

## CHAPTER I

### INTRODUCTION

The occurrence of the COVID-19 pandemic has caused a global health, social and even economic crisis. The World Health Organization (WHO) notes that entering August 2020 the coronavirus has claimed 728,013 lives worldwide. From an economic standpoint, the COVID-19 pandemic is projected to have an impact on the global economic contraction by -3% and a decrease in world trade volume to -11% at the end of 2020. This figure is projected to trigger a global economic recession in both the medium and long term starting from the first quarter 2 of 2020. The IMF together with the World Bank also noted that this pandemic has the potential to have an impact on increasing the number of world's poor by up to 50 million (International Monetary Fund, 2020).

In the field of trade, COVID 19 has disrupted international trade traffic. One of the reasons for this is the decline in China's economy as the second largest economy in the world. The COVID 19 pandemic has reduced China's Gross Domestic Product (GDP) growth projection from 6.1% in 2019 to 5.4% in 2020. In the trade sector, China is the world's largest exporting country. In 2018, China's export value reached 2.5 trillion USD. Meanwhile, in terms of imports, this country is the second largest buyer after the United States. China's lack of economic activity has finally had an impact on supplying countries such as South Korea, Japan, Taiwan and other Asian countries including Indonesia (Lidwina et al, 2020).

In Indonesia, COVID-19 has caused a trade balance deficit of USD 344.7 million as of April 2020. This figure was affected by complications in world demand and disruptions to global supply chains. As a developing country, Indonesia depends on export and import activities. The COVID-19 pandemic has actually disrupted trade flows, especially in export-import activities. This was due to the "lockdown" policies taken by various countries to prevent the spread of COVID-19, thereby hampering economic activity and putting pressure on world economic growth including Indonesia.

One of the efforts that has become a strategy for improving Indonesia's national economy, particularly with regard to increasing the value of tuna exports, is to use economic diplomacy as the main instrument and to increase bilateral relations with Indonesia's tuna export destination countries such as Japan. Economic diplomacy here is understood as the use of political means as a tool in international negotiations that aim to improve welfare and the national economy. Economic diplomacy also uses economic instruments to increase the

country's political stability. In this case, economic diplomacy is aimed at maintaining export performance and curbing the economic impact as a result of the COVID-19 pandemic. And this bilateral cooperation between Indonesia and Japan was carried out with the aim of eliminating tariff and non-tariff barriers. This was implemented so that Indonesian tuna export activities to Japan could run well without any obstacles, especially during this pandemic.

### **A. Backgrounds:**

Indonesia is a country that is endowed with abundant ocean products. Geographically, two-thirds of Indonesia's territory consists of oceans so that Indonesia is a country that has potential in the field of fisheries and maritime affairs. As the largest archipelagic country with a sea area that can be managed by 5.8 million km<sup>2</sup>, the maritime and fisheries sector is one of the main capitals of development and can provide benefits to the people of Indonesia. Flanked by two oceans, the Indian and Pacific Oceans, Indonesia has a very abundant fishery potential. Indonesia's fisheries are one of the largest in the world, both capture and aquaculture. The total of Indonesia's capture fisheries is 10.2 million tons / year. 56.8 million tons / year is the result of the potential of aquaculture. This aquaculture includes marine aquaculture (mariculture), brackish water cultivation (ponds), freshwater cultivation (land). When viewed from the results of Indonesia's fishery potential, Indonesia has a very large potential for the fishery sector.

Japan is the largest market for Indonesian tuna exports because Japan is one of the relatively high fish consuming countries. Japan is a country that consumes fish of 140 kilograms / capita / year. So, Japan is very dependent on the sea as a source of food for its people. With the high consumption of these marine products, Japan certainly experienced serious things. The local fisheries sector is depleted due to overfishing. In deep-sea fishing, Japan is hindered by each of its detached countries in the enactment of the Exclusive Economic Zone (EEZ). In addition, the number of workers in the fisheries sector has decreased dramatically. Thus, due to these factors, domestic fisheries sector production has declined in decades and Japan relies on imports of fishery products to meet domestic consumption (Notehelfer et al., 2021). Based on data from the Food and Agriculture Organization report released in 2018, Indonesia ranks second in the highest fisheries producing country in the world, below China (FAO, 2020). One of Indonesia's main export commodities in the field of fisheries is tuna exports. Based on data in 2017, Indonesia ranks sixth largest tuna exporter (prepared and preserved tuna) in the world. The export value of Indonesian tuna is at USD 359

million. Indonesia also ranks fifth in tuna filet exporters with an export value of USD 94 million. Japan is Indonesia's largest market in tuna exports with an export value of USD 59 million with a volume weighing 10,481 tons per year 2017 (Indonesian Tuna, 2019). In addition to tuna, Indonesia also has various leading export commodities to Japan including shrimp (USD 334.94 million), cob and skipjack (USD 133.26 million), crab and crab (USD 36.47 million), squid, cuttlefish, and octopus (USD 17.9 million), and other fishery commodities. Based on data from the Ministry of Maritime Affairs and Fisheries of the Republic of Indonesia, per 2018, the total export value of Indonesian fishery products reached USD 4.86 billion. Japan is the second major trading partner after the United States (USD 1,876.9 million) with an export value of USD 676.58 million or 13.92% of the total export value of Indonesian fishery products in 2018. Followed by China at USD 675.9 million, ASEAN at USD 520.1 million and the European Union at USD 382.7 million (KKP, 2020). For Japan, Indonesia is the main supplier of their fishery products.

