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Indonesian Economic Diplomacy in Central Europe: The Potentials of Economic Cooperation with Visegrad

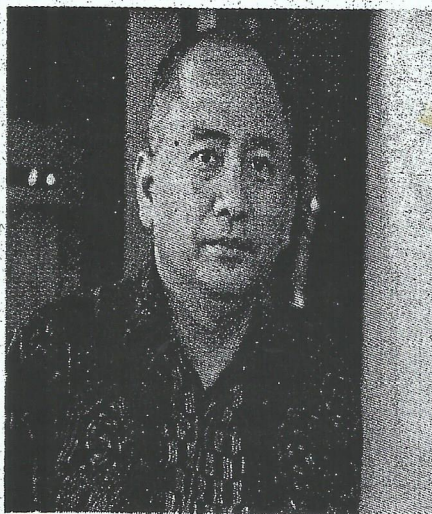
INTERNATIONAL trade is an inherent element of any nation's foreign relations. Nations engaged in political and economic cooperation with other nations to sustain robust domestic economic strength for the welfare of its people. International trade will sustain economic growth, an essential indicator of economic development. Exporting domestic products will generate income, while importing products is also necessary to fulfill the products needed domestically or inadequately produced domestically.

President Joko Widodo has determined that economic growth as one of the Administration's priority. In his speech at the Coordination Meeting of Heads of Indonesian Representative Overseas at the Ministry of Foreign Affairs on 12 February 2018, President Joko Widodo said that the key to Indonesian economic growth are investment and increasing exports. For that purpose, Indonesian economic diplomacy must work to support and achieve those goals.

The Ministry for Foreign Affairs, along with the other related ministries such as Coordinating Ministry for Economic Affairs and the Ministry of Trade, has declared that economic diplomacy is one of the top priorities of Indonesian foreign policy. Minister Retno Marsudi's "down-to-earth" diplomacy covers the economic diplomacy, as increasing economic growth will lead to the increasing welfare of the people.

In strengthening Indonesian economic diplomacy, priorities has been set to enhance economic cooperation, bilaterally or regionally, with various regions. In addition to maintaining economic cooperation with traditional markets (the top trading partners), economic diplomacy have also been directed to non-traditional markets (where trade relations are prospective). Such regions as Africa, South Asia and Latin America are among the potential targets.

With the growing regionalism, it is essential that economic diplomacy is also aimed at regional blocs such as ASEAN, European Free Trade Association (EFTA), Eurasian Eco-



omic Union (EAEU) and Visegrad (or V4).

Today, the Ministry of Foreign Affairs, in cooperation with the Universitas Pendidikan Nasional (UNDIKNAS) Denpasar, Bali, hold an International Seminar, on "Indonesian Economic Diplomacy: Economic Cooperation with Visegrad".

Visegrad is a regional bloc formed by Central European Countries (Czechoslovakia (later become Czech Republic and Slovak Republic in 1993), Poland and Hungary) covering political, economic, and cultural cooperation. All four members of V4 become parts of European Union in 2004. I would argue that for Indonesia, the V4 member states are potential trading partners and therefore economic cooperation with V4 need to be pursued.

I based my arguments on the following points. First, with total population of around 64 million, the V4 countries provide a potential market for Indonesian products.

Second, according to the Indonesian Central Bureau of Statistics (Badan Pusat Statistik/ BPS), our total export to the four countries is USD 446.1 million. This means the V4

only absorbs around 0.45% of the total Indonesian non-oil and gas export. Meanwhile, our import from V4 worth 479.8 billion or roughly 0.23% of the V4's total export.

Third, As far as tourism is concerned, one of the V4 objectives is to enhance not only the economic cooperation, but also tourism cooperation with the Asian region, mainly the East Asian region. Indonesia has definitely the potentials to offer. According to the World Bank the number of Indonesians middle class is expanding. Today Indonesia middle class counts more than 52 millions people, which constitute potential markets for Visegrad.

The number of tourist from Hungary is also increasing. Around 6 thousands Hungarian in 2014 and around the same number Slovakian visited Indonesia. More tourists come from Czech Republic (around 18 thousands in 2016 and 19 thousands in 2017) and Poland (around 15 thousands in 2014). Bali remains the main destination.

Finally, Indonesia needs to attract more investment from V4. Hungary has invested in energy sectors in Indonesia following Hungarian Prime Minister's visit in 2016. Meanwhile total Czech investment in Indonesia reached USD \$ 34.35 million between 2010 and 2015.

In conclusion, the economic cooperation between Indonesia and members of V4 Group have room for enhancement. Challenges may still on the way, involving diversified factors such as non-tariff measures, non-tariff barriers, the relatively high shipping cost and several other technical challenges. However, both parties—Indonesia and the V4—need to address these challenges to make way for a strengthened economic relations.

For Indonesia, the message is clear: stronger market penetration towards the Central European region, including with members of V4 group, is of high importance.

Written by

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