



View Point

Indonesia's Focus on Economic Diplomacy and the Emerging Market

*Dr. Vibhanshu Shekhar**

Three major trends characterise the global politics of the 21st century. First, economic diplomacy has emerged as, perhaps, the most important component of a country's foreign policy. Second, the gravity of economic exchanges has shifted from the trans-Atlantic world to the Asia-Pacific region, prompting scholars to characterise 21st century as Asian century. Third, a somewhat concomitant but equally powerful trend is the rise of the global South, marked by economic growth and prosperity, as one of the most important players in sustaining the global economic recovery. Both the advanced as well as the emerging world seem to be taking note of these trends.

Following this pattern, Indonesia has begun to revitalise its economic diplomacy in the developing world with the objectives of strengthening its international image, becoming an important and integrated part in the global economics, and securing greater access to the emerging market. Jakarta has pursued it through its membership of G-20 that has emerged as the most important forum for deliberation over global economic recovery and growth, offers the much-required platform.

However, the membership alone does not make Indonesia an important player. The country has to possess the requisite economic clout in the form of its projection as an attractive investment destination, an important player in the manufacturing sector and a big market. A rising Indonesia can project its image at the global level

and exert international influence only when the country is economically strong and its economic growth is sustained over a longer period of time.

Taking these trends into consideration, the Indonesian government has taken three-fold initiatives. First, the government has aimed at the capacity-building of its diplomatic missions. On 15 February 2012, the Indonesian government, in an unprecedented move, called upon its diplomatic missions to push for economic diplomacy as an important tenet of its foreign policy and special thrust on economic diplomacy in the emerging markets of the global South. The government conducted a week-long programme during the last week of February 2012 in which more than 100 senior and mid-ranking officials based at home and in its different diplomatic missions abroad participated. The high-ranking training team included the President Susilo Bambang Yudhoyono, the Foreign Minister Marty A. Natalegawa, Deputy Finance Minister Mahendra Siregar, and the Coordinating Economic Minister, Hatta Rajasa. The political leadership has rightly understood that its diplomatic missions across the world can be the most appropriate and effective vehicle for pursuing economic diplomacy.

The Indonesian leadership has called upon its envoys to focus on innovation and implementation. Besides, the heads of diplomatic missions should be well versed in the economic issues and submit annual report directly to the President. Both the political leadership and diplomatic community received a shot in the arm with the results of 2011. According to the Indonesian News Agency, *Antara*, approximately 60 per cent of the agreements signed by the Indonesian diplomatic missions in the year of 2011 were related to economic issues. This effort resonates the broader foreign policy guidelines, laid out by the Indonesian Foreign Minister, Marty Natalegawa, in his Annual Press Statement, released in January 2011. It had identified economic diplomacy and developing people-to-people contacts as priority areas.

Second, in its effort towards more focused economic diplomacy, the government has bestowed greater responsibility on the diplomatic missions in those countries, which are economically powerful and growing, and share greater engagement with Indonesia. Fourteen countries have been identified, out of which, eight countries represent the emerging market in the Global South. The crisis in its

traditional market in the West has prompted the Indonesian economic planners to look for an alternative market. The emerging economies of the global South, the most buoyant economic zone today, have offered an important alternative to Indonesia. Many of these are rising economies, important global or regional players, and can act as an anchor in projecting Indonesia's global image. For example, South Africa offers Indonesia an important foothold in engaging the African continent and Brazil can provide a similar platform for Jakarta's engagement with the Latin American economies.

Finally, Indonesia has decided to reach out to the wider international community. In its effort to reach out to wider international community, the leadership has decided to open up several new diplomatic missions in different parts of the world. The Annual Press Statement of 2011 aimed at opening more than 20 diplomatic missions abroad to be able to pursue economic diplomacy more effectively.

While these efforts may help Indonesia in attracting greater investment from the emerging economies and exploit wider market, a lot depends on efficiency in the domestic sector - how Indonesia manages its domestic economic issues and how competitive its manufacturing capacities can become. Indonesia can sustain its high economic growth (around 6 per cent in time of global economic crisis) in the long run provided it upgrades its manufacturing base to international level of competitiveness. For example, issues of corruption, lack of coordination between national and local administration, and availability of resources can act as important impediments in Indonesia's economic diplomacy.

**Dr. Vibhanshu Shekhar, Research Fellow, at Indian Council of World Affairs ,New Delhi 110001*

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