INDONESIA ECONOMIC DIPLOMACY TOWARDS NIGERIA: A STRATEGY TO INCREASE THE POTENTIAL OF NON-TRADITIONAL MARKET 2010-2013

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THESIS ADVISER
RECOMMENDATION LETTER

This thesis entitled, ‘Indonesia Economic Diplomacy towards Nigeria: A Strategy to Increase the Potential of Non-Traditional Market 2010-2013’ prepared and submitted by Astri Irawanti in partial fulfillment of the requirements for the degree of Bachelor Degree in International Relation the Faculty of International Relations, Communication and Law has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, January 2015

Acknowledged and recommended by,

Hendra Manurung, SIP. MA.
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled ‘Indonesia Economic Diplomacy towards Nigeria: A Strategy to Increase the Potential of Non-Traditional Market 2010-2013’, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 2015

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Astri Irawanti
PANEL OF EXAMINER
APPROVAL SHEET

The Panel of Examiners declare that the thesis entitled ‘Indonesia Economic Diplomacy towards Nigeria: A Strategy to Increase the Potential of Non-Traditional Market 2010-2013’ that was submitted by Astri Irawanti majoring in International Relations from the Faculty of Humanities was assessed and approved to have passed the Oral Examinations on February 2nd, 2015.

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Thesis Adviser
ABSTRACT

Title: ‘Indonesia Economic Diplomacy towards Nigeria: A Strategy to Increase the Potential of Non-Traditional Market 2010-2013’.

Indonesia economic growth increased each year and to maintain the economic stability Indonesia government made some policies changes, such as the National Medium Term Development Plan (NMTDP) 2010-2014 which focusing on strengthen the competitiveness of Indonesian economies. Thus, this policy was adopted by all ministries in order to achieve the same goals as NMTDP. Therefore, Ministry of Foreign Affairs and Ministry of Trade established new policies and program to be implemented. The study on Indonesia economic diplomacy in Nigeria as potential market is the study case that use to analyze and elaborate in depth about the works of Indonesia economic diplomacy that has been done by Ministry of Foreign Affairs and fellow agencies. Also to elