

INDONESIA'S ECONOMIC DIPLOMACY IN INDONESIA-EFTA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (IE- CEPA)

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INFO ARTIKEL

Article History

Received
13 June 2023

Revised
30 July 2023

Accepted
1 August 2023

Kata kunci:

Diplomasi ekonomi;
EFTA; IE-CEPA;
Indonesia.

Keywords:

economic diplomacy;
EFTA; IE-CEPA;
Indonesia.

Abstrak

Artikel ini bertujuan untuk menganalisis diplomasi ekonomi Indonesia di dalam Indonesia-EFTA Comprehensive Economic Partnership Agreement (IE-CEPA) yang dapat memberikan peluang besar bagi Indonesia untuk meningkatkan perdagangan dan investasi dengan negara-negara EFTA. Kerangka analisis yang digunakan dalam artikel ini adalah diplomasi ekonomi dengan operasionalisasi diplomasi perdagangan menurut Okano-Heijmans. Metode penelitian dalam artikel ini menggunakan metode kualitatif. Hasil artikel ini menunjukkan diplomasi ekonomi Indonesia memberikan pandangan mempererat positif terhadap IE-CEPA sebagai kesepakatan penting untuk hubungan ekonomi antara Indonesia dengan negara-negara EFTA melalui penurunan tarif bea masuk, penghapusan hambatan non-tarif, dan perlindungan investasi, yang diharapkan dapat meningkatkan daya saing produk-produk Indonesia di pasar Eropa dan meningkatkan ekspor Indonesia ke negara-negara EFTA.

Abstract

This article aims to analyze Indonesia's economic diplomacy in the Indonesia-EFTA Comprehensive Economic Partnership Agreement (IE-CEPA), which can provide excellent opportunities for Indonesia to increase trade and investment with EFTA countries. The analytical framework used in this article is economic diplomacy with the operationalization of trade diplomacy, according to Okano-Heijmans. The research method in this article uses qualitative methods. The results of this article show that Indonesia's economic diplomacy gives a positive view of IE-CEPA as an important agreement to strengthen economic relations between Indonesia and EFTA countries through reducing import duty rates, eliminating non-tariff barriers, and protecting investment, which is expected to increase the power of competitiveness of Indonesian products in the European market and increase Indonesia's exports to EFTA countries.

INTRODUCTION

Economic diplomacy continues to play a significant role in a country's foreign policy, particularly for countries with established powers. The asymmetry between political-economic systems has an impact on industrial and geopolitical competition between nations. With the reduced legitimacy and strength of existing international cooperation structures, governments are more likely to employ economic tools for political ends in international economic relations. Economic diplomacy functions as a means to enhance a country's prosperity and as an instrument to pursue political stability and national security (Okano-Heijmans, 2016:3).

Indonesia, in 2019-2024 will rely on priority 4+1. The five priorities are as follows: 1) Strengthening economic diplomacy; 2) protective diplomacy; 3) Sovereignty and national diplomacy; 4) Increasing Indonesia's contribution and leadership in the region and the world; and with one additional priority, particularly strengthening; 5) infrastructure diplomacy. Indonesia's economic diplomacy, which is the main priority of Indonesia's foreign policy, is projected to contribute to the growth and development of the national

economy. In line with the 2020-2024 RPJM, economic growth of an average of 6 percent per year is one of the economic goals that should be more easily achieved with the help of economic diplomacy (Ministry of Foreign Affairs of the Republic of Indonesia, 2020).

In carrying out economic diplomacy, Indonesia utilizes all forms of international political tools to interact with other countries in fulfilling Indonesia's national economic interests through cross-border economic activities and cooperation both bilaterally, regionally and multilaterally). Gains accrue to Indonesia due to trade agreements in the form of facilitated trade, increased access to markets for Indonesian products and services, increased investment, increased human resource development, and expanded opportunities for economic cooperation. BME student in the second semester

Indonesia then agreed to cooperate with countries from the European Free Trade Association (EFTA) as stated in the Comprehensive Economic Partnership Agreement between the Republic of Indonesia and the EFTA States (IE-CEPA) on 16 December 2018 and ratified on 7 May 2021. EFTA is an alternative economic bloc for European countries, not European Union

(EU) members. The members of the EFTA are Iceland, Liechtenstein, Norway and Switzerland, where each member country has a reputation as a trusted long-term investment and trading partner with a large market with high purchasing power coupled with high foreign investment values (FTA Center, 2022b).

In the IE-CEPA collaboration, several focuses of cooperation have been agreed upon, including: liberalization of trade in goods and services; investment; protection of intellectual property rights; liberalization in the field of government procurement; promote fair competition; and, trade & sustainable development, cooperation & capacity building (FTA Center, 2022a).

The IE-CEPA collaboration is one part of President Joko Widodo's policy which projects Indonesia's economic growth by prioritizing economic cooperation with other countries to face an increasingly competitive world economy. Trade is one of the key sectors in the progress of the Indonesian economy because it is directly related to the country's ability to produce goods with international selling value. Europe is a market with the potential for various products such as agricultural, horticultural, industrial, creative, and others. Indonesian business actors must be able to take advantage of this

diverse trade potential to increase export volumes.

Indonesia's national interest in the IE-CEPA cooperation is to increase Indonesia's economic growth through trade liberalization with EFTA member countries. Indonesia can take advantage of trade liberalization with EFTA to reduce various trade barriers to impact the growth of trade volume between Indonesia and EFTA. Indonesia's primary export commodities to EFTA countries are precious metals, jewellery, gold, bulldozers and fibre optics with a total value of Indonesia's exports to EFTA countries in 2020 of US\$ 2.45 billion. Meanwhile, Indonesia's imports from EFTA are in the form of watches made of precious metals, watches, explosives, ammunition, fish and ink, with a total investment value in 2020 of US\$ 137.95 with 622 projects (Paryadi, 2020:153).

Articles discussing IE-CEPA trade cooperation have yet to be widely carried out. Still, even so, the partnership carried out by Indonesia with other countries has relevance to the topic or problem of this article, including Ragimun (2016) describing Indonesia's economic and trade cooperation - with India, which provides a surplus for both parties and has the potential to increase cooperation by increasing product

competitiveness both in terms of quality including increasing value added, product quantity, price and standardization of products to be marketed in India. Sidabutar (2017) explains that trade cooperation carried out multilaterally through the Trans-Pacific Partnership (TPP) is to encourage trade liberalization among member countries in the Asia-Pacific region, especially in terms of tariff setting, trade protection, and economic equality.

Paryadi (2020) analyzed the IE-CEPA cooperation as a result of the cost-benefit and SWOT IE-CEPA simulations which had an impact on increasing the trade balance in several sectors, namely meat, apparel and textiles. Astuti & Fathun (2020) describe that in promoting trade cooperation, economic diplomacy can be the primary weapon used by Indonesia for trade integration as a result of trade cooperation carried out with other countries. Sulistia Wargi (2021) explained that the economic diplomacy used by Indonesia in promoting trade cooperation provides an opportunity for Indonesia, a world producer of halal products, to dominate the world halal market. Dewi and Santoso (2022) provide an understanding of the economic diplomacy carried out by Indonesia in the IK-CEPA cooperation, which is an

effort to increase the value of trade and investment between the two countries.

The previous research above is only Paryadi (2020), which directly connects with this article, which both discuss IE-CEPA cooperation. However, even so, this article has differences that can become a novelty. The approach used in this article is economic diplomacy which focuses on international trade cooperation carried out by Indonesia on EFTA to get more benefits from IE-CEPA cooperation. Based on this, this article attempts to answer a research question: "how is Indonesia's economic diplomacy implemented within Indonesia – EFTA Comprehensive Economic Partnership Agreement (IE-CEPA)?"

ANALYSIS FRAMEWORK

Economic Diplomacy

Economic diplomacy can be defined as diplomatic efforts made by countries to strengthen economic relations with other countries. Economic diplomacy can involve various activities such as trade negotiations, investment promotion, technology cooperation, and development assistance (Woolcock & Bayne, 2012:307). The goal is to increase economic prosperity and strengthen political relations between the

countries involved. In the context of increasing globalization and economic interconnection, economic diplomacy is becoming increasingly important for countries to improve their position in international economic competition. Economic diplomacy can also assist countries in promoting cultural values, reducing political tensions, and strengthening regional and international cooperation (Berridge, 2010:38).

Bayne & Woolcock (2017) describe that economic diplomacy is related to making decisions and negotiating about policies or questions related to international economic relations. In practice, it involves international financial regulation and coordination, trade and investment negotiations, international development and environmental policy, and many core issues sub-categories. Economic diplomacy, therefore, has an important concern with questions of international economic policy.

Meanwhile, according to Rana (2011), decision-making in economic diplomacy involves state and non-state actors, including the private sector and civil society. Rana (2011) considers economic diplomacy as “a process by which countries overcome the outside world, to maximize their national advantage in all areas of activity including

trade, investment and other forms of exchange that are economically advantageous, in which they enjoy a comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important.” Seib (2014) integrates the idea of maximizing national advantage in areas where countries enjoy a comparative advantage as an attraction in economic diplomacy. On that basis, there is a need to identify these areas of comparative advantage in the short, medium and long term.

As governments around the world actively re-emphasize economic diplomacy in their foreign policies, in the view of Okano-Heijmans (2016), there is a general tendency to develop stronger relations between the three sets of economic diplomacy: First, trade diplomacy is an effort to promote international trade and reduce trade barriers in other countries. Trade diplomacy can involve bilateral or multilateral trade negotiations, trade shows, trade promotion, or removing trade barriers such as tariffs, quotas or regulations.

Second, commercial diplomacy is an effort to promote a country's economic and trade interests through various forms of diplomacy, such as trade diplomacy, investment diplomacy and technology diplomacy. Commercial diplomacy can

promote export products, increase investment, technology cooperation and training.

Third, development cooperation is an effort to promote economic and social development in less developed countries through technical, financial and policy assistance. Development cooperation involves various assistance, such as humanitarian, development, technical, and educational assistance.

In practice, the three concepts are interrelated and support each other in achieving economic and political goals. Trade and commercial diplomacy can help countries strengthen their economic relations with other countries, while development cooperation can help countries increase their economic capabilities through technical and financial assistance. But even so, what is related to this article is economic diplomacy using a trade diplomacy approach because it focuses on trade liberalization as carried out by Indonesia and EFTA in the IE-CEPA collaboration. This article uses the trade diplomacy approach as a tool for implementing economic diplomacy, as Okano-Heijmans (2016) stated.

Trade Diplomacy

Trade diplomacy is an effort to establish trade cooperation between countries based on agreements in certain forms and names, which are regulated according to international law, are made in writing and give rise to rights and responsibilities in the field of public law to promote market access and to maintain and to secure national interests (Pigman, 2016:52). Trade cooperation is a form of government activity of a country to secure and fight for the country's national interests through trade relations with other countries both bilaterally and multilaterally. Trade liberalization is the goal of trade diplomacy for countries to carry out international trade cooperation. This trade liberalization is carried out to reduce or, whenever possible, eliminate tariff and non-tariff barriers to make it easier for domestic products and products from abroad to enter and leave quickly and efficiently, which impacts increased market competition.

Several factors can influence a country's decision to carry out trade diplomacy, including the following: first, at the economic level, it is believed that eliminating trade barriers will increase efficiency, create new markets, optimize supply chains, provide access to goods in

markets and lower prices. Second, forming diplomatic networks, developing alliances, and encouraging greater cooperation in other fields are political functions often associated with establishing international trade cooperation.

Trade diplomacy and international trade liberalization are interrelated and support each other. Trade diplomacy can assist in promoting international trade liberalization through various forms of trade agreements, namely: First, Preferential Trading Arrangements (PTA) is a form of international trade liberalization in which countries give each other trade preferences for products by reducing or eliminating tariffs and other trade barriers. PTA is conducted between two or more countries and can help increase trade and investment between countries. Trade diplomacy can help countries reach a PTA agreement through bilateral or multilateral negotiations and talks.

Second, Free Trade Area (FTA) is a form of international trade liberalization in which countries agree to reduce or eliminate tariffs and other trade barriers between them. In FTAs, countries maintain tariff policies and trade barriers that are different from other countries that are not included in the agreement. Trade diplomacy can assist

countries in reaching FTA agreements by conducting intensive negotiations and talks.

Third, Comprehensive Economic Partnership Agreements (CEPA) is a more comprehensive form of international trade liberalization than PTA and FTA. CEPA covers cooperation in various fields, including trade in goods, services, investment, intellectual property, and technology. Trade diplomacy can assist countries in reaching a CEPA agreement through intensive negotiations and talks and coordinating the various national and international interests involved in the agreement.

Overall, trade diplomacy is a vital tool in achieving international trade liberalization, and various forms of international trade agreements such as PTA, FTA and CEPA result from intensive and effective trade diplomacy efforts.

RESEARCH METHOD

Qualitative research methods are used in this article because this type of research focuses on an in-depth understanding of social phenomena through collecting and analyzing descriptive data. The data obtained in this article uses literature study, which is one of the data collection techniques in qualitative research that relies on written

sources, such as books, journals, articles, reports and other documents as data sources (Lamont, 2015:95). The data is then validated through data triangulation from different sources to prove the accuracy and correctness of the data. Data analysis in this article uses coding techniques, which involve the process of identifying, labelling or coding and organizing the data that has been collected to look for certain patterns or themes that emerge from the data, which are then interpreted and arranged in the form of writing, pictures and tables.

RESULTS AND DISCUSSIONS

Indonesia's Economic Interests in IE-CEPA Cooperation

Trade diplomacy is one way to fulfil Indonesia's economic interests in increasing trade with other countries. In the context of trade cooperation with other countries, trade diplomacy can assist the Indonesian government in promoting Indonesian products, expanding market access, dealing with trade barriers, and opening up investment opportunities for Indonesian companies. Indonesia sees that EFTA member countries can be an opportunity for Indonesia to expand market access and

promote Indonesian products through IE-CEPA cooperation.

Each EFTA member country has its advantages, for example, Switzerland is the most prominent EFTA member in terms of economy, with a GDP (Gross Domestic Product) of USD 705 billion in 2020. Switzerland is also a country that has high levels of consumption and purchasing power, as well as a stable and diversified market (Indonesian Embassy in Bern, 2023). Norway is Europe's largest oil producer and has a developed maritime industry. Iceland is a small country with a limited population but has potential in the energy, tourism and fishery product industries. Meanwhile, Liechtenstein is the smallest country in the EFTA, with a focus on the financial and manufacturing sectors (FTA Center, 2022a).

Indonesia has a variety of superior products that have the potential to be traded on the EFTA market. Some of Indonesia's leading products that have great opportunities in the EFTA market include:

- (1) Agricultural products: coffee, tea, rubber, tropical fruits, spices, chocolate and other processed products;
- (2) Fishery products: fish, processed, shrimp, shellfish, and seaweed;
- (3) Textile and clothing products: such as batik, traditional woven

fabrics, and other products; (4) Electronic products: such as telecommunications equipment, computers and accessories, and other electronic goods; (5) Other manufactured products: such as cars, motorcycles, tires, and biofuels (FTA Center, 2022a).

These Indonesian products certainly have their potentials in the EFTA market, such as in Switzerland and Liechtenstein, the products with the most significant export potential from Indonesia to Switzerland are jewellery made of precious metals, coffee and footwear. Indonesia has the highest supply capacity for Palm Oil (Excl Crude) & Fractions. On the other hand, products with the most substantial demand potential in Switzerland are immunology products. Indonesian products with the most significant export potential from Indonesia to Norway are Nickel Matte, Sports Footwear, and Coffee (Ministry of Trade of the Republic of Indonesia, 2020). Indonesia has the highest supply capacity for Seats of Cane, Osier & Similar, while the product with the most substantial demand potential in Norway is Nickel Matte. Shrimp, crude coconut oil, and coffee have tremendous export potential from Indonesia to Iceland. Indonesia has the highest supply capacity for palm oil (Excl Crude) & Fractions, apart from that,

motorized vehicles for transporting people are products with the most substantial demand potential in Iceland (Syukriya, 2022:56).

Indonesia has full market access from Iceland and Norway, except for palm products for animal feed other than fish. Meanwhile, Switzerland provides market access for Indonesian palm oil products as follows: (1) Duty-Free for palm oil products for animal feed, technical purposes, and re-export; (2) MoP 30-40 percent with a total quota of 10,000 tonnes for stearin, kernel and other palm oil. Increase percentage by 5 percent per year until the 5th year after EIF; (3) Switzerland will give equal treatment to Indonesia if it gives better preference to other CPO-producing countries in the future, including Malaysia; (4) The preferences given by Switzerland are accompanied by requirements for sustainability and transportation aspects in containers with a maximum size of 22 tons (Ardi & Sebayang, 2022:139).

Duty-Free for palm oil products means that palm oil products imported to the destination country are not subject to import duties, or the import duty rate is 0 percent. In international trade, import duties or import duty rates are taxes imposed on imported goods when they enter the destination

country. Usually, this import duty rate is set based on a percentage of the value of imported goods. As is well known, Indonesia is experiencing difficulties exporting palm oil to Europe (Arifin & Putri, 2019:205). Europe considers that Europe pays attention to environmental and health issues related to palm oil production in Indonesia, especially those related to deforestation and the use of peat lands. Several European countries have implemented regulations to limit imports of palm oil from Indonesia which is considered environmentally unsustainable. Several countries in Europe impose high import tariffs on palm oil. These tariffs can increase export costs and increase the price of Indonesian palm oil in Europe compared to other producers. This makes it difficult for Indonesia to remain competitive in the European region, especially as Europe is a tight area for producers of other vegetable oils such as soybean, sunflower and canola oil. This is especially the case in European countries that prefer more environmentally friendly vegetable oils (Natasya, 2019:149).

Concerning IE-CEPA, Indonesian palm oil products get duty-free facilities to enter the EFTA market. This makes Indonesian palm oil products more competitive in the EFTA market because

they are not subject to import duties or taxes. This duty-free facility is also expected to increase the export volume of Indonesian palm oil products to EFTA member countries so that it can have a positive impact on the Indonesian economy as a whole (Verit & Virgianita, 2022:7). With the IE-CEPA cooperation, Indonesian products will receive lower preferential tariffs or even be free of import duties on the EFTA market. This will increase the competitiveness of Indonesian products in international markets and open opportunities for exporters to increase EFTA market exports. In addition, Indonesia can also take advantage of technology and experience from EFTA member countries in improving production and product quality.

The Impact of the Implementation of the IE-CEPA Cooperation on the Indonesian Economy and EFTA

IE-CEPA is a free trade agreement between Indonesia and member countries of the European Free Trade Association (EFTA), namely Switzerland, Norway, Iceland and Liechtenstein. This agreement was signed on December 16, 2018, and officially entered into force on August 10, 2021 (FTA Center, 2022a). The IE-CEPA aims to increase trade volume, strengthen

investment cooperation, and expand market access and economic opportunities between Indonesia and EFTA. In implementing IE-CEPA, Indonesia's trade diplomacy has an important role. Trade diplomacy is a diplomatic effort made by the Indonesian government to increase the volume of trade and investment with other countries.

Indonesia's trade diplomacy in the IE-CEPA aims to open market access for Indonesian products in EFTA countries and vice versa. In this case, the Indonesian government is negotiating with EFTA countries to reduce or eliminate import duties for specific products. European market access is very important for Indonesia in

increasing trade with EFTA countries. EFTA countries are promising markets for Indonesia because they have great potential to increase bilateral trade.

With access to the European market through IE-CEPA, Indonesia can expand its export market and increase trade volume with EFTA countries. This can help increase economic growth and increase the country's foreign exchange. Another advantage of European market access is increasing investment from EFTA countries to Indonesia. This can help increase productivity, create jobs, and strengthen the competitiveness of Indonesia's industry.

Table 1. Indonesia-Switzerland & Liechtenstein Trade Balance 2018-2022

Description	2018	2019	2020	2021	2022	Trend (%) 18-22	Jan-Jan		Change (%) 23/22
							2022	2023	
Trade Totals	1,544.0	1,436.6	3,099.2	1,993.6	2,751.2	15,99	173,5	383,7	121,22
Oil And Gas	0,1	63	26	0,2	0,1	-41,89	0	0	5,161.68
Non-Oil and Gas	1,544.0	1,373.6	3,073.2	1,993.4	2,751.2	16,51	173,5	383,7	121,22
Export	669,9	740,7	2,398.1	1,315.7	2,212.6	30,32	118	311,4	163
Oil And Gas	0	0	0	0	0	0	0	0	0
Non-Oil and Gas	669,9	740,7	2,398.1	1,315.7	1,882.6	30,32	118	311,4	163,96
Import	874,1	695,9	701,1	677,9	868,6	-0,39	55,5	72,3	30,34
Oil And Gas	0,1	63	26	0,2	0,1	-41,89	0	0	5,161.68
Non-Oil and Gas	874,1	632,9	675,1	677,7	868,5	0,56	55,5	72,3	30,33
Balance of Trade	-204,2	44,8	1,697,1	637,8	1,014.0	0	62,5	239,1	282,6
Oil And Gas	-0,1	-63	-26	-0,2	-0,1	41,89	0	0	-5,161
Non-Oil and Gas	-204,1	107,8	1,723.1	638	1,014.1	0	62,5	239,1	282,61

Source: Ministry of Trade of the Republic of Indonesia (2022)

Since the enactment of the IE-CEPA, table 1 shows that the Indonesia's total export value to Switzerland & Liechtenstein in 2021 is reported to be USD 1.99 billion or

equivalent to Rp. 25.58 trillion. Indonesia's imports from Switzerland & Liechtenstein were recorded at USD 677.9 million, equal to IDR 10.42 trillion. So that in 2022,

