



Indonesia's Economic Diplomacy to Africa: Challenges and Opportunities

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One of the pillars of Indonesia's foreign policy is the strengthening of economic diplomacy by penetrating non-traditional markets.¹ In the same vein, President Joko Widodo had also ordered the Minister of Trade to expand Indonesia's exports to non-traditional markets and refrain from depending on particular countries alone.²

The African region is among the most promising non-traditional market destinations for Indonesia. In addition to having rich natural resources, the region also has the youngest and fastest growing population in the world, with a population estimated to reach 2.5 billion people by 2050.³ Based on the African Development Bank's Biennial Report, despite the region's economic slowdown as a result of the COVID-19 pandemic, the economies of 53 out of 54 countries in Africa continue to show positive growth. It is also predicted that the average real GDP of the African region will grow to 4% in 2023 and 2024.⁴ In the midst of global political and economic uncertainties, penetrating the non-traditional markets of African countries could be pivotal to boost Indonesia's exports.

When it comes to Africa, Indonesia already has the political capital that is rarely possessed by other countries. It has diplomatic relations with 54 countries, which consists of 46 countries in the Sub-Saharan Africa region and 8 countries in the Middle East and North Africa (MENA). The building block of Indonesia's relationship with African countries actually began way back since the convening of the Asian-African Conference ("Bandung Conference") and for Indonesia's instrumental role in the Non-Aligned Movement (NAM). Yet, Indonesia still needs to find its niche in the areas of economic cooperation with African countries.

This is shown by the value of Indonesia's trade with African countries. In 2022, the accumulated value of Indonesia's bilateral trade with 54 partner countries was USD 17.4 billion (exports valued at USD 7.2 billion and imports valued at USD 10.2 billion).⁵ As a comparison, in the same year, the value of bilateral trade between Indonesia and Singapore reached USD 33.8 billion (exports worth USD 14.4 billion and imports worth USD 19.4 billion).⁶

The fluctuation was rooted in domestic economic conditions, the COVID-19 pandemic, and instability in commodity prices. Altogether, they caused a deficit in trade balance for Indonesia. The imports from Africa's main markets, such as Nigeria, South Africa, and Angola, contributed to a fairly large trade balance deficit. Indonesia's trade balance deficits with Nigeria, South Africa, and Angola were respectively valued at USD 3.8 billion, USD 1 billion, and USD 553 million.⁷ As for inbound investment from Africa, the total foreign direct investments (FDI) from 30 African countries to Indonesia in 2022 was USD 359 million (or around 0.78 percent of the total realized global FDI investment to Indonesia in 2022 that was USD 45 billion).⁸

Challenges of Indonesia's Economic Diplomacy to Africa

There are several factors which may affect Indonesia's economic cooperation with African countries. First, the lack of integrated policies and coordination among stakeholders.⁹ This factor has been identified in the 2020-2024 National Medium-Term Development Plan (RPJMN). To date, there has not been any national policy, neither in the form of a strategic plan nor a roadmap for Indonesia's economic diplomacy in Africa. This could ultimately hinder any coordination for the implementation of programs and policies between ministries/agencies, the Indonesian embassies in Africa, as well as with non-governmental stakeholders that are involved and may support Indonesia's penetration into the African non-traditional markets.

Second, the capabilities of Indonesia's diplomatic representations. Out of 54 African countries, Indonesia's Embassies are only present in 16 countries (ten in the Sub-Saharan African countries, six in MENA, and one Consulate General in Cape Town, South Africa). Many of these embassies are accredited to many countries. For instance, the Indonesian Embassy in Abuja, Nigeria, is accredited to 11 countries. Additionally, the Ministry of Trade has only one Trade Attache that is assigned to the Indonesian Embassy in Cairo, Egypt, and two Indonesian Trade Promotion Centers (ITPC) in Johannesburg, South Africa, and Lagos, Nigeria. To date, there has not been any Indonesia Investment Promotion Center (IIPC) in the African region yet. Nevertheless, whether Indonesia must boost the presence of ITPC,





IIPC, or Trade Attachees is an issue that should be decided based on the larger policy framework of Indonesia's economic diplomacy. The Ministry of Foreign Affairs must live up to its role as the practices of big countries such as the United States, China, India, or Western European countries make trade and economic relationships very much part of foreign policy designs because of obvious reasons of security considerations and competitive leverage. As a comparison, India has 47¹⁰ dan China has 53¹¹ diplomatic missions in Africa.

Third, the reluctance of Indonesian firms or companies to expand their businesses to African markets. Private sectors tend to prefer developed countries for their main export destinations. The political system and regulations of the established markets are perceived to be more transparent as compared to the non-traditional markets. In addition, finding local partners, both in terms of production and distribution, is easier to do in the established markets. The reluctance may also be triggered by the lingering negative assumption of African countries as poor, insecure, as well as prone to domestic conflicts, drought, and many disease outbreaks.

