until now, Indonesian population religion is around 90% in Islam. It seems that the Arab influences on Indonesia were focused on the Sumatra, Java, Sulawesi, and Kalimantan, especially on the coastal region of these islands, and also in Eastern Indonesia, including Ternate and Tidore.

### 3.3. Westerns influence on Indonesia

The influence of westerns is not homogenous influences because the westerns have a dynamic change in a short time period, but above of the heterogeneous of western they have the same backbone of civilization: Ancient Roman, Ancient Greek, and Christianity. This civilization was started to influence the world since the rise of Spain and Portuguese as the first Western Globalizers in the 13th century, followed by the rise of France as the master of Europe. After the battle of Waterloo in 1815, which marked the end of French era as the globalizer, England became the most influential kingdom in the world. During this period, the western influence spread to the five continents: Europe, Asia, Africa, America, and Australia. The period after the Napoleonic Wars in 1815 until First World War in 1915 is the first globalization era that was led by British. However, after World War I and II which was started by Germany, the role of Britain as the main globalizer ended and replaced by the United States of America (USA) or US. The dynamic changes in Western civilization are not only referring to changes of the role of globalizer but also the changes in the influences of religion or ideas. From the era of early globalizer of western (Spain, Portuguese, and French) into England, then into US is parallel with the increasing of the role of religion from Catholic (Spain, Portuguese, French), into Protestant (England), and then into Democracy (US). The Dutch as one of the small trading nations in Europe is part of the early western globalizers, but it could adapt and cooperate with the successor of the globalizers.

The influence of the European countries on Indonesia started at 1511 when the Portuguese conquered Malacca. However, the most influential of the European countries were the Dutch which started when Cornelis de Houtman arrived at Banten in 1595. Following after the first contact, there were some long wars between the Dutch and some Indonesian

kingdoms. However, the powerful influences of the Dutch in Indonesia started in Java after the Java War in 1825 which lasted until 1830. The influence of France and England on Indonesia was only temporary compared to the Dutch. Since the Dutch influential, the trade between Indonesia and the Europe increased because Indonesia was the agriculture commodity based region that was engineered by the Dutch in Java Island. After developing Java Island as the centre, the Dutch expanded its power to the Sumatra, Sulawesi, Kalimantan, and Papua. The low of the religious conversion to Catholic and Protestant in Indonesia is probably caused some reasons: first, the furious war between Islamic kingdoms in Nusantara against the Dutch, for example the Dutch against furious war with Aceh, Banten, and Gowa (Macazaart) kingdom; second, the focus of the Dutch was mainly in economic (trade) and victory (Gold and Glory) rather than religion conversion (Gospel); third, the short span of time of the changing role in Westerns from the influence of Catholic to Protestant, and move to democracy; and fourth, these religions are coming from the same root (monotheism of Abraham) which has a closer methods and ideas that have contested since 7th century though long war around 700 years. The war was so-called "Holy War" between the Crusaders (Christians) and Jihadists (Moslem).

One of the example of the difficulties that was faced by the Christian missionaries in Indonesia, especially in Sulawesi as in Raffles (1830, appendix, page xciii-xciv): *"it has been related, that the change of religion on Celebes (Sulawesi) happened just after the arrival of the Portuguese, who are said to have offered Christianity at the same time that the Malayus offered Mohammedanism (Islam). The King of Makassar is said to have doubtful which of these systems he should adopt, till he consulted the wisest men in his dominions, who advised him to embrace the religion of the Koran in preference to that of Gospel, stating as an ar-*

*gument in its favor, that it had arrived first and that God would never permit error to arrive before truth. But this does not appear on the records of Makassar*"<sup>3</sup>.

The influence of the US on Indonesia was started since Indonesian independence which has a role in Indonesian independence and it becomes more and more influential since the cold war. If we compared between Indonesia and the USA we could see many similarities: "Eagle" is closer to "Garuda" (both of them are bird), "Unity in Diversity" is closer to the meaning of "Bhinneka Tunggal Ika" (both of them accept the multi-race and religion concept in one nation), some ideas in "Declaration of Independence" is closer to the "Pembukaan UUD 45 (Preface of Indonesian Basic Constitution)". Both of them respect on freedom, especially the statement: *sesungguhnya kemerdekaan adalah hak segala bangsa* (the freedom is the basic right of all nations) in Pembukaan UUD 45 that compatible with the statement that all men are created equal in US Declaration of Independence. This paper does not provide a strong conclusion on the US influence on Indonesia based on the story above; however, democracy, which is not based on any specific religion and let religion as the private business for each citizen, as the big picture of the US influential ideas is currently taking role in Indonesia. After the Second World War, US emerged as the largest economy in the world and becoming the centre of innovation, invention, knowledge, and technology. There is no single country in the history that has the most influence in the world like US today that affects all citizens in the world.

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<sup>3</sup> Probably the wisest man in Raffles note at that time was Karang Pattingalloang of Gowa Kingdom. Because He was one of the smart, influential, and wise man. He developed Gowa with knowledge. He mastered many languages, especially Europeans. And he was also known very tolerant to the other religions. For, example, He provided land for the development of Church for the Europeans in Macazzart (now is Makassar City, South Sulawesi) in Gowa Kingdom.

The Western influences in Indonesia are mostly by the Dutch and US. The influences of the France and England in the past were not significant due to the short time of the administration in Indonesia (only during the Dutch under the Province of France in the early 19th century and followed by England after the Waterloo War). The Dutch influences started from Java, Sumatra, Sulawesi, Kalimantan, Bali, and Irian Jaya (West Papua). However, the Christianity (both Catholic and Protestant) are only concentrated on the interior region of Sumatra (such as most of Bataks Tribes), Sulawesi (such as in Toraja Tribe), Kalimantan (Central Kalimantan and interior of Eastern Kalimantan), and Papua. West Papua is the region which was not reached by both Indian and Arabs influences.

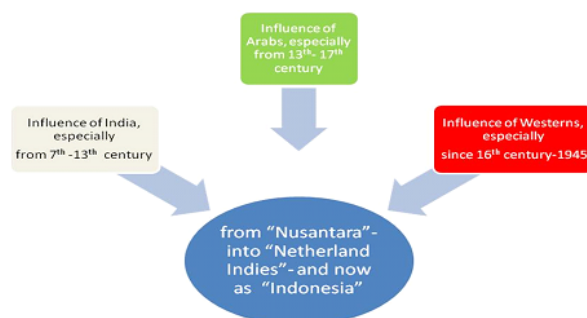
The US influences on Indonesia in ideas could be counted from the Declaration of US Independence that affects the world that any colonial region could fight for freedom from their colonial ruler through revolution for independence. And the history of the world showed that there are only some nations/countries in this world that gets their independence by themselves with revolutionary war and one of them is Indonesia. However, the presence literally of the influences could be counted since the cold war between the Capitalist under the leadership of US and Communism under the former Uni Sovyet and China back to the 1960s. The most influential from US is the idea that let each of the religion and race to have a chance to live together no matter how different they are under the rule of the democracy system.

From the example of the influences of the globalizers or great powers above, it seems that the order of the influences in term of islands<sup>4</sup> have been always started from Sumatra, then move to Java (from Mid to Eastern

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<sup>4</sup>This order is a simplification to present the common patter of the influences. It should be considered that this pattern in detail will need some exceptions and explanations.

Figure 1: Indonesian and the Influence of Major Globalizers



Java), for example see Linblad (in Dick et.al, 2002), Sulawesi, Kalimantan, and Irian Jaya (West Papua). While the order of influences in term of inside the islands have also been started from the coastal region (such as Eastern Part of Sumatra and Northern Part of Java) then move to interior in the island. The capabilities of the globalizers in influencing these islands have been increased from the Indian, then Arabs, and the Westerns. Those capabilities were affected by technology of transportation and telecommunication<sup>5</sup> of those globalizers at the time they influenced.

Indian can influence both Sumatra and Java, Arabs can influences broader than India: Sumatra, Java, Sulawesi, and Kalimantan; while Westerns could influences larger areas than the Arab: Sumatra, Java, Sulawesi, Kalimantan, and West Papua. Finally, the birth of Indonesia is basically based on the Dutch colony territory that was united by the Dutch during hundred years especially the last one hundred year before Indonesian Independence. Furthermore, the independence/nationalism movement idea in Indonesia was also influenced by the Western World since most Indonesia founding fathers were educated in Netherland or educated in Indonesia is mostly under Dutch education system. Currently the year 2013, Indonesia independence has been around 68 year and some legacies of

Indian, Arab, and Western are still survive and affect everyday lives of Indonesian until today. Sometimes, those influences could be seen in the mixture face. For example, *Dangdut* music is sometimes associated as Indonesian original music; however, if we see clearly this music is the mixture of the India and Arab traditional music.

In addition, study of Lombard (2008), provides more detail explanation of the influence of some civilizations: the West, Arab, China, and India. However, Lombard is also note that even though those civilizations have influenced in many aspect of life, Indonesia has kept its original culture and ideas. One of the best examples is Indonesian language, *Bahasa Indonesia*, which could survive and use the other language to enrich Indonesian language. Furthermore, Geertz (1976) has shown that even though the influence of many religions from the globalizers affect mostly in Java, the "traditional religion" have still been practiced in everyday life of Javanese such as "Slametan Cycles" of birth, marriage, and death.

Some lessons from the relation between Indonesia and globalizer in the globalization process based on the long term recorded history of Indonesia: First, the relation with the globalizer in the globalization tends to give benefit that put greater enrichment through trade and beyond including ideas to enhance its civilization; Secondly, the clash of the great powers/globalizer will affect severely, especially in

<sup>5</sup>and of course sometimes the warfare machine

the time of changing period, such as transition from one globalizer/great power to another, affect negatively on Indonesia by the presence of conflicts and wars. During the transition from the influence of India, Arab, and the West, there were massive internal conflicts in Indonesia (Nusantara/Netherland Indies) which reflect the relation between the old and the new power influences.

#### 4. Conclusion

Indonesia or Nusantara or Netherland Indies is archipelagic nation and it tends to be influenced by great powers/globalizer both in negative and positive ways. Positive effect could be seen from the enrichment of the Indonesian civilization from the globalizers. The negative effect of the relations is usually emerge in the transition period of the changing from one globalizer to another when the current great power/globalize is challenged by the rise one or the clash of the great powers.

And nowadays, the potential of the conflicts could be seen from the tension between the US and China. Novotny (2010) provide explanation of the potential problems. To avoid the negative effects into positive one, Indonesia should learn the history of England which rise from the middle power in Europe to the major globalizer which affect the world until today. One of the strategy of England was the capability taking advantage without taking specific side in the middle of the conflict the great power in the East (Ottoman, Turk) and the great powers in the West (Spain, Portuguese, and French)<sup>6</sup>.

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<sup>6</sup>One of the examples of the England behavior related to Indonesia was when England started to set power in the Malay Peninsula, Aceh was treated as an independent nation by England due to the close relationship between Ottoman (Turk) with Aceh Kingdom.

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