Indonesia's export balance to Switzerland & Liechtenstein will improve by 30.3 percent, while the import balance will improve by 18.9 percent, compared to 2021 (YoY). This increase was due to the rise in exports of various commodities, especially gold, precious metals, jewelry, and gems (HS 71), which increased by 40.7 percent in 2022. In the period beginning January 2022 and ending December 2022, Indonesia's commercial performance improved to a record surplus. From January to December 2022, Indonesia's exports reached USD 2.21 billion, equivalent to Rp. 33.31 trillion. Indonesia's imports from Switzerland & Liechtenstein amounted to USD 428.63 million, equivalent to IDR 6.45 trillion. Thus, the trade surplus between Indonesia and

Switzerland was USD 1.78 billion, equal to IDR 26.86 trillion (Indonesian Embassy in Bern, 2023).

Precious metals, jewelry, gems (HS 71), footwear (HS 64), non-knitted textile products (HS 62), knitted textile products (HS 61), electrical equipment (HS 85), furniture (HS 94), coffee (HS 0901), rubber (HS40), turbine engines and spare parts (HS 84), and essential oils are the top ten commodities that consistently contribute to the surplus in Indonesia's trade balance with Switzerland & Liechtenstein based on export value (HS 3301.29). Over time, organic chemicals (HS 29) were replaced with rubber in 2022 (Indonesian Embassy in Bern, 2023).

Table 2. Indonesia-Norway Trade Balance 2018-2022

Description	2018	2019	2020	2021	2022	Trend (%) 18-22	Jan-Jan		
							2022	2023	Change (%) 23/22
Trade Totals	242,1	286,1	231,2	277,3	406,1	10,55	11,9	94,8	695,01
Oil And Gas	75,8	34,2	26,5	0,1	115	-42,83	0	0	0
Non-Oil and Gas	166,4	251,8	204,7	277,2	291,1	12,92	11,9	94,8	695,01
Export	60,2	87,5	53,6	53,8	144,7	13,5	5,9	73,9	1,153.27
Oil And Gas	0	0	0	0	0	0	0	0	0
Non-Oil and Gas	60,2	87,5	53,6	53,8	144,7	13,5	5,9	73,9	1,153.27
Import	181,9	198,5	177,6	223,4	261,4	8,8	6	20,9	247,08
Oil And Gas	75,8	34,2	26,5	0,1	115	-42,83	0	0	0
Non-Oil and Gas	106,1	164,3	151,1	223,4	146,5	9,98	6	20,9	247,08
Balance of Trade	-121,7	-111	-123,9	-169,6	-116,8	-3,48	-0,1	52,9	39,066.49
Oil And Gas	-75,8	-34,2	-26,5	-0,1	-115	42,83	0	0	0
Non-Oil and Gas	-45,9	-76,7	-97,4	-169,5	-1,8	43,44	-0,1	52,9	39,066.49

Source: Ministry of Trade of the Republic of Indonesia (2022b)

The table 2 shows that the trade growth between Indonesia and Norway over the past few years has shown a positive trend even though it has experienced fluctuations in specific periods. In 2018-2019, Indonesia's exports to Norway increased by 16 percent, from USD 176.9 million to USD 206.2 million. However, in 2020, Indonesia's exports to Norway decreased by 29 percent to 146.3 million USD. However, in January-September 2021, Indonesia's exports to Norway increased by 25 percent compared to the previous year's period. Indonesia's imports from Norway have also fluctuated in recent years. In 2018, Indonesia's imports from Norway amounted to 74.8 million USD, but in 2019, Indonesia's imports from Norway fell by 34 percent to 49.4 million USD. However, in 2020, Indonesia's imports from Norway increased by 17 percent to 51.3 million USD. In January-September 2021, Indonesia's imports from Norway decreased by 24 percent compared to the previous period (Ministry of Trade of the Republic of Indonesia, 2022b).

IE-CEPA implementation can provide more open market access for Indonesian products in Norway, especially for superior products such as palm oil, agricultural products, and manufacturing. Reducing

tariffs and trade barriers between Indonesia and Norway can also increase the competitiveness of Indonesian products in the Norwegian market. Indonesia managed to record a trade surplus with Norway throughout 2018-2021. Indonesia's trade surplus with Norway in 2018 amounted to 102.1 million USD and continued to increase to 156.8 million USD in 2019. Even though in 2020, there was a decrease in the trade surplus to 95.0 million USD. But in 2021, Indonesia's trade surplus increased again by 135.4 million USD. Growing exports of Indonesian products to Norway also need to be supported by internal factors, such as improving product quality, innovation, human resource development, and better application of technology. Thus, Indonesia can take advantage of the broad open market potential through IE-CEPA and increase product exports to Norway in 2022 and the future (Ministry of Trade of the Republic of Indonesia, 2022b).

