

## DYNAMIC OF TRADE AND INVESTMENT IN MINDANAO: CHALLENGES AND OPPORTUNITIES FOR INDONESIAN ECONOMIC DIPLOMACY

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### ABSTRACT

*Mindanao Island is the second largest island in the Philippines after Luzon with an area of 106,378 km<sup>2</sup> bordering the Sulu Sea to the west. With its proximity to Indonesia, it can be said that Mindanao has emerged as a center of attention in the realm of regional trade and investment, attracting Indonesia's interest in expanding its economic footprint. The purpose of this research is to find out about several things related to Indonesia's challenges and opportunities in economic diplomacy in the southern Philippines region, or in the work environment of the Consulate General of the Republic of Indonesia in Davao. The results of this study are that economic diplomacy between Indonesia and Mindanao has opportunities and challenges. The opportunities are increased trade and investment: Mindanao has great potential to become an export market for Indonesian products, such as processed foods, textiles, and electronic products. Indonesia can also invest in Mindanao's leading sectors, such as mining, fisheries, and tourism. Strengthening connectivity: Improved air and sea connectivity between Indonesia and Mindanao will facilitate the movement of goods and services, and boost tourism. Maritime cooperation: Indonesia and Mindanao have vast maritime areas rich in natural resources. Both countries can cooperate in fisheries, aquaculture, and maritime energy. Cultural and educational exchanges: Cooperation in the fields of culture and education can enhance mutual understanding and strengthen relations between the peoples of the two countries.*

*Keywords: Indonesia, Mindanao, Economic Diplomacy*

### ABSTRAK

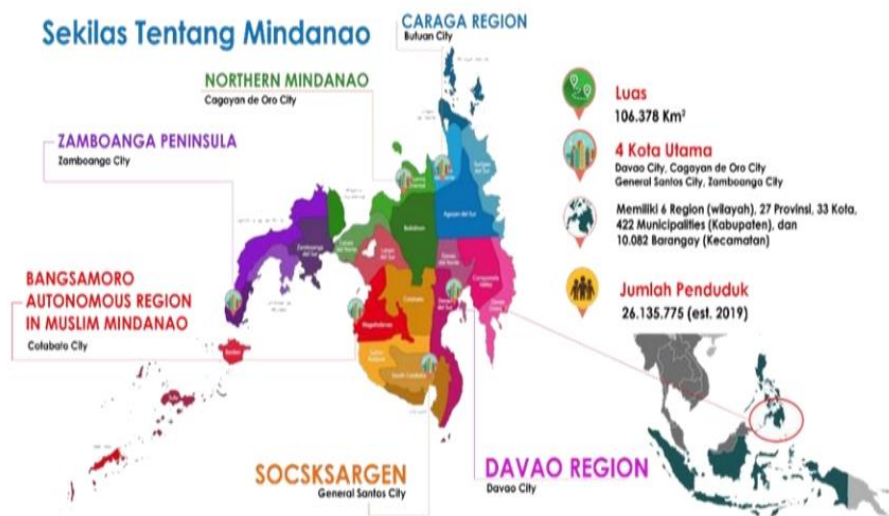
Pulau Mindanao merupakan pulau terbesar kedua di Filipina setelah Luzon dengan luas wilayah 106.378 km<sup>2</sup> yang berbatasan langsung dengan Laut Sulu di sebelah barat. Dengan lokasinya yang cukup berdekatan dengan Indonesia maka bisa dikatakan Mindanao muncul sebagai pusat perhatian dalam ranah trade dan investasi regional, menarik minat Indonesia dalam upaya memperluas jejak ekonominya. Tujuan penelitian ini adalah untuk mengetahui tentang beberapa hal terkait tantangan dan opportunity Indonesia dalam berdiplomacy economy di wilayah Filipina selatan, atau di lingkungan kerja Konsulat Jenderal Republik Indonesia di Davao. Hasil dari penelitian ini adalah bahwa dalam diplomasi ekonomi antara Indonesia dan Mindanao memiliki peluang dan tantangan. Peluangnya adalah Peningkatan perdagangan dan investasi: Mindanao memiliki potensi besar untuk menjadi pasar ekspor produk Indonesia, seperti makanan olahan, tekstil, dan produk elektronik. Indonesia juga dapat berinvestasi di sektor-sektor unggulan Mindanao, seperti pertambangan, perikanan, dan pariwisata. Penguatan konektivitas: Peningkatan konektivitas udara dan laut antara Indonesia dan Mindanao akan memperlancar pergerakan barang dan jasa, serta meningkatkan pariwisata. Kerjasama maritim: Indonesia dan Mindanao memiliki wilayah maritim yang luas dan kaya akan sumber daya alam. Kedua negara dapat bekerja sama dalam bidang perikanan, aquaculture, dan energi maritim. Pertukaran budaya dan pendidikan: Kerjasama di bidang budaya dan pendidikan dapat meningkatkan saling pengertian dan memperkuat hubungan antar masyarakat kedua negara

Kata Kunci: Indonesia, Mindanao, Diplomasi Ekonomi.

### INTRODUCTION

Mindanao Island is the second largest island in Mindanao Philippines after Luzon with an area of 106,378 km<sup>2</sup>. Mindanao Island is bordered by the Sulu Sea to the west, the

Philippine Mindanao Sea to the east and the Celebes Sea to the south (City, n.d.). With its proximity to Indonesia, it can be said that Mindanao has emerged as a center of attention in the realm of regional trade and investment, attracting Indonesia's interest in expanding its economic footprint. The mindanao region is also not only rich in abundant natural resources, but also unique in its economic dynamics as it has significant potential in agriculture, energy, industry, tourism and other sectors. This makes Mindanao as one of the destinations for Indonesia to conduct economic diplomacy, especially the trade and investment sectors that are promising for Indonesian economic actors.



**FIGURE 1. MAP OF MINDANAO**

Indonesia's Trade and Investment in Mindanao not only represents bilateral relations between the two neighboring countries, but also marks a new chapter in economic diplomacy efforts aimed at optimizing economic potential in the region. Indonesia has a dominant role in the Southeast Asian region and has a strategic interest in expanding trade, investment and deepening economic ties with Mindanao Philippines, especially in Mindanao which has growth potential.

Likewise, Mindanao plays a significant role in the dynamics of trade and investment in the country. Due to its abundant natural resources, such as mining, fisheries, and tourism. These are attractive to investors and trade partners. In addition, the agriculture and plantation sector, which includes banana, durian, coconut, and other tropical fruits, plays an important role in the country's economy and is a major player in regional and international trade.

Indonesia's role in Mindanao's trade sector includes fisheries, produce, agriculture, manufacturing, and infrastructure. However, these trade dynamics are not free from challenges that need to be overcome. For example, Mindanao is still plagued by conflicts and separatist actions, which can hamper investment and trade. Infrastructure in Mindanao

is still lagging behind compared to other regions in the Philippines, which can increase logistics costs and make trade difficult. While Mindanao also suffers from a shortage of skilled labor which can hinder industrial and business development. And cumbersome bureaucracy in both countries can complicate the process of investment and trade.

This paper examines the key factors influencing the dynamics of economic diplomacy, particularly trade and investment, in Mindanao, as well as Indonesia's economic diplomacy efforts. As a primary priority of Indonesia's foreign policy, Indonesian economic diplomacy is expected to contribute to national economic development. As outlined in Indonesia's Vision and the National Medium-Term Development Plan (RPJMN) 2020-2024, one of the established target indicators is an average economic growth of 6% per year (kementerian, 2020).

In recent years, Indonesian investment in Mindanao has shown significant growth. The increased interest from businesses in Mindanao to collaborate with Indonesia began with initial discussions in 2016 when entrepreneurs in the South Philippine Mindanao region expressed strong interest in enhancing business cooperation with Indonesian counterparts, particularly in North Sulawesi, which is relatively close to areas in southern Mindanao, Philippines (Burhani, 2016). This was followed by agreements in 2018 and further development in 2022-2023.

The Consulate General of the Republic of Indonesia (KJRI) in Davao City, acting as Indonesia's representative in the region, has utilized available opportunities to implement various programs and initiatives aimed at promoting Indonesian trade, investment, and tourism in its jurisdiction. All of these efforts are part of economic diplomacy endeavors. To achieve these objectives, various programs and activities have been carried out, with a particular emphasis on fostering strong relationships between Indonesia and local business communities and governments. The KJRI in Davao City endeavors through these programs to stimulate economic growth and collaboration between the two countries. A comprehensive analysis will focus on the challenges faced in the realm of trade and investment in the Mindanao region, accompanied by the identification of opportunities that can be leveraged to provide a solid foundation for future policy measures.

In the course of time, economic cooperation between Indonesia and Mindanao, Philippines, has achieved significant progress. Particularly in bilateral trade, the economic relationship between the two countries continues to experience consistent growth. Both Indonesia and Mindanao, Philippines, are actively engaged in efforts to further enhance their economic cooperation through various initiatives and programs designed to strengthen trade relations, investment, and collaboration across various economic sectors. These joint

efforts reflect the commitment of both countries to strengthen their economic ties and create new opportunities for growth and sustainable development in the region.

In 2022, Indonesia emerged as one of Mindanao, Philippines' major trading partners for imports, with imports totaling USD 13.19 billion and exports amounting to USD 0.73 billion, resulting in a trade surplus of USD 12.47 billion for Indonesia. Meanwhile, trade between Indonesia and South Mindanao, Philippines, generated a surplus of USD 1.49 billion for Indonesia. ((PSA), 2023)

**TABLE 1. TOTAL TRADE BETWEEN INDONESIA AND MINDANAO, SOUTHERN PHILIPPINES**

Total Trade Between Indonesia and Mindanao, Southern Philippines				
Periode	Total trade	Export	Import	Balance of Trade
2022 (Jan-Dec)	1,663,777,655	86,875,679	1,576,901,976	-1,490,026,297
2023 (Jan-Apr)	1,265,280,032	53,691,852	1,211,588,180	-1,157,896,328

Sources from ((PSA), 2023)

The table of exports and imports between Indonesia and Mindanao throughout the years 2022-2023:

**TABLE 2. EKSPOR FROM INDONESIA TO MINDANAO**

Year	Quarterly	Main Goods	Total*
2022	Q1	Palm oil, palm oil products, fertilizers, steel, electronic products	120
	Q2	Palm oil, palm oil products, coffee, rubber, textiles	135
	Q3	Palm oil, palm oil products, motor vehicles, electronics, wood products	150
	Q4	Palm oil, palm oil products, motor vehicles, electronics, wood products	145
2023	Q1	Palm oil, palm oil products, coffee, rubber, electronics	160
	Q2	Palm oil, palm oil products, motor vehicles, electronics, wood products	170

\* Note: Figures are in Million USD) Sources from ((PSA), 2023)

**TABLE 3. IMPOR FROM MINDANAO TO INDONESIA**

Year	Quarterly	Main Goods	Total*
2022	Q1	Nickel, copper, steel, fishery products, fruits	80
	Q2	Nickel, copper, steel, wood products, palm oil	90
	Q3	Nickel, copper, electronics, fishery products, fruits	100
	Q4	Nickel, copper, steel, wood products, palm oil	95
2023	Q1	Nickel, copper, electronics, fishery products, fruits	110
	Q2	Nickel, copper, steel, wood products, palm oil	120

\* Note: Figures are in Million USD) Sources from ((PSA), 2023)

The objective of the Consulate General of the Republic of Indonesia (KJRI) in the field of economic diplomacy encompasses a series of efforts aimed at enhancing bilateral economic relations between Indonesia and partner countries, including Mindanao, which is part of the Philippines. One primary aspect of this objective is the simplification of

procedures, aimed at facilitating the flow of import and export goods between the two countries. Additionally, efforts are focused on streamlining trade regulations to create a more friendly and competitive business environment.

Moreover, KJRI aims to promote business partnerships between Indonesian companies and Mindanao, Philippines. This involves the establishment of regular dialogues between the two countries to discuss investment opportunities, project cooperation, and joint strategies to overcome potential barriers. In addition to regular dialogues, the formation of joint commissions and trade missions is also part of the effort to facilitate deeper collaboration between business entities from both countries.

These joint commissions play a role in formulating mutually beneficial policies, while trade missions aim to expand business networks, promote flagship products, and explore new cooperation opportunities across various economic sectors. Through these efforts, KJRI hopes to strengthen bilateral economic relations between Indonesia and Mindanao, Philippines, and address challenges affecting the economic cooperation of both countries to create more favorable conditions for economic growth and sustainable development..

The Consulate General of the Republic of Indonesia in Davao City has a series of targets related to its economic functions. One of its main objectives is to facilitate bilateral trade between Indonesia and Mindanao Philippines. This includes promoting Indonesian products in the Philippine Mindanao market and vice versa. In addition, the Consulate General is committed to assisting Indonesian entrepreneurs who are interested in investing or doing business in Davao City and the surrounding region. As part of its duties, the Consulate General also provides information and assistance to Indonesians living in Davao City related to economic issues, such as investment, trade, or business cooperation. In addition, the Consulate General facilitates meetings between Indonesian and Mindanao Filipino entrepreneurs to build business and investment cooperation. Lastly, the Consulate General in Davao City is also responsible for overseeing and providing information related to economic and trade policies of the Indonesian government to relevant parties in Davao City and Mindanao Philippines in general, hence the Consulate General has a target to strengthen trade, especially Indonesian exports to Mindanao.

## **THEORETICAL FRAMEWORK**

### **Liberalism**

Liberalism in this context highlights the importance of cooperation between countries, free trade, and mutually beneficial international interactions. Where cooperation is not only political, economic and socio-cultural, but also cooperation that is built for the mutual benefit of the parties to the cooperation (Gerard Ruggie, n.d.).

Indonesian trade agreements in mindanao that have been established such as the import of Household Goods and Construction Materials valued at \$372,137.85 (City & Philippines, 2023). Such agreements should provide welfare benefits to consumers from increased variety, access to better quality products and lower prices. National interest is one of the most important aspects of a country's foreign policy. It can be a guide to achieving a country's (WELDES, 1996). Related to the main concept of liberalism which emphasizes the benefits of trade agreements between countries that can lower trade barriers and provide benefits for consumer welfare, such as increased product variety, access to better quality products, and lower prices.

We can see Indonesia's national interest evolving in the context of trade in Mindanao, which is part of Philippine Mindanao. As well as emphasizing how globalization affects people's perceptions and responses to foreign policy, including the notion of national interest. In addition, this research will investigate the impact of trade and investment cooperation between Indonesia and Mindanao that is based on liberalism. From the perspective of liberalism, this collaboration can increase investment, market access, and exchange of goods, which is related to the opportunities available to enhance economic diplomacy. This can result in economic benefits for both parties. However, the dynamics of globalization and supranational issues will be an obstacle for Indonesia's economic diplomacy in Mindanao that can affect the success of cooperation which is closely related to the challenges of the diplomacy process.

From the previous explanation, it shows that this research explores the dynamics of Indonesian trade and investment in Mindanao, as well as Mindanao's contribution in the context of economic diplomacy between Indonesia and Mindanao Philippines, in accordance with the principles of liberalism in international relations.

### **Diplomacy theory**

Diplomacy is one of the practices of foreign relations conducted by a country with other countries (bilateral), with many countries (multilateral), or with regional relationships or cooperation. Diplomacy can also be seen as a tool to harmonize or strengthen kinship between countries. The term diplomacy is closely related to foreign policy, where diplomacy becomes a foreign policy activity aimed at fulfilling national interests.

According to G. R. Berridge and Alan James (2003), diplomacy has four meanings or interpretations in its implementation: First, the conduct of relations between sovereign states through the mediation of officials both within and outside the country. Second, the use of policy in dealing with humans. In this regard, diplomacy is the skill of conducting negotiations. Third, efforts to conduct international negotiations or discussions, whether in handling conflicts within a country or between countries, referred to as track two diplomacy.

Fourth, foreign policy, using the term diplomacy as a synonym for general foreign policy used in the United States.

The concept of diplomacy here explains how diplomacy is the implementation of international relations, where diplomacy is carried out through dialogue/negotiation between individuals with skills, and diplomacy can be used as a tool to handle conflicts both within and between countries through track two diplomacy. Diplomacy is also one of the foreign policies to fulfill national interests.

