

# CHAPTER I

## INTRODUCTION

In achieving their national interests, countries in the world are competing to stick their fangs in other countries. Some of the steps which often taken is to strengthen connections with neighboring countries and transcontinental countries in accordance with their national interests. One of them is by expanding cooperation with other countries related to the economy, especially in reducing import duty rates as in the preferential trade agreement (PTA). The number of PTAs itself has increased over the last two decades (Yao et al., 2021). In this preliminary part, the author will describe the background of the problem, research question, theoretical framework, hypothesis, research methods, research limitations, and thesis structure. This is done to make it easier for the author to conduct the research and help the reader to well understand the research that conducted by the author.

### 1.1. Background

The relationship between Indonesia and Mozambique has been established since 1991. From time to time, the bilateral relations between Indonesia and Mozambique have become stronger, marked by increased visits between government officials and businessmen of the two countries. Between the two countries, various Memorandum of Understanding (MoU) have been signed in various fields, especially in the trade sector. Since 2011, Indonesia has provided technical assistance by inviting the participation of Mozambique participants in training in the textile, agriculture, and oil and gas industry in Indonesia and holding capacity building training in Mozambique. However, the trade relations between the two countries are still relatively small, where the value of Indonesia's exports to Mozambique in 2013 was US \$ 92.358 million, while imports were US \$ 49.07 million (*Keterangan Umum Negara Republik Mozambique*, 2018). In order to

improve trade relations between the two countries, Indonesia and Mozambique agreed to enter into their first trade agreement, namely the Indonesia Mozambique Preferential Trade Agreement (IM-PTA).

In line with the guidelines for Mozambique's largest exhibition, the 55th International Trade Fair – FACIM to be precise on 27 August 2019, the Indonesian Minister of Trade (Menteri Perdagangan) Enggartiasno Lukita and the Minister of Industry and Trade of Mozambique Ragnera Berta de Sousa signed the IM-PTA Mozambique in the city of Maputo, Mozambique (*Indonesia Resmi Miliki Perjanjian Dagang Pertama Dengan Negara Afrika*, 2019). PTA itself has many terminologies used by both countries and other multilateral organizations (Lombok, 2021). However, the common characteristic of all types of PTA is the reciprocal preference as in this IM-PTA. In Indonesia, IM-PTA is one of the seventh bilateral trade agreement that has completed in the last three years, after Indonesia-Chile/IC-CEPA on December 2017, Indonesia (Zuhriyah, 2019). This agreement was signed under the leadership of Indonesia's seventh president, Ir. Joko Widodo.

The launch of the Indonesia-Mozambique PTA (IM-PTA) negotiations was carried out in 2018 in Bali by the Indonesian Minister of Trade and the Minister of Industry and Trade of Mozambique. After the signing of the IM-PTA agreement by the two trade ministers, the next step is ratification of international agreements in line with national regulations for the enactment of the IM-PTA (Deny, 2019). For Indonesia, the ratification process is completed with the issuance of a Law (UU) or Presidential Regulation (Perpres) on the ratification of the IM-PTA and a Regulation of the Minister of Finance (PMK).

Because the IM-PTA agreement is still in the process of ratification, literature that is written in scientific journals

discussing IM-PTA is lacking. Most of the available literature only discusses Indonesia's PTA with countries other than Mozambique. The news related to IM-PTA is limited to only a few online news pages. So that the author took the initiative to discuss the IM-PTA in general and Indonesia's motivation to sign the IM-PTA in particular in this paper. This writing will discuss furthermore about the motivation of Indonesia signed the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA) using the Theory of International Cooperation.

## **1.2. Research Question**

Based on the explanation above, the authors set **“What are the reasons of Indonesian Government signed the Indonesia-Mozambique Preferential Trade Agreement with Mozambique?”** as the research question.

## **1.3. Theoretical Framework**

In general, forms of international economic cooperation are divided into three types, namely bilateral, regional, and multilateral. Bilateral economic cooperation is cooperation that involves 2 countries and is mutually supportive. For example, the Indonesia-Chile cooperation for a comprehensive economic partnership, known as IC-CEPA (Direktorat Jenderal Perundingan Internasional, 2021). In addition, regional economic cooperation is cooperation that involves several countries located in certain regions. For example, economic cooperation between countries in the Southeast Asia (ASEAN) region. Furthermore, multilateral economic cooperation is cooperation that involves many countries and is not bound by regional boundaries. For example, OPEC which is a cooperation with oil producing countries (Anwar). Currently, Indonesia itself has several trade agreements with partner countries, especially PTA in their bilateral relations with partner countries to achieve their national interest. In 2019, Indonesia signed a PTA agreement with the Mozambique government.