However, at the end of 2019, the value of Indonesian tuna exports to Japan decreased. This is due to the "lockdown" policy taken to prevent the spread of COVID-19, so that economic activities are hampered and put pressure on economic growth. Japan and Indonesia entered a recession period as a result of the lockdown policy implemented. Export-import activities were also affected. Export-import activities carried out by Indonesia and Japan also stopped. Japan lowered their Tuna import levels, the main cause of which is that Japan needs to focus on the health sector (Tridge, 2020).

For this reason, efforts to improve Indonesia's national economy are by relying on economic diplomacy. In this case, economic diplomacy is aimed at supporting export-import performance and containing economic impacts as a result of the COVID-19 pandemic (Okano-Heijmans, 2011). Economic diplomacy can be understood as an instrument to achieve the national interests of the country. Economic Diplomacy here does not only aim to achieve the economic and political interests of a country, Economic Diplomacy here also aims to improve the welfare of the people and common interests. The realization of this diplomacy varies, such as, increasing trade cooperation in the form of exports and imports, foreign investment exchanges, and others (Jemadu et al., 2015).

Indonesia and Japan agreed to form Indonesia-Japan Economic Partnership Agreement (IJEPA) as a strategic partnership agreement in the economic sector, this includes the creation of free trade areas, investment agreements, and various cooperation in other fields. This

bilateral cooperation aims to remove barriers related to tariffs and non-tariffs. Japan's market entry is very tight with various protectionist policies in the form of non-tariff barriers such as standardization and high product qualification. With this IJEPA, Indonesia is expected to be able to increase its capacity and capability to penetrate the Japanese market. In addition to removing the various tariff and non-tariff barriers above, this cooperation will also provide certainty of market access for Indonesian fishery products in Japan, especially tuna.

The situation due to COVID-19 caused problems in International trade traffic. Indonesia tuna commodity export activities to Japan were also disrupted. For this reason, Indonesia need efforts to overcome and adapt to the situation due to the pandemic. Indonesia must make the best use of its bilateral cooperation with Japan through IJEPA with the aim of increasing the value of tuna export.

### **B. Research Question :**

How the role of Indonesia-Japan Economic Diplomacy and bilateral cooperation relations based on IJEPA can increase the value of Indonesia's tuna exports to Japan during the pandemic?

### **C. Theoretical Framework:**

A conceptual framework for Economic Diplomacy to provide an overview of the Indonesian government's strategy in dealing with the negative impact of the pandemic on the national economy. In the locus of international relations, various literature appears that try to give the definition of "economic diplomacy", either seeing it as an international political-economic phenomenon and activity, being part of the practice of diplomacy (politics), or as part of business activity as a whole. This resulted in the absence of a single definition of economic diplomacy, thus opening up space for further exploration.

According to Olivier Naray and Michel Kostecki (2017) Economic Diplomacy is substantially and practically considered similar to commercial and business diplomacy. More specifically, there are two activities in Economic Diplomacy. The first is Primary Activities, these activities refer to trade and Foreign Direct Investments (FDIs), research and technology development, tourism promotion and business advocacy, examples are Economic

Salesmanship and Image Building / Promotion. Meanwhile, the second is Support Activities where this activity is related to intelligence, network development, business negotiations, and problem solving mechanisms, for example, Networking and Regulation Management.

Economic diplomacy is an influential political tool in international negotiations and aims to improve national economic welfare and state stability. The concept of economic diplomacy is based on the country's desire to have security in the economic field which has two dimensions, namely: business-end (prosperity) and the power play-end (stability) (Khoiriyah, 2019).

Economic diplomacy conducted by the Ministry of Foreign Affairs and other Ministries is defined as diplomacy relating to economic policy issues such as the work of delegates in organizations such as the World Trade Organization (WTO) and the Bank of International Settlements (BIS). Economic diplomats are also tasked with monitoring and reporting on economic policies in other countries and telling domestic governments how best to influence other countries. Economic diplomacy uses its economic resources as a reward or sanction for other countries in order to pursue certain foreign policy goals or in this case it is called economic statecraft (Khoiriyah, 2019).

Economic diplomacy can also be understood in a broader context, such as being integrated in a country's national (economic) transformation vision (Aleidan, 2019), as well as being part of the formation of "nation branding"; refers to the promotion of national business competency reputation (Reuvers, S. and Ruël, 2012). Although economic diplomacy is closely related to the central role of state actors, Stadman and Ruel emphasize the absence of the principle of "one size fits all" in economic diplomacy. He saw that economic diplomacy comes in various forms, adjusting to the characteristics of the country of origin and country of destination (Stadman & Ruël, 2012). The same thing was also expressed by Susan Strange, who considered that the success of economic diplomacy is not only determined by state actors, but also other actors, especially private enterprises (Strange, 1992). Even Yakop and Bergeijk actually see that economic diplomacy is an activity that brings major benefits to private companies (Veenstra et al., 2010).

Some of the previous reviews related to the topic of Indonesia's national economic improvement strategy can be found and classified into three groups. The first is a literature group that focuses on the substance and implementation of Indonesia's economic diplomacy, as shown in research on the challenges and opportunities of economic diplomacy during the

reign of President Joko Widodo (Wangke, H., Pujayanti, 2015), Indonesia's economic diplomacy towards markets in the Middle East (Kurniawan, 2014) and strengthening Indonesia's economic diplomacy, especially in the clustering strategy of export market destinations (Sabaruddin, 2017). In addition, there are studies that review the grand design of Indonesia's economic diplomacy through the economic diplomacy index approach (Sabaruddin, 2017), Indonesia's economic diplomacy in the G-33 (Delanova, 2016), as well as paradigms and problems in Indonesia's economic diplomacy (Killian, 2012). The second group is literature that discusses the impact of the pandemic on Indonesia's economic growth and trade, including the research conducted by Yose Rizal Damuri (Hirawan., 2020) and Eka Budiyantri (Budiyantri, 2020). Meanwhile, the third group is a study that discusses Indonesian policies in handling the Covid-19 pandemic, including a review of Indonesia's food trade policies during Covid-19 (Amanta, F. and Aprilianti, 2020), global cooperation in a multi-track approach (Djelantik, 2020), the use of public diplomacy by Indonesia in the Covid-19 crisis (Martha, 2020), Indonesia-South Korea cooperation in handling Covid-19 (Mantong, A. W. and Kharisma, 2020), Indonesian diplomacy in ASEAN in response to the pandemic (Falahi and Nainggolan, 2020), the strategy for providing stimulus (Tahir, 2020), and focusing on the foundations of Indonesia's strategy in dealing with the Covid-19 pandemic (Travel, 2020).

#### **D. Hypothesis:**

Through Indonesia-Japan Economic Diplomacy and bilateral cooperation relations based on IJEPA, Indonesia can increase tuna exports to Japan through Primary activities in the form of Economic Salesmanship and Image Building / Promotion and also with Support Activities in the form of Networking and Regulation Management.

#### **E. Research Purposes / Objectives:**

The purpose of this research is to:

1. To find out the influence of Economic Diplomacy carried out by Indonesia on tuna exports to Japan during the pandemic.
2. To find out the efforts / efforts made by Indonesia in strengthening Economic Diplomacy during the pandemic.

3. To find out the efforts made by Indonesia in Economic Diplomacy in increasing tuna exports from Indonesia to Japan during the pandemic.

#### **F. Research Methods:**

This study use a qualitative method with a case study approach. Qualitative research is an approach in research that is carried out by understanding and investigating certain individuals or groups who experience social or humanitarian problems, in this research process researchers are required to raise questions to be asked to participants or resource persons. Data analysis in qualitative research is carried out inductively, namely from general to specific, and then interpreted to answer research questions. The case study approach is carried out to investigate issues, especially in the context of evaluation. Qualitative research has an inductive nature where researchers generally explore meaning and insights in certain situations. (Strauss, A., & Corbin, 2008) The inductive method tends to start from the bottom, namely the collection of facts and data in the field. The data is then searched for similarities, both patterns and principles, and then drawn to a conclusion. The data sources used are literature studies derived from official documents, books, journals, research reports, and others. The cases studied were limited by time and certain activities. The researcher collects detailed information using data collection procedures over a certain period of time (Cresswell, 2014). Research data obtained from the study of documentation. The data analysis technique used is the Miles Hubermann analysis technique, namely data collection, condensation, data presentation, and conclusions (Miles, 1994).

#### **G. Range of Research:**

This research discusses the application of the concept of economic diplomacy proposed by Olivier Naray and Michel Kostecki. This concept is used to identify and analyze economic diplomacy as a form of effort by the Indonesian government in increasing the value of Indonesia's tuna exports to Japan during the Covid-19 pandemic. This research period is between 2017-2022 where the Covid-19 pandemic has an impact on the contraction of the global economy and a decrease in world trade volume. Many countries have been hit hard by the COVID-19 pandemic, Japan and Indonesia have also felt the same way. Japan and Indonesia entered a recession period as a result of the lockdown policy implemented. Export-import activities were also affected. Export-import activities carried out by Indonesia and Japan

also stopped. Japan lowered their Tuna import rate, the main reason being that Japan needs to focus on the health sector. And in 2019 the export value of Indonesian Tuna to Japan had dropped by around 19.3 million USD (Tridge, 2020).