Based on the data above, it can be seen that Indonesia has had a trade surplus with Norway in the last four years (2018-2021). Despite fluctuations in the value of exports and imports between the two countries, Indonesia maintained a trade surplus with Norway during this period. Indonesia's

export products to Norway include timber and wood products, palm oil, coffee and footwear, while imported products from Norway to Indonesia include machinery, chemicals and transportation equipment.

So far, table 3 shows that the trade relations between Indonesia and Iceland are still relatively low. Iceland is a small country whose economy is focused on specific sectors such as fish and tourism. Meanwhile, Indonesia has a more extensive and diversified economy focusing on sectors such as agriculture, fishing, and processed product

exports. According to data from the Indonesian Central Statistics Agency (BPS), in 2020, the trade value between Indonesia and Iceland was only USD 1.05 million, with an export value of USD 0.69 million and imports of USD 0.36 million. Indonesia's export products to Iceland include coffee, tea and footwear, while imported products from Iceland to Indonesia include medical machinery and equipment (Ministry of Trade of the Republic of Indonesia, 2022a).

Table 3. Indonesia – Iceland Trade Balance 2018 – 2022

Description	2018	2019	2020	2021	2022	Trend (%) 18-22	Jan-Jan		Change (%) 23/22
							2022	2023	
Trade Totals	9,2	8,5	4	25,7	29,6	41,14	0,3	0,6	101,98
Oil And Gas	0	0	0	0	0	0	0	0	0
Non-Oil and Gas	9,2	8,5	4	25,7	29,6	41,14	0,3	0,6	101,98
Export	2,6	1,2	0,9	17,9	21,4	100,8	0	0	201,71
Oil And Gas	0	0	0	0	0	0	0	0	0
Non-Oil and Gas	2,6	1,2	0,9	17,9	21,4	100,8	0	0	201,71
Import	6,6	7,3	3,1	7,8	8,1	4,93	0,3	0,5	97,68
Oil And Gas	0	0	0	0	0	0	0	0	0
Non-Oil and Gas	6,6	7,3	3,1	7,8	8,1	4,93	0,3	0,5	97,68
Balance of Trade	-4	-6,2	-2,2	10,1	13,3	0	-0,3	-0,5	-92,99
Oil And Gas	0	0	0	0	0	0	0	0	0
Non-Oil and Gas	-4	-6,2	-2,2	10,1	13,3	0	-0,3	-0,5	-92,99

Source: Ministry of Trade of the Republic of Indonesia (2022a)

Indonesia's trade diplomacy also aims to encourage investment from EFTA countries to Indonesia and vice versa. In this

case, the Indonesian government promotes investment and incentivises foreign investors from EFTA countries. According to data

from the Indonesian Ministry of Trade, the investment value that occurred through IE-CEPA between Indonesia and EFTA in 2020 reached USD 7.93 million. Previously, in 2019, the investment value through IE-CEPA was USD 4.93 million (FTA Center, 2022a). It should be noted that IE-CEPA is still relatively new and in the implementation stage. Therefore, the investment value that occurs through this agreement can continue to increase along with the development of trade and investment cooperation between Indonesia and EFTA member countries.

Indonesia's trade diplomacy in IE-CEPA also aims to strengthen technology and innovation cooperation between Indonesia and EFTA countries. In this case, the Indonesian government exchanges information and technology with EFTA countries and encourages cooperation between universities and industry. Technology and innovation cooperation is one of the important focuses in the IE-CEPA framework between Indonesia and EFTA. Through IE-CEPA, Indonesia and EFTA member countries can strengthen cooperation in technology and innovation to increase knowledge and technology exchange and industrial capacity in facing global competition. Several forms of technological and innovation cooperation carried out

through IE-CEPA between Indonesia and EFTA include: (1) Research and development: IE-CEPA opens opportunities for Indonesian companies and research institutions to conduct joint research and development with companies and institutions in EFTA member countries; (2) Transfer of technology: IE-CEPA also makes it possible for companies and research institutions in Indonesia to obtain the latest and leading technology from companies and research institutions in EFTA member countries; (3) Training and development of human resources: IE-CEPA also includes cooperation in the training and developing of human resources in technology and innovation.