Diplomacy is closely intertwined with national interests themselves. National interests are inseparable from diplomacy because diplomacy is one of the tools that a country utilizes to fulfill its desires. National interests take various basic forms in their application. According to Donald E. Nuechterlein (1976), there are four kinds of national interests in diplomacy:

1. Defence Interest: The interest in providing protection to the nation-state and its people from direct physical attacks from other countries or external threats to the governance system of that country.
2. Economic Interest: The interest in enhancing or adding to the economic welfare of the nation-state through trade relations with other countries aimed at gaining profits.
3. World Order Interest: The interest in a world order with a guarantee for the maintenance of the international political and economic system, where a nation-state can feel secure and its society and businesses can operate peacefully beyond its borders.
4. Ideological Interest: The interest in protecting and promoting a set of values or norms of a particular society from a sovereign nation-state believed to be good, either universally or in a particular context.

The explanation above, including Economic Interest, illustrates that in conducting economic diplomacy towards Latin America, Indonesia has an economic interest because Indonesia considers Latin America as a prospective region for Indonesian economic activities, including trade, investment, and other economic activities.

Apart from the concept of diplomacy, economics is also one of the aspects discussed in diplomacy. Economics is a crucial factor in fulfilling the needs of both nations and individuals. Therefore, it is also referred to as economic diplomacy. In general, economic diplomacy is the process of proposing policies, making decisions, and various consultations regarding economic facilitation and prospects to achieve national goals and interests. In this regard, governments or policymakers utilize economic diplomacy as a regulatory framework to create conditions beneficial to those national interests. Thus, economic diplomacy, in simple terms, is a way to meet national needs and interests in the economic sphere through bilateral or multilateral cooperation frameworks. In practice, economic diplomacy always

refers to interests related to matters such as trade (exports-imports), loans, investments, development project implementations, and other economic activities.

According to Kishan S. Rana (2007), economic diplomacy is a process whereby countries manage the external world to maximize their national benefits in all areas of activity, such as trade, investment, and other economically beneficial exchanges. They enjoy comparative advantages in bilateral, regional, and multilateral dimensions, each of which is significant. From the explanation of economic diplomacy, it is evident that economic diplomacy aims to benefit a country through economic activities such as trade, investment, and other economic endeavors by maximizing the external environment or the external environment of that country.

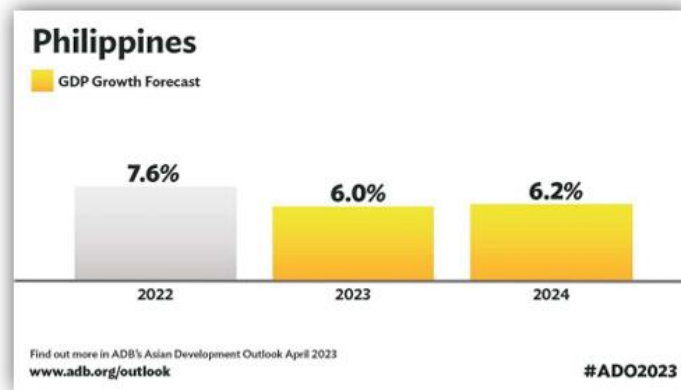
## **METHODS**

This research uses descriptive qualitative methods, data obtained through literature studies consisting of journal articles, books, and publications from trusted internet portals. The secondary data collected became the basis for in-depth analysis conducted by the researcher. This analysis involves a comprehensive description of the data, followed by an in-depth explanation of the findings. The author to obtain valid data, the author also added sources from journals, report data from the Consulate General of the Republic of Indonesia in Davao City, social media, news and was also supported through interviews. This interview was conducted with Kjri Davao City workers who have handled the Kjri Davao City work area, especially Mindanao which consists of 13 states (Basilan, Sulu, Tai-Tawi, Zamboanga del Sur, Zamboanga del Norte, North Cotabato, Maguindanao, Sultan Kudarat, Lanao del Norte, Lanao del Sur, Davao del Sur, South Cotabato, and Palawan) in 2023. Interviews were conducted with the Consulate General of the Republic of Indonesia in Davao City, especially to 3 heads of function consisting of the head of the economic function, Pensosbud (Information, Social, and Culture) and Protocol and consular and two economic staff. In this interview activity was carried out in order to get the real results of Indonesia's economic diplomacy journey in Mindanao and accompanied by opinions or perspectives from the parties of the Consulate General of the Republic of Indonesia in Davao City.

## **RESULTS AND DISCUSSION**

According to the Asian Development Bank (ADB), the economic growth of Mindanao, Philippines, is projected to slow down this year from results that surpassed estimates in 2022 but will remain in a healthy expansion mode. This growth is supported by increasing domestic demand and recovery in services, particularly tourism, according to a new report released by the Asian Development Bank (ADB).





**Figure 2. PUBLICATION ON ECONOMIC GROWTH OF MINDANAO PHILIPPINES**

The flagship economic publication of the Asian Development Bank (ADB), the Asian Development Outlook (ADO) April 2023, forecasts that the economy of Mindanao, Philippines, will grow by 6.0% this year, further increasing to 6.2% in 2024. Job recovery and retail trade, sustained expansion in the manufacturing sector, and increased public infrastructure spending will support this growth. However, risks such as sharper-than-expected slowdowns in major advanced economies, escalating geopolitical tensions, and inflationary pressures could dampen prospects for gross domestic product (GDP) growth.

Meanwhile, the Department of Finance (DOF) has pledged to support the Mindanao Development Authority (MinDA) in its mission to enhance growth and economic development in Mindanao by facilitating infrastructure investment. The government has maintained its commitment to annual infrastructure spending of 5 to 6 percent of gross domestic product (GDP), in line with the Public Investment Program (PIP) of the National Economic and Development Authority (NEDA) 2023 to 2028. The DOF also expressed its commitment to assist MinDA in implementing the Vision of the East ASEAN Growth Area (BIMP-EAGA) 2025, which aims to position Mindanao as the primary economic driver in the sub-region. MinDA serves as the coordinating office for BIMP-EAGA in Mindanao, Philippines—an initiative aimed at enhancing trade, tourism, and investment in the sub-region.

Trade promotion is a key activity of economic diplomacy and is important for any country because of the impact it has on their economic performance (Romih, 2014). Trade promotion remains a top priority so to find new markets and promote new export products, embassy networks are also involved in policy issues. Organizing small buyer-seller meetings at embassies, and reaching out to individual economic entities and companies in the target country remains important, as domestic exporters do not have the means to sustain such actions on their own (Rana KS, 2007).

Indonesia and Mindanao Philippines are working to increase their trade through trade promotion. In addition, Indonesia and Mindanao Philippines have conducted many cooperation and meetings to improve diplomatic and economic relations.

1. Joint Working Group (JWG) of Senior Economic Officials for the Implementation of the Indonesia-Philippines MOU on Trade, Investments, Handicrafts, and Shipping (JWG-TIHS)

The Joint Working Group (JWG) of Senior Economic Officials for the Implementation of the Indonesia-Philippines MOU on Trade, Investments, Handicrafts, and Shipping (JWG-TIHS) is a forum established to enhance trade cooperation between the two countries. The establishment of the joint working group, in order to facilitate the implementation of the Indonesia-Philippines MOU on Trade, Investments, Handicrafts, and Shipping signed by the two Ministers of Trade on August 26, 1986 on the occasion of the state visit of Corazon C. Aquino, President of the Republic Philippines, to the Republic of Indonesia (Kementrian Luar Negeri republik Indonesia, 2018).

In 2012, the government of Indonesia and the government of Mindanao Philippines held the 6th JWG meeting. The JWG meeting, composed of executives from various government agencies in Mindanao Philippines and Indonesia, was held to review and accelerate the progress made in recent years towards a sustainable partnership (Sunstar, 2014). The 6th meeting was held on December 14-15, 2012 in Mandaluyong City, Mindanao Philippines after the 5th JWG meeting took place in 2006 in Jakarta (Kementrian Perdagangan Republik Indonesia, 2012). The Indonesian delegation was led by the Director General of Indonesian Trade Negotiations, while the Philippine Mindanao Delegation was led by the Director of the Bureau of International Trade Relations of the Department of Trade and Industry of the Republic of Mindanao. Some of the agendas discussed in the meeting were:

- a. Overview of bilateral trade and investment relations
- b. Improved air and sea connectivity
- c. Trade promotion activities
- d. Business collaboration for procurement and supply of certain commodities
- e. Proposed MOU on the establishment of institutional cooperation between the National Commission on Muslim Mindanao Philippines (NCMF) and the Indonesian Ulema Council (MUI)
- f. Study Visit to Nucleus and Smallholder Oil Palm Plantations in Indonesia
- g. Strengthening the coconut-based smallholder industry in Mindanao Philippines and Indonesia

- h. Fisheries cooperation in the border area between Indonesia and Mindanao Philippines
- i. Establishment of a food and beverage canning factory in North Sulawesi province
- j. Construction and furniture cooperation
- k. Review of 1974 border trade agreement
- l. Inform trade solution policies applicable to each country's products
- m. Export of pharmaceutical products of Mindanao Philippines to Indonesia
- n. Food safety supervision on import and export of fresh food of plant origin

Furthermore, to continue the progress of the Joint Working Group as described above, Indonesia and Mindanao Philippines agreed to further deepen and strengthen the relationship between the two countries through the Indonesia - Mindanao Philippines Action Plan 2014-2016. The Action Plan is intended to be a living document that will be revised as mutually agreed by both Governments, taking into account the development of bilateral relations. As described in the Bilateral Trade Relations Action Plan, in addition to fully implementing the Indonesia Mindanao Philippines MOU in the areas of Trade, Investment, Handicrafts, and Shipping and fostering bilateral trade cooperation, the two countries will also promote and facilitate business-to-business contacts, as well as to encourage businesses of both countries to explore untapped potentials with the aim to further intensify mutually beneficial trade relations..

## 2. Business Matching

Indonesia and Mindanao, Philippines, also engage in business matching. Business Matching is a facilitation activity that connects foreign buyers with domestic exhibitors or businesses that offer products desired by buyers for direct business meetings. Business Matching can be organized and facilitated by the Ministry of Trade and Indonesian representatives abroad and can be participated in by any business entity. Business Matching provides opportunities to expand market access for various products. It is expected that Business Matching will help exporters find the right partners to sell their products, meeting the needs of foreign markets for Indonesian products. Examples of Business Matching conducted by Indonesia include the Business Matching during the "Indonesian Coffee Festival: Merienda ala Indonesia" event held by the Embassy of Indonesia in Manila in 2016 and the Indonesia-Mindanao, Philippines, Business Matching Session in 2017, a collaboration between the Directorate General of National Export Development of the Ministry of Trade and the Indonesian Consulate General in Davao City.

On May 4, 2016, the Embassy of Indonesia in Manila organized a promotion event for Indonesian specialty coffee products in Manila, Mindanao, Philippines. The event, titled

"Indonesian Coffee Festival: Merienda ala Indonesia," was attended by two Indonesian specialty coffee companies, House of Coffee and Hen's Co. Additionally, products from PT. Mayora with several product variants that had entered and dominated the Mindanao, Philippines, market were also showcased. The promotional event for coffee consisted of brief presentations on the specialty coffee products offered by the two companies, coffee tasting sessions, and business matching. The event concluded with performances of several traditional Indonesian dances. The event was attended by approximately 60 invited guests, mainly comprised of coffee importers and café owners or managers in Metro Manila.

The coffee importers and café owners present at the event generally expressed satisfaction with learning about various Indonesian specialty coffee variants. They hoped that the Embassy of Indonesia in Manila could hold similar events more frequently to introduce the people of Mindanao, Philippines, to the diversity of Indonesian specialty coffee. With the promotion of Indonesian specialty coffee products, it is hoped that Indonesia can capitalize on the momentum and dominate the Mindanao, Philippines, market. Furthermore, this Business Matching was marked by the interest of local entrepreneurs in Mindanao, Philippines, to discuss further business cooperation opportunities with House of Coffee and Hen's Co (Kedutaan Besar Republik Indonesia Manila, 2016).

2017 the Ministry of Trade targeted an increase in non-oil and gas exports to Mindanao, Philippines. One of its strategies was through collaboration between the Directorate General of National Export Development (PEN) and the Indonesian Consulate General in Davao City, Mindanao, Philippines, through the Indonesia-Mindanao, Philippines Business Matching Session held at the Ministry of Trade office on September 5, 2017. This Business Matching session was part of a series of visits by entrepreneurs from Mindanao, Philippines, to explore further business opportunities between the two countries. The event was also a follow-up to forums discussing the utilization of sea routes between Indonesia and Mindanao, Philippines. Thirty-three Indonesian business entities and fourteen businesses from Mindanao, Philippines, participated in this Business Matching activity.

The event was attended by the Indonesian Consulate General in Davao City and representatives from the Davao City Government. During the event, Arlinda from the Directorate General of National Export Development conveyed that: "The Indonesia-Mindanao, Philippines Business Matching Session is an effort to enhance trade relations between Indonesia and Mindanao, Philippines, particularly between Eastern Indonesia and Southern Mindanao, Philippines. The government is optimistic because

many commodities have potential prospects to boost bilateral trade. Both countries can explore potential business opportunities that can strengthen trade, enhance business cooperation, and support the economies of both nations.

Arlinda mentioned that Indonesian products sought after by the delegation of Mindanao, Philippines entrepreneurs include food items, corn flour, agricultural products, fertilizers, cement, coconut products, and steel. During this business matching, a business agreement was reached between PT. Semen Indonesia and Certuro Structural Specialist Inc. The cooperation is set to commence in October 2017." (Kementrian Perdagangan Republik Indonesia, 2017).

### 3. Border connectivity

As mentioned in the MOU on Trade, Investment, Handicrafts and Shipping article 5, it states, "Both Governments will actively pursue the establishment of a direct shipping line between Bitung/Mado and Davao". (Ministry of Foreign Affairs of the Republic of Indonesia, 2018). This article was implemented with the establishment of the Davao General Santos-Bitung line on a roll-on/roll-off (ro-ro) basis. The opening of the Davao-General Santos-Bitung route for roll-on/roll-off (ro-ro) vessels is expected to boost trade between Indonesia and Mindanao Philippines in the long run. This is one of the priorities in the ASEAN RO-RO Network initiative, which is projected to improve connectivity of sea channels between Southeast Asian countries as it will reduce shipping time by more than 50 percent. Previously, shipping goods from Bitung to Davao took three to five weeks, while the new ro-ro route is expected to speed up shipping to about 36 hours (Singgih, 2017).

The first Ro-Ro Ship voyage on the Davao - General Santos Mindanao Philippines - Bitung Indonesia route is a manifestation of the Signing of the Joint Declaration of Indonesia-Mindanao Philippines Sea Connectivity held on April 28, 2017 and officially launched on April 30, 2017 in Manila Mindanao Philippines with the testimony of President Joko Widodo and President of Mindanao Philippines Rodrigo Duterte. Bitung-Davao shipping conditions are considered very competitive both in terms of distance and shorter travel time so as to reduce transportation and logistics costs. (Yonavilbia, 2017). Furthermore, the launch is seen to open up more market opportunities for both countries.

Various Indonesian companies have established a presence in Mindanao Philippines and are engaged in various business sectors, ranging from snacks, beverages, pharmaceuticals, plantations, personal care, ceramics, paper to toll road management. In addition, a number of Indonesian franchises have also entered the Mindanao Philippines market, including J.CO Donuts and Alfamart. According to the Trade

Attaché of the Indonesian Embassy in Manila, there are 18 Indonesian companies operating in Mindanao Philippines (Sekretaris Ditjen Kerja Sama ASEAN, 2017). The names of Indonesian companies operating in Mindanao Philippines are:

- a. Kalbe Farma
- b. Kino
- c. Mayora
- d. Indofood Sukses Makmur
- e. Garudafood
- f. Sosro
- g. Monde Nissin
- h. Sinar Mas Agro Resources & Technology
- i. Ecossential Foods Corporation
- j. Asia Pulp and Paper
- k. Wahan Interfood Nusantara
- l. Citra Metro Manila Tollways Corporation
- m. Sea Horse Mas
- n. Tri Sinar Purnama
- o. Gentle Supreme
- p. Knauf Gypsum Indonesia
- q. Wow Krupuk
- r. Mulia Ceramics

In fact, Indonesia's trade promotion towards Mindanao Philippines has been positive in recent years. Most of Indonesia's leading commodities have found a place in the Mindanao Philippines market, as shown in the table below. Mining and motor vehicles is one of the mainstay commodities that shows its progressivity by always increasing its export amount even higher after the JWG-TIHS was implemented in 2012. The export amount of most commodities increased along with the expansion of the market in Mindanao Philippines.