Fourth, the limited export financing, credit guarantees, and investments, as well as financing schemes for projects in Africa, are also technical obstacles for Indonesian companies to expand their business and investment in Africa. The high cost of exports to Africa is also influenced by the high costs of transportation to Africa. To reduce the cost of exports, tariff reduction cooperation is needed. However, Indonesia currently has only one bilateral trade cooperation agreement framework with an African country, which is the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA). It has been effectively implemented since June 6, 2022.¹²

From the political perspective, the fact that President Joko Widodo's state visits to African countries only occurred towards the end of his presidency can also be seen as an indication of the lack of government's engagement in the continent. This begs the question of Africa's importance to Indonesia's foreign policy. A state visit by the head of government is often acknowledged as the highest form of diplomatic engagement between countries, as well as marking the commitment of the two countries' leaders to further develop bilateral relations.¹³ When a country's leader makes a state visit, it also indicates the importance of the target country in the foreign policy of the government. The last state visit by the President of the Republic of Indonesia to Africa was during President Susilo Bambang Yudhoyono's visit to Liberia and Nigeria in 2013.





Opportunities for Future Strategies of Indonesia's Economic Diplomacy to Africa

It is necessary to develop a roadmap for implementing Indonesia's economic diplomacy in the future which involves all stakeholders. Consequently, any programs and policies made by line ministries must be integrated. Obstacles or challenges could be comprehensively addressed and well anticipated in advance.

The first priority that needs to be secured is to identify potential but untapped strategic sectors in Africa. For example, cooperation in the pharmaceutical industry in developing vaccines. This is timely since Indonesia and five countries in Africa are designated as WHO transfer hubs to develop mRNA-based vaccines for the treatment of COVID-19 and other diseases.¹⁴ African countries can also become potential partners to support the development of electric vehicles (EV) battery industry, either as the origin of raw materials or as the export destination. Zimbabwe is among the countries which have the world's largest reserves of lithium production,¹⁵ while the Democratic Republic of Congo is the world's largest producer of cobalt.¹⁶ These two minerals are critical raw materials in the EV battery industry.

The legacy of historic relations after the Bandung Conference and NAM will be an opportunity for Indonesia to build economic cooperation in the extractive industry sector with African countries, compared to developed countries which are attached to colonial and exploitative images. Therefore, Indonesia needs to use a different approach, one of which is by offering technical cooperation in exchange for capacity building for mineral processing. So far, Indonesia has distributed development assistance and technical cooperation to African countries. Chief among them is the technical cooperation for Tanzania regarding leather tanning in February 2023.¹⁷ In the future, an evaluation of the international development funds and technical cooperation which have been provided is required. Particularly, Indonesia should reevaluate whether the aid had generated significant returns to Indonesia's interests and whether they contributed real improvements to the living standards of the recipient African countries.

In terms of bilateral trade cooperation, the IM-PTA has set a precedent as an approach that could also be used where applicable when establishing a bilateral trade cooperation framework between Indonesia and other African countries. Such an arrangement will not only support Indonesia's exports to Mozambique, but can assist to increase Indonesia's exports to other African countries. In particular, it is worth considering that Mozambique can serve as a hub for Indonesia to other African countries, such as Malawi, the Kingdom of Eswatini, and Zimbabwe. The most important thing is its implementation





and utilization by all stakeholders.

Explorations for establishment of a new bilateral trade cooperation framework with other African countries will also be needed. Also equally important is alternative financing mechanisms for economic cooperation with African countries to reduce costs and losses. One example was previously implemented in cooperation with South Sudan, namely counter-trade financing of infrastructure projects with crude oil.¹⁸

The successful visit of President Joko Widodo's recent visits to Africa was a testament of Indonesia's commitment that Africa is important for Indonesia. The results of the visits must be followed up by formulating a grand design of long-term development cooperation between Indonesia and Africa, which can take the form of a 5-year plan of action in the fields of health, agriculture, energy, and other sector of importance.¹⁹ It is also timely that the cooperations which were agreed during the visit be implemented. Related ministers and ministries must conduct a post-visit evaluation and assessments on how to proceed with the results of the President's visits to Africa.

Furthermore, the number of Indonesia's diplomatic representations in the African region has not yet represented the magnitude of Indonesia's economic interests. For this reason, it is necessary to consider expanding representative offices in the African region but it should be part of the larger foreign policy framework of the government. Last but not least, Indonesia also needs to prioritize trust-building efforts with African countries. Joint activities that can encourage public-private partnerships and increase people-to-people contacts between Indonesian citizens and citizens in the African region can also be an opportunity to build trust as an integral part of the implementation of Indonesia's economic diplomacy.



Endnotes

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