In fact, none of the countries in the world can stand alone but have limitations in certain resources, giving rise to a state of interdependence. All nations are always involved in the process of fulfilling or securing the goals of their national interests (Suwarman et al., 2019). So that this state of interdependence gives birth to an urgency to make cooperation with other countries in order to meet the needs of their respective countries, both in the economic, political, and educational fields. The results of international cooperation are usually contained in an agreement, such as this IM-PTA. Concerning this issue, the writer used the theory of International Cooperation. Through this theory, the writer will explain the motivation of Indonesia signed IM-PTA agreement by analyzing the benefit that Indonesia will get from this agreement.

According to Coplin, international cooperation is cooperation that was originally formed from one reason where countries want to carry out new and better routine interactions for common goals. These interactions are collective problem-solving activities, which take place both bilaterally and multilaterally (D. Coplin, 2003). In addition, according to K. J. Holsti, international cooperation can be defined as follows (Holsti, 1988):

- a) The view that two or more interests, values, or goals meet each other and can produce something, promoted or fulfilled by all parties at once.
- b) The view or hope of a country that the policies decided by other countries will help that country to achieve its interests and values.
- c) Agreements or certain matters between two or more countries in the context of taking advantage of common interests or conflicts of interest.
- d) Official or unofficial rules regarding future transactions carried out to carry out the agreement.

- e) Transactions between countries to fulfill their agreement.

In short, international cooperation exists because of the urgency of meeting the national needs of countries that can be met through interaction with other countries. Where the national interest of a State arises as a result of limited national resources or national strength, so that the State concerned feels the need to seek fulfillment of the national interest beyond its borders by expanding their cooperation. Based on the theory of international cooperation, it can be concluded that the behavior and actions taken by political leaders are influenced by the interest to fulfill the needs of their country by utilizing relationships with other parties.

The purpose of international cooperation according to Plano and Olton is to meet the interests of certain countries and to combine existing competencies so that the desired goals can be achieved. The cooperation was then formulated into a forum called an international organization. This is also in line with the political interest which is of course owned by every country that has cooperative relations with other countries, such as Indonesia which decided to cooperate with Mozambique for the benefit of its country through international cooperation. An international organization is a tool that makes it easy for each member to establish cooperation in the political, economic, social and so on (Plano & Roy, 1979). Through the IM-PTA agreement, Indonesia has received great opportunities to get many benefits in the economic sector with Mozambique because the area is quite promising based on Indonesia perspective. This can strategically assist Indonesia in playing a more central role in economic relations in the African region.

#### **1.4. Hypothesis**

According to the Background, Research Question, Theoretical Framework, which the author has described above,

the author set the hypothesis of the Reasons of Indonesian Government Signed the IM-PTA namely:

1. This agreement gives Indonesia opportunities to get many advantages in trading activities, especially Indonesia's exports and imports to Mozambique
2. This agreement opens the gate for Indonesia to enter the African continent market as a stepping stone.

### **1.5. Research Methodology**

This research uses the descriptive qualitative method. According to Moleong, qualitative research is the collection of data in a natural setting by using natural methods and carried out by people or researchers who naturally attracted (Moleong, 2011). This research adopted the theory of International Cooperation. This research is intended to reveal data and information about the motivation of Indonesia signed IM-PTA agreement. The subject of this research is Indonesia. Sources of data in this study are secondary. The data that the author use is gained from journals, books, reports, government data, and credible articles on the internet. The data analysis technique used in this research is technical qualitative data analysis from Miles and Huberman. Miles and Huberman states that there are three streams of analytical activities that occur simultaneously, namely data reduction, data presentation, and conclusion drawing or verifications (Miles & Huberman, 1992).

### **1.6. Research Scope**

To limit the problems in this research, the author will analyze the economic interests of Indonesia behind Indonesia's decision to sign the IM-PTA agreement in 2019. The author will only focus on the benefits obtained by Indonesia in this agreement.

## **1.7. Systematic Writing**

This thesis entitled Indonesia-Mozambique Preferential Trade Agreement; The Stepping Stone of Indonesia in African Continent? consists of three chapters, the following are the description of the outline.

**Chapter I** is an introductory chapter that contains the Introduction, which includes the Background, Research Question, Theoretical Framework, Hypothesis, Research Methods, Research Limitations, and Thesis Structure.

**Chapter II** discusses the bilateral relations between Indonesia and Mozambique prior to this agreement. Furthermore, this chapter will discuss the expectations of Indonesian government in this agreement as well as the chronology of signing the IM-PTA and opportunities and challenges that follows.

**Chapter III** is the last chapter that provides conclusions.