

CHAPTER I

INTRODUCTION

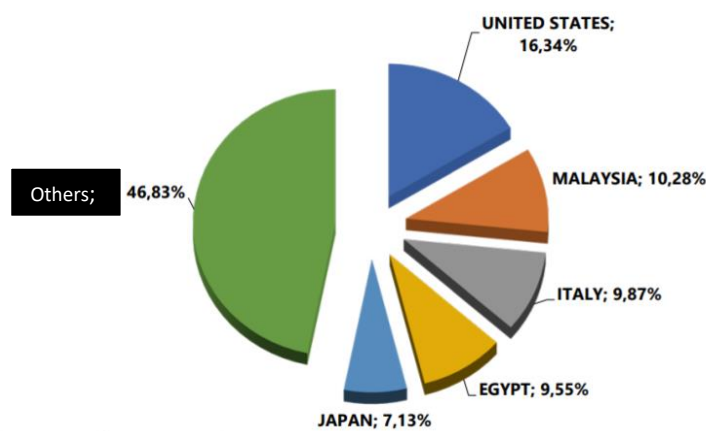
In starting and opening thesis writing, this chapter will explain the basic information that will lead to the completion of thesis writing. This chapter begins with the explanation of the background of the problem and then comes the formulation of the problem that will be answered in this thesis. In answering the formulation of the problem, of course, a frame of mind is needed to produce an initial hypothesis. This chapter closes with the explanation of the research objectives, the scope of the research, and the methods used in writing the thesis.

A. Background

Indonesia is an agricultural country that is fertile enough for agricultural land and plantations, including for the growth of coffee plants. According to temporary data from Directorate General of Estate Crops, Indonesia has a coffee plantation area in 2019 of around 1.215 million hectares (Badan Pusat Statistik, 2020) . Historically, Coffee was not a native plant of the archipelago, but was introduced during the colonial era by the VOC. At the time, coffee was one of the people's crops that the Dutch East Indies government was forced to cultivate as part of the forced cultivation policy. Coffee was then required to be grown in areas other than Java, particularly Sumatra. Because the Dutch East Indies Government made coffee one of the main export commodities, it grew quickly and spread to areas outside of Java. Since then, the Dutch colonial government has been exporting coffee and increasing its export income by expanding coffee fields throughout the archipelago. The potential for coffee exports influenced Dutch policy in Central Java infrastructure development. Before the coffee

beans were exported, infrastructure developments such as roads and railways were used to facilitate the coffee trade route from the interior to the port. After World War II, Japan took over coffee plantations in Indonesia, and after Indonesian independence, the legacy of colonial coffee plantations was left behind. This history intertwined with Indonesia's position as one of the world's largest coffee producers and exporters (Shertina, 2019).

The large number of coffee plantations in Indonesia makes Indonesia become the 4th largest coffee producer in the world. Indonesia also can export coffee to various countries that are major consumer of coffee in the world (Direktorat Jenderal Perundingan Perdagangan Internasional, 2018). There are some countries that become the targets for Indonesia to export coffee which are United State, Malaysia, Italy, Egypt, and Japan.



Picture 1. Coffee Export Volume by Country of Destination 2019

The volume of coffee exports to target countries in the last nine years tends to fluctuate, ranged from 40.15 percent to 12.82 percent. In the year of 2011, total export volume reached 346.49 thousand tons with a total value amounted to US\$ 1036.67 million, decreased to 359.05 thousand tons in 2019 with a total value of US\$ 883.12 million (Badan Pusat Statistik, 2020). Due to

the decline in the volume of coffee exports, Indonesia decided to add more destination countries for coffee exports, one of them was New Zealand.

Indonesia sees the opportunity to export coffee in New Zealand is very large. It is well known that in the Capital City, Wellington has more cafes per capita than New York City. In addition, the level of coffee consumption in New Zealand per capita is in the top 20 in the world, just above the United States as the main destination for Indonesian coffee exports (Hore, Guide to New Zealand's Coffee Culture, n.d.). According to the Indonesian Ambassador, Tantowi also said that the people of New Zealand have a habit of drinking coffee which is quite high. In a day, one person can consume 3-4 cups of coffee (Kedutaan Besar Republik Indonesia Wellington, 2020). However, the limitations of the types of coffee in New Zealand make people only consume one type of high-quality coffee, namely Arabica bean coffee. Indonesia as the fourth largest coffee exporter in the world produces high quality Arabica coffee beans throughout the archipelago. Seeing this, made the Indonesian Ambassador, Tantowi believe that this is an opportunity for Indonesia to carry out economic agendas, namely exporting coffee to New Zealand (Kedutaan Besar Republik Indonesia Wellington, 2020).

Indonesia carries out economic activities apart from referring to the vision and mission of the Indonesian government's foreign policy during the era of President Jokowi, which during his reign emphasized strengthening the practice of economic diplomacy and also aims to improve economic relations between Indonesia and New Zealand (Delanova, 2018). Considering the deficit of Indonesia's trade value to New Zealand in 2014, the value of Indonesia's imports from New Zealand was greater than the export value of Indonesia's 10 main

commodities to New Zealand (KBRI Wellington, 2015). Therefore, the Indonesian embassy in Wellington devised a new strategy to increase export activities to New Zealand by adding a new focus to a new commodity, which is coffee.

Since the administration of President Jokowi, coffee has been used as a leading commodity for export to New Zealand, but the Indonesian government in New Zealand at that time did not focus too much on coffee commodities and focused more on exporting other commodities such as palm oil seen from the working report of Indonesian Embassy in Wellington in 2019. New Zealand has begun to intensively carry out strategies to increase the coffee commodity since Tantowi Yahya became the ambassador there in 2018. Seeing the variety of coffee potential in Indonesia and the limitations of coffee in New Zealand, Tantowi believes that coffee can be used as an opportunity to increase Indonesia's exports to New Zealand. So that in this study, the author will focus on discussing the strategies of the Indonesian government for increasing Indonesian coffee commodities in New Zealand in 2019 until 2020.

B. Research Question

Based on the background of the problem that has been discussed above, the research question proposed by the author is: “What are Indonesia’s strategy to increase Indonesian coffee commodity in New Zealand in 2019 until 2020?”

C. Theoretical Framework

Based on the research question that the author has mentioned above, the author uses economic diplomacy to explain the research question. Diplomacy is an activity carried out by a country to interact with other countries in

the process of cooperation, agreement, make a policy, with the aim of achieving the national interest of a country. In the era of globalization, the international world is triggered by a shift in the direction of international cooperation that focuses on the economic field, which makes the concept of economic diplomacy was appeared.

According to (Rana, 2007) Economic diplomacy is the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investments and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important. This definition makes it clear that international trade and investment are the primary concerns. The emphasis on international trade and investment is easy to understand because a country's economic progress cannot be separated from its performance in increasing the volume of international trade and the amount of foreign investment that enters the economy to support economic growth (Badan Pengkajian dan Pengembangan Kebijakan Kementerian Luar Negeri Republik Indonesia, 2015).

The next expert is Sukawarsini, interpreted the concept of economic diplomacy as having a wider range than the "commercial" tasks that existed in the past. The concept of diplomacy has a broader task than trade, such as cooperation in the fields of trade, investment, and promotion of natural resources. These are three tasks that relevant to economic diplomacy, each of them has provided feedback from other elements of the diplomatic process. Futhermore Sukawarsini also explained in this diplomacy concept that the models of economic diplomacy developed by each country were adapted to the

characteristics of the country concerned, in addition to being adapted to the specific needs of each country (Djelantik, 2008).

According to Sukawarsini Djelantik, who wrote in her book entitled *diplomacy between practical theory in the economic and trade diplomacy* chapter, the author explained that there are 4 pillars in economic diplomacy agendas, such as:

1. Trade Promotion

In this pillar, the context of economic diplomacy is to promote the country's products in order to build the image of the country both domestically and abroad. Outward trade promotion is certainly very closely related to exports and imports with other countries. Therefore, it is not wrong if trade promotion in economic diplomacy is considered as one way to build the country's image. Trade promotion agendas are carried out by marketing existing products so that they can be accepted by the wider community or in foreign markets.

2. Promotion of Investment Opportunities

In this pillar, the promotion of investment opportunities is used as an effort to improve relations and the quality of trade with other countries. These promotions are usually aimed at attracting foreign investors to be willing to invest in various sectors in the country. However, not infrequently in an effort to improve the quality of this trade cooperation, investment occurs in two directions from both parties who cooperate.

3. Attract Adequate Technology Entry

In this pillar, the context of economic diplomacy is the existence of initiatives to attract the entry of adequate technology. This can of course be done by every cooperating country in order to improve the quality of cooperation and also resources for each party, in addition to complementing or strengthening the existing technological system in the country.

4. Management of Economic Aid

The purpose of this pillar is to help each other in economic agendas, which if the country is a developed country, the consideration in economic assistance agendas is to become a donor country for other countries. However, if the country is a developing country, usually the consideration is to receive assistance from the donor country according to the needs that are considered urgent to be received.

In line with the value of the first pillar of economic diplomacy, Indonesia uses various agendas to promote Indonesian coffee commodities in New Zealand. One of them is the Indonesian Coffee Tasting Agenda, which has been implemented by the Ministry of Foreign Affairs of the Republic of Indonesia in Wellington in 2020. It is an agenda to introduce various types of Indonesian coffee to New Zealand, which this activity aims to attract coffee lovers, especially coffee entrepreneurs in New Zealand to be interested in exporting coffee from Indonesia. If Indonesian coffee export agendas to New Zealand continue, it will increase Indonesian coffee commodities.

In addition, apart from Indonesia's goal to increase Indonesian coffee exports in New Zealand, this activity also aims to build Indonesia's image in

the international world, that Indonesia has different coffee specialties due to the various types of coffee and flavors from each region in Indonesia.

D. Hypothesis

Based on Research Question that has mentioned above, the author obtained a hypothesis as follow:

“Indonesia’s strategy to increase Indonesian coffee commodity in New Zealand is by diversifying promotions as economic diplomacy agendas in 2019 until 2020”

E. Research Purposes

The purposes of this research are as follows:

1. To analyze the export potential of coffee in the New Zealand market.
2. To analyze the strategy of the Indonesian government in increasing the export of Indonesian coffee commodities to New Zealand.
3. As an application of the theory and knowledge gained all this time by the author.
4. As a source of inspiration and reference material for further coffee research for other academic communities.

F. Research Methodology

The author will use a qualitative research method using an explanatory type of research which will reveal the problems raised through secondary data sources collected through journal articles, books, relevant internet pages, reports, and documents that have credibility that can be accounted for. The data analysis technique in this research uses content analysis, which is to analyze in depth discussions of the content of written or printed information in

various mass media. The information that will be obtained from data analysis will be considered by the author with the result that, it can draw a conclusion and bring up answers from this research problem.

G. Research Scope

The scope of this study only analyzes Indonesia's strategy in order to increase Indonesian coffee commodities in New Zealand. In addition, the scope of time in the discussion of this research is focused on 2019–2020. Because during that time, the government made many intensive efforts to improve coffee branding on the international scene in order to increase coffee exports to New Zealand.

H. Systematic of Writing

In this research, the author will make a systematic of writing in four chapters with the following design:

- a. Chapter 1: This chapter contains an Introduction to research consisting of Background, Research Question, Theoretical Framework, Hypothesis, Research Methodology, Research Purposes, Research Scope and Systematic of Writing.
- b. Chapter 2: This chapter contains an explanation about Indonesian coffee potential and New Zealand coffee culture.
- c. Chapter 3: This chapter contains an explanation about Indonesia's strategy to increase Indonesian coffee commodity in New Zealand.
- d. Chapter 4: This chapter contains a summary or conclusion from the research results.