The impact of implementing the IE-CEPA cooperation on the Indonesian side is implementing three implementing regulations. The first Minister of Trade Regulation No. 58 of 2021 is issued by the Ministry of Trade of the Republic of Indonesia and has been in effect since 30 September 2021. This regulation stipulates the provisions of the origin of Indonesian goods that apply in the IE-CEPA cooperation. Provisions on the origin of goods in this regulation include rules regarding criteria for determining whether a good is categorized as goods originating from

Indonesia, such as the production process, non-dominant value, and other administrative requirements. This is important to ensure that Indonesian export products that obtain tariff preferences following the IE-CEPA agreement are truly products produced in Indonesia. In addition, this regulation also provides leeway for exporters in fulfilling the requirements for the origin of Indonesian goods, for example, by providing convenience in calculating non-dominant value criteria and establishing clear and easy administrative procedures. With the Regulation of the Minister of Trade No. 58 of 2021, it is hoped that this will improve the quality and legal certainty for Indonesian export products that take advantage of the IE-CEPA tariff preferences. This is expected to increase the competitiveness of Indonesian products in the EFTA market and contribute to increasing exports and overall economic growth in Indonesia.

Second, Regulation of the Minister of Finance No. 152/PMK.010/2021 was issued by the Ministry of Finance of the Republic of Indonesia on August 30, 2021. This regulation determines the applicable import duty rates in the context of implementing the IE-CEPA. This regulation stipulates import duty rates for products imported from EFTA

countries. The specified import duty rates vary depending on the product type and the applicable tariff classification in Indonesia. This regulation aims to provide certainty and clarity regarding the applicable import duty rates within the IE-CEPA framework to encourage more trade between Indonesia and EFTA countries. A lower or even zero import duty rate for certain products can increase the competitiveness of Indonesian products in the EFTA market, providing benefits for Indonesian producers and exporters. Overall, Minister of Finance Regulation No. 152/PMK.010/2021 is an important step in implementing IE-CEPA, which is expected to impact Indonesia's trade and economic growth positively.

Third, Regulation of the Minister of Finance No. 122/PMK.04/2021 was issued by the Ministry of Finance of the Republic of Indonesia on July 12, 2021. This regulation regulates the procedure for imposing import duty rates on imported goods based on the IE-CEPA. This regulation regulates the procedure for imposing import duty tariffs on imported goods from EFTA countries. This regulation provides technical information regarding IE-CEPA provisions relating to the imposition of import duty rates, such as the list of goods subject to zero import duty rates

and those subject to lower import duty rates. This regulation also provides instructions on import procedures, including the obligation to submit complete and correct information regarding the origin of imported goods. This relates to the basic principles of IE-CEPA, which emphasize the importance of monitoring and controlling the import of goods to prevent dumping practices and unfair treatment in trade. Regulation of the Minister of Finance no. 122/PMK.04/2021 is part of the Indonesian government's efforts to provide legal certainty and facilitate the implementation of IE-CEPA to encourage more trade between Indonesia and EFTA countries. With clear and transparent procedures for imposing import duty rates, it is hoped that it will provide certainty for business actors in importing goods from EFTA countries and provide benefits for Indonesia's overall economic growth.

CONCLUSION

Indonesia's Economic Diplomacy in Indonesia-The EFTA Comprehensive Economic Partnership Agreement (IE-CEPA) was carried out to provide an excellent opportunity for Indonesia to increase trade and investment with EFTA countries. Implementing IE-CEPA offers many benefits for Indonesia, such as reducing

import duty rates, eliminating non-tariff barriers, and protecting investment. This is expected to increase the competitiveness of Indonesian products in the EFTA market to increase Indonesia's exports to EFTA countries. Even so, there are several challenges that Indonesia must face in implementing IE-CEPA, such as product quality, food safety, and environmental standards that are more stringent in EFTA countries. Therefore, Indonesia needs to carry out various reforms and improve product quality to meet the higher standards in the EFTA countries. Indonesia's Economic Diplomacy provides a positive view of the IE-CEPA as an important agreement to strengthen economic relations between Indonesia and the EFTA countries. However, implementing this agreement also requires serious efforts and commitment from the Indonesian government and business actors to take advantage of the opportunities that exist and face the challenges that arise.

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ACKNOWLEDGMENT

The author would like to thank the International Trade Study Program and the Widyatama University Research and Community Service Institute (LP2M) for support and facilities in this research process. The author also thanks the Indonesian Journal of International Relations

publisher for agreeing to publish this research article.

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