JWG-TIHS as a platform and strategic partnership has shown significant results through five main commodities, namely vehicles and mining. The data in the table shows the comparison between 2006 to 2011 before the JWG-TIHS and 2012 to 2017 after the JWG-TIHS in 2012. This shows an increase in export trade between Indonesia and Mindanao Philippines in these five commodities. Economic diplomacy through trade promotion consists of three main aspects, namely Joint Working Group (JWG), Business Matching, and Border Connectivity. Through this strategy, Indonesia was able

to expand its business market by successfully operating 18 Indonesian companies in Mindanao Philippines and also increased exports to Mindanao Philippines.

## Discussion

Branding image is important to show to the international community to get attention to expand its market in other countries. It is important in diplomacy activities to have a country's image. As Wally Olins says, "changing realities leave perceptions far behind". Country branding is about 'presenting a nation or region in a strong, compelling and distinctive way'. The key is to use a strong and simple central idea, which reflects the country's unique qualities. Foreign ministries, embassies and diplomats are held responsible for the projection of the 'right' image of their country (Rana KS, 2007). To boost the nation's image to a wider level, the branding image is highlighted. A branding image is a combination of associations based on every interaction an actor has with a particular business. (Thimothy, 2016). Giving a good impression will increase the value of the brand image itself. Therefore, brand image has a big role in improving the national image of a country. Brand image is expected to improve Indonesia's image as a reliable producer country as well as a reliable trading partner. Indonesia has done a lot of branding image with Mindanao Philippines in the form of exhibitions. Exhibitions will enhance the impression that potential buyers get from the product and in this way the brand identity will become stronger and longer lasting thus creating a great opportunity for exhibitors to reach potential customers (Alm & Anderson, 2007). Indonesia itself is trying to create a good impression through brand image strategies towards Mindanao Philippines. Several exhibitions and expos were conducted both in Mindanao Philippines and in Indonesia by inviting companies and other actors from Mindanao Philippines. Through this strategy, Indonesia can strengthen partnerships to increase trade with Mindanao Philippines.

Indonesia has been actively involved in exhibiting and promoting Indonesian products in Mindanao Philippines. Trade shows and promotional activities consist of mixed or joint exhibitions and solo exhibitions. A joint exhibition is an exhibition organized by the government or business community of Mindanao Philippines and Indonesia participates in it by sending company representatives or products originating from Indonesia to be introduced, while in a solo exhibition, all products displayed are from Indonesia. One of Indonesia's participation in the joint exhibition is Indonesia's participation in the International Food Exhibition (IFEX) which took place on May 16-19, 2013 at the SMX Convention Center, Manila. IFEX is one of the largest international food exhibitions in Mindanao Philippines organized by CITEM, an agency under the Ministry of Trade and Industry of Mindanao Philippines. Ten Indonesian companies participated in IFEX 2013. The

companies are a combination of large and small and medium-sized companies including Sinarmas, Kalbe International, Gentle Supreme Phils Inc, Kopi Kamu, Wow Food Industry, PT Mayora Indah Tbk, CV 1001, PT Agri Bahari Indonesia, Garudafood International, and PT. food indo. Indonesia's participation in this exhibition is a valuable opportunity to promote Indonesian food industry products to the people of Mindanao Philippines..

For its solo exhibitions, Indonesia organized the Wonderful Indonesia Festival held in 2016 and 2017. The Embassy of the Republic of Indonesia in Manila hosted a promotion titled Wonderful Indonesia Festival on July 25-26, 2016, at Glorietta Mall, one of the most popular shopping centers in the business district of Metro Manila, Mindanao, Philippines. This promotion included trade, investment, tourism, and education exhibitions for the people of Manila. The exhibition participants consisted of representatives from 23 companies and seven travel agencies. Several companies showcased displayed products, including food and beverages, handicrafts, pharmaceutical and herbal products, and personal care products.

Meanwhile, the Wonderful Indonesia Festival 2017 was organized by the Ministry of Tourism together with the Embassy of the Republic of Indonesia in Manila. The event was also held to commemorate the 72nd Independence Day of the Republic of Indonesia. The Wonderful Indonesia Festival 2017 took place for two days from July 27 to 28 at Gioretta Activity Center-Palm Drive Makati, Mindanao, Philippines. Thirty-seven entrepreneurs engaged in trade, medium-sized enterprises, and tourism participated in the event. In addition to the event held in Mindanao, Philippines, Indonesia also invited companies and buyers from Mindanao, Philippines, to attend the Trade Expo Indonesia in Jakarta as a strategy to strengthen the bilateral relationship between the two countries. In this event, the Embassy of the Republic of Indonesia in Manila acted as the coordinator, bringing buyers from Mindanao, Philippines, to Indonesia. Thirteen buyers came to Indonesia to conduct transactions during the exhibition. According to records from the Embassy of the Republic of Indonesia in Manila, the results of this event included transactions between buyers and companies from both countries. Medical equipment worth USD 50,782 by Goldseal Medical Training Corporation, confectionery and diapers, both worth USD 20,000 by Eon Philippines Industries Corporation, fruit drinks worth USD 100,000, and cooking oil worth USD 18,400 by Avivar International Corp. Additionally, there were other transactions that were not disclosed.

The organization of the Trade Expo Indonesia 2016 held on October 12-16, 2016, with the theme "Indonesia's Source of Natural and Creative Products," indicated that Indonesia has diverse potential with extraordinary attractiveness. This potential also respects environmental sustainability, presenting environmentally friendly efforts while still



maintaining high creative value. Through the Trade Expo Indonesia, buyers worldwide can make Indonesia their main trading partner. The organization of the Trade Expo Indonesia is also expected to serve as a platform in harmonizing the creative industry with the achievement of Indonesia's national branding that has market value in the international world (Republic of Indonesia Ministry of Trade, 2016). Brand image is a strategy not only for promotion but also as a platform to build networks for local companies to expand their market. Through exhibitions and expos, this platform has successfully created trade partnerships between the government and companies and between companies themselves. By participating in various exhibitions, it is hoped that the people of Mindanao, Philippines, will become more familiar with a variety of Indonesian products and establish a strong brand image for Indonesia's superior product quality. The Embassy of the Republic of Indonesia in Manila, together with the Consulate General of the Republic of Indonesia in Davao City, collaborated to organize the first thematic virtual exhibition in 2021 titled "Indonesia: Food, Beverage, and Lifestyle Virtual Expo 2021". The expo was officially opened on June 28, 2021, through a virtual platform and ran from June 28 to June 30, 2021.

There were 55 Indonesian companies participating in this virtual exhibition, showcasing handmade to premium products ranging from food and beverages, personal care, to fashion products with potential market demand in the Philippines. In line with the virtual exhibition, the Consulate General of the Republic of Indonesia in Davao City also organized a side event aimed at enhancing Indonesia-Mindanao relations through business and investment. Immediately after the Opening Ceremony of the virtual exhibition, the business and investment forum "Promoting Business and Investment Opportunities in Mindanao to Indonesia" began, moderated by Deputy Consul Ely S. Handayani.

Minister Emmanuel "Manny" F. Piñol, Chairman of the Mindanao Development Authority, in his keynote address, highlighted the historical relationship between the Philippines and Indonesia since before diplomatic relations began in 1949 because the Philippines has been continuously involved in trade and commerce, particularly maritime and air connections between the Philippines and Indonesia, Mindanao, and North Sulawesi. Despite many factors and challenges related to maritime and air relations, including the Covid-19 pandemic significantly affecting trade and business activities, the Mindanao Development Authority remains strongly committed to supporting and facilitating collaboration potential to enhance bilateral relations between Mindanao and Indonesia. "Let's keep sailing forward, this storm is only temporary, we will prevail, we will succeed," he said, closing his keynote address at the forum.

Asec. Romeo M. Montenegro, Deputy Executive Director and Head of Investment Promotion, International Relations & Public Affairs of the Mindanao Development Authority

(MinDA) as one of the Speakers at the forum, presented Emerging Trends & Investment Opportunities in Mindanao. Also, Mr. Gil M. Dureza, Head of Domestic Investment Promotion Service, Board of Investments, presented and discussed Business and Investment Opportunities in the Davao Region, Investment Policies, regulations, and incentives, while Mr. Daniel Nemesius C. Espina, Officer-in-Charge of the AGUSAN UP Fund Facilitation of the Provincial Government of Agusan del Norte, presented and discussed the business and investment potentials of Agusan del Norte so that investors from Indonesia can participate in and conduct business and investment in Mindanao.

This business and investment forum aims to convince more investors from Indonesia while sharing information about business and investment opportunities in Mindanao to enhance bilateral relations between Indonesia and the Philippines through trade and investment. There were more than 150 participants from the private sector and business community from Indonesia and the Philippines joining and witnessing this virtual forum as it serves as one of the side events and a venue for the Indonesian business world to learn more about investment opportunities in Mindanao and to establish partnerships and collaborations in the near future.

## **CONCLUSION**

Here are some opportunities and challenges experienced in Indonesian and Mindanao Filipino economic diplomacy:

Opportunities:

1. Increased trade and investment: Mindanao offers significant potential as an export market for Indonesian products such as processed foods, textiles, and electronics. Indonesia can also invest in Mindanao's leading sectors like mining, fisheries, and tourism.
2. Strengthening connectivity: Enhanced air and sea connectivity between Indonesia and Mindanao will facilitate the movement of goods and services and boost tourism.
3. Maritime cooperation: Indonesia and Mindanao possess vast maritime territories rich in natural resources. Both countries can collaborate in fisheries, aquaculture, and maritime energy.
4. Cultural and educational exchanges: Cooperation in culture and education can enhance mutual understanding and strengthen relations between the people of both countries.

Challenges:

1. Security: Mindanao still faces conflict and separatist activities, which can hinder investment and trade.

2. Infrastructure: Infrastructure in Mindanao lags behind other regions in the Philippines, increasing logistics costs and complicating trade.
3. Limited human resources: Mindanao lacks skilled labor, which can impede the development of industries and businesses.
4. Complex bureaucracy: Complex bureaucracies in both countries can hinder the investment and trade processes.

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