

CHAPTER I

INTRODUCTION

A. BACKGROUND

Indonesia is the world archipelagic country. It has a total of 17.508 islands and called as Island Country. It is also situated between two continents Asia and Australia. This strategic location has a significant influence towards its social, culture, politics and economy. The international relation and international trading are connected, because of the relation among people or society from one country to another country who did the trade. Further talk about trading, Indonesia also has an exhibition called as Trade Expo Indonesia.

Trade expo is an exhibition organized by government so that companies in a specific industry can showcase and demonstrated their last product, service, and examine recent market trends and opportunities of selling and buying. In every year Indonesia always organizes the Trade Expo Indonesia, which is an annual exhibition organized by the Ministry of Industry and Indonesia Investment Coordinating board.

In the history of TEI, started in 1985 with the name of *Pameran Produk Ekspor Indonesia* . Because Indonesia, at the time, was developing country in sectors of industry and export, the diversity and the good quality products made Indonesia government opened this exhibition in Jakarta on August 1th until September 19th, 1985 to commemorated the independent of Republic of Indonesia. The purpose of PPE was to

raise of public awareness, to show that Indonesia was capable and to appreciate the local products of Indonesia through the exhibition itself.¹

In the history of PPE in Indonesia, happened a lot of very significant development from year to year. In 2006, the government of Indonesia has changed the name of the PPE became Trade Expo Indonesia and as a purpose to focus on transactions among the business to business with international standards and comprises a wide range of products which might reflect the potential of Indonesia.

There are three things that are done to revitalize in the Trade Expo Indonesia:²

1. Revitalization was done by changing the exhibition itself, as well as the types and how to perform the display of products. Which is really wants to be appointed is Indonesian product quality, value-added, has a quality and standards as well as the design and packaging of international standard, which in the end has an international brand. So since 2006, TEI showed the exhibition area called the bridge of the main product as a prototype for the ideal form of the exhibition which is expected to become the standard for all the exhibits in the end.
2. Development of Fair Trade Expo itself started by increasing the sector and it was expanded by government with 10 + 10 + 3, which was the major product 10, 10 and 3 potential products of services sector. In 2006, Government started to give the zone to the creative industries and exports of services which is in line with that outlined by president during the opening of TEI 2006 where we need to encourage not only

¹related:www.bappenas.go.id/index.php/download_file/view/9794/1798/ PIDATO PERTANGGUNGJAWABAN PRESIDEN/MANDATARIS MAJELIS PERMUSYAWARATAN RAKYAT REPUBLIK INDONESIA DI DEPAN SIDANG UMUM MAJELIS PERMUSYAWARATAN RAKYAT REPUBLIK INDONESIA 1 MARET 1988

²Related: SAMBUTAN MENTERI PERDAGANGAN PADA ACARA PEMBUKAAN TRADE EXPO INDONESIA YANG KE-25 JAKARTA, 13 OKTOBER 2010 from :www.kemendag.go.id/files/pdf/2010/10/14/sambutan-mendag-pada-tei-2010-id1-1353762608.pdf

the export of goods but also services products. From year to year the participation of these two sectors was increased.

3. Based on what will be done to increase the number of countries and origin of the buyer to enter this expo. In addition to main market or traditional which have a market share of Indonesian exports, such as America, Europe and Japan, government also expanding to new markets or non-traditional markets which were largely made up of emerging markets, the status of developing countries but in emerging markets. To improve and optimize the role of our representatives abroad at the level of ambassador, general consul, the economic function, commercial attache or Indonesian Trade Information Center increased steadily, so this year there are 20 delegations with 500 participants.

According to Mari Elka Pangestu as Ministry of Trading for Indonesia in the opening session of TEI 2010, TEI 2010 was the last processed of first revitalization stage. 2011-2013 was second stage that would be increasing the credibility of TEI and became international exhibition as agenda of buyer in every year.³

The expo aims to sell and promote the quality of products made in Indonesia and became a place to market Indonesian products in the global market, to further develop the business and investment network, and to increase the potential and opportunities, especially for those (foreigner) looking to invest in the sector of business and industry in Indonesia.

Trade Expo Indonesia 2013 was held at the Jakarta International Expo on 16 until 20 October and the results of the TEI of data from the Ministry of Commerce (Ministry)

³Related: SAMBUTAN MENTERI PERDAGANGAN PADA ACARA PEMBUKAAN TRADE EXPO INDONESIA YANG KE-25 JAKARTA, 13 OKTOBER 2010 from :www.kemendag.go.id/files/pdf/2010/10/14/sambutan-mendag-pada-tei-2010-id1-1353762608.pdf

shows the product transactions during TEI was success to raise US \$ 692.2 million, or approximately 37.91% of the total transaction which the event occurred. While service of transactions reached US \$ 65.9 million, or approximately 3.61%. From the variety of products offered, as many as 10 products of Indonesia became the target of buyers from both inside and outside the country. Ten products are agricultural products, furniture, automotive and components, coffee, food and drinks.⁴

The TEI is one of Indonesia's strategy to increase the economic development by the way of soft diplomacy. Soft diplomacy resides in the ability to influence others to obtain specific outcomes employing tactful techniques to gain strategic advantage or to find common solutions to a challenge. The use of soft diplomacy instruments shifts attitude from coercion to a non-confrontational action. Its roots and resources rely on policies, culture and economy.⁵

Soft diplomacy tools include public diplomacy, negotiation techniques, cultural understanding and cross cultural communication proficiency, intelligent use of public relations and media relations competence. Soft diplomacy is used by those nation states which usually do not have any conflict prone relations with other nation states. They derive though many benefits from the operation of such types of diplomacy and many benefits may be hidden one and not explicit at outset.

Along the changing paradigm of international relations actors, the implementation of soft diplomacy involves various non-government actors. Therefore, soft diplomacy is the real form of the use of instruments other than political pressure, military and economic

⁴Related Laporan Kinerja Kemendag triwulan 2013 <http://www.kemendag.go.id/files/pdf/2013/11/27/laporan-kinerja-kemendag-triwulan-i-id0-1385522511.pdf>

⁵Soft Diplomacy Skill <http://ispdnetwork.org/soft-diplomacy-skills/>

pressures with the advanced elements of soft power. Therefore, foreign political platform is done through soft diplomacy.

Since 2006 to 2013, Indonesian soft diplomacy through the approach of Trade Expo Indonesia was increasingly intense could be implemented and easily accepted by the local people and the foreigner of TEI that made Indonesia to be under the spotlight of the world for its success in developing the Trade Expo Indonesia. It made the Indonesian products could be recognized all over the world. This proves that the TEI gave effect to Indonesia in economic, cultural, and investment.

B. RESEARCH QUESTION

Based on the description of the background above, the author can formulate the research question as followed: “What is the impact of Trade Expo Indonesia 2013 as a way of soft diplomacy in Indonesia toward economic development ?”

C. THEORITICAL FRAMEWORK

Departing from the above problem, the author takes the basic framework of thought by using two concepts, soft power and nation branding. Thus through these theories the author can answer the question raised, so then we will know the answer of the question: “What is the influence of Trade Expo Indonesia 2013 as a way of soft diplomacy in Indonesia?”

1. The Concept of Soft Power

The term 'soft' here is defined as 'soft' or 'smooth'. While the 'power', as defined solely by Joseph Nye, is "an ability to do things and control others, to get others to do what they otherwise would not" an ability to do everything and control

the other party, to make it do something that do not necessarily want them to do.⁶ As opposed to hard power approach that tends to use violent means such as the use of military force, soft power offers more 'friendly' instruments and no force in the pursuit of national interests. Nye said that this instrument should be 'attractive'⁷ so that it can be accepted by the states / nations that become the target of national interests.

The concept of soft power is close to the liberal tradition, even if 'there is no contradiction between realism and soft power'.⁸ In opposing hard power, soft power emphasizes not the ever-possibility of war, but the possibility of cooperation; not military power, but the power of ideas. More precisely, soft power is relevant to the three solutions that Liberals propose to solve the problem of war.

The first is that democracies will not go to war against other democracies. In a democracy, the people have a say in the country and can impose peaceful goals. Democracies are therefore more inclined to use soft power rather than hard power. Furthermore, Nye asserted that even in case of difficulties, a democratic state will not lose its soft power. For instance, 'in democracy, the presence of dissent and self-criticism can be beneficial: it enhances the credibility of messages'⁹. Thus, when a policy is criticised, it may produce some soft power as the people from other countries may see that as a proof of authenticity and as a sign of freedom of speech.

The second solution to the problem of war for believers of liberalism is economic interdependence. The fact that it constrains states to cooperate with others appears more to be coercion rather than attraction, and this solution would be therefore closer to hard power than soft power. Nye's writings agree with that in the sense that a state with significant economic resources is likely to exert pressure on,

⁶Joseph S. Nye, Jr. 1990. 'Soft Power'. *Foreign Policy*, 80, Twentieth Anniversary, Autumn, p. 154.

⁷*Ibid.* p. 166.

⁸Joseph S. Nye, Jr. 1990. 'Soft Power'. *Foreign Policy*, 80, Twentieth Anniversary, Autumn, p 82

⁹Nye, J., 2011. *The Future of Power*. New York: Public Affairs p. 109

and change the behaviour of other states that are economically weaker. However, 'economic resources can also produce soft as well as hard power. They can be used to attract as well as to coerce'¹⁰. Thus, a free trade economy will produce soft power, as it will attract others to its model. A successful liberal economy may create a desire in other countries to adopt this model.

International institutions are the third solution posed by liberals to the problem of war. In promoting cooperation through common rules and norms, they foster peaceful relations. This is a core assumption of Neoliberalism, which sees institution as a means to tone down the effects of anarchy. Nye agrees with this argument without forgetting that cooperation is difficult to achieve; he asserted, with Robert Keohane, that the simple establishment of institutions enables them to last: 'a set of networks, norms and institutions, once established, will be difficult either to eradicate or drastically rearrange' (Keohane and Nye, 1998). Furthermore, Nye (2005, p.10) affirmed that 'institutions can enhance a country's soft power'¹¹. Indeed, they are likely to promote a country's values, ideas, policies, both with other members and countries outside the institution. Therefore, 'if a country can shape international rules that are consistent with its interests and values, its actions will more likely appear to legitimate in the eyes of others'¹². For instance, the United States uses institutions like the International Monetary Fund and the World Trade Organization to promote its values of liberalism and democracy. Thus, soft power, as presented by Joseph Nye, adopts a lot of Liberal theory, and particularly of Neoliberal Institutionalism.

Soft power does not mean that the country can easily deal with or it has no strength to act in the complex ambience of the International Politics. On the other

¹⁰Nye, J., 2011. *The Future of Power*. New York: Public Affairs p. 85

¹¹Nye, J., 2005. 'On the Rise and Fall of American Soft Power', *New Perspectives Quarterly*, 22(3), pp.75-77.

¹²Ibid

hand, soft power is a sort of diplomatic tool used which a country serve its own national interests. “Soft power is the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment. A country's soft power rests on its resources of culture, values, and policies.”¹³

Based on Nye’s writings, he agrees that in the sense that a state with significant economic resources is likely to exert pressure on, and change the behaviour of other states that are economically weaker. However, ‘economic resources can also produce soft as well as hard power. They can be used to attract as well as coerce’¹⁴. Thus, a free trade economy will produce soft power, as it will attract others to its model. A successful Liberal economy may create a desire in other countries to adopt this model.

Trade Expo Indonesia is on strategy of Indonesia to increase their economy by using the method of diplomatic tool to attract other countries to come or joint the TEI such as buyers and investors, optimalization of the representative of Indonesia in every embassy to promote and introduce the TEI. For example, in General Consulate of Republic of Indonesia in Johor Bahru, the Ministry of Trade gave to the consulate a later to promote the TEI 2013. On Wednesday, August 28, 2013, General Consulate in Johor Bahru has held a Business Luncheon Trade Expo 2013 in balroom of General Consulate in Johor Bahru in order to socialize and raise buyers for The 28th Trade Expo Indonesia at the Jakarta International Expo, Kemayoran 16 till 20 October, 2013.¹⁵ Business Luncheon was attended by the counterpart among employers who are members of the Chamber of Commerce in Johor Bahru. The goal of this method is

¹³Joseph S. Nye Jr. Public Diplomacy And Soft Power, Annals of the American Academy of Political and Social Science, [American Academy of Political and Social Science](#), 2008

¹⁴Nye, J., 2011. The Future of Power. New York: Public Affairs. 85

¹⁵Internship data in Consulate General of Republic Indonesia in Johor Bahru on 23 August until 22 September, 2013.

role of government to invite or promote TEI to the foreigners to achieve our notional interest in economical sector such as tourism, export and investment.

2. The concept of Nation Branding

The image of a country in the international community is usually measured through the ranks of a country based on Nation Branding Index compiled by Anholt. Nation Brands Index (NBI) is to measure the strength and attractive or not 'brand image' of a country with a test of the six dimensions of national competence which becomes is known as the Nation Brand Hexagon. The sixth dimension of 'brand image' of a country is as follows: (1) export, (2) governance, (3) culture, (4) people, (5) tourism, and (6) investment and immigration.¹⁶Based on the concept that has been mentioned above, TEI has included six dimensions of "brand image". Their influences as a nation branding in Indonesia are;

- Export, Improving Indonesian exporter which is usually only in the oil and gas sector but TEI focuses to not glued to the export of oil and gas, but non oil and gas sector too as an example; furniture, *batik*, and other products – products.
- Governance, government has a role as an organizer to facilitate and conduct surveillance in TEI.
- Culture, TEI not only focuses on the economy, but both focus on Indonesian culture to be known by the local and foreign public.
- People, The people have a role as part of Indonesia, in this case, if people can go straight and appreciate the TEI eventis to run further to add the brand image Indonesia.
- Tourism, from year to year, TEI has attracted the interest of foreign public benefit come to Indonesia and it has increased foreign exchange of Indonesia.

¹⁶Simon Anholt, "Anholt-GMI Nation Brands Index," 2006 Q4 General Report, 2006, www.nationbrandsindex.com.

- Investment, TEI also provide services for foreign businessmen to invest in Indonesia through information from the Foreign Investment Coordinating Board who participated as one part in the event by organize the TEI.

D. HYPOTHESIS

Based on the background and theoretical framework that has been stressed above, the hypothesis that could be taken are:

1. Introduce the UKM (*Usaha Kecil Masyarakat*) of Indonesia to the others state by means of expo and also for Indonesia exportir to not focus on oil and gas only but in the good products from Indonesia.
2. Trade Expo Indonesia increases the economic and income from foreign exchange.

E. SCOPE OF DISCUSSION

In terms of discussing the material to facilitate the research and avoid the difficulty in analyzing the subject of the research, the author gives preference to the discussion of influence the Trade Expo Indonesia as a way of soft diplomacy in Indonesia. The research takes period of study from beganning of TEI in 1985 up to 2013 and focus on TEI in 2013, which the author wants to show how the TEI 2013 as the international exhibition attaracted many buyer from abroad. This research will not be out from the author data.

F. RESEARCH METHOD

The type of research used in this study is descriptive, where the author tries to explain the influence of Trade Expo Indonesia 2013 as a way of soft diplomacy in Indonesia. In using the methods, the author uses data collection techniques such as document study done by collecting secondary data and also author become the participant

on this expo. In this case, the information is derived from several relevant published materials such as books, journals, news, official websites and electronic data (internet) that are related to the subject of the research.

G. THE STURCTURE OF THESIS

The outline of thesis is as follows:

- Chapter I : This chapter contains the introduction. This chapter outlines the background of the research, research question, theoretical framework, hypotheses, scope of discussions, research methodology, and structure.
- Chapter II : This chapter contains of Trade Expo Indonesia from 1985 to 2011, the history of Trade Expo Indonesia, development of Trade Expo Indonesia, and The Function of Trade Expo Indonesia in Indonesia.
- Chapter III : This chapter contains of Ministry of Trade, The Socialize and Promote the Trade Expo Indonesia 2013 and Trade Expo Indonesia 2013
- Chapter IV : This chapter contains of TEI 2013 as a tool of soft diplomacy in Indonesia and the Impact of Trade Expo Indonesia 2013 as a Soft Diplomacy Toward Economic Development.
- Chapter V : This chapter contains the conclusion and summarizes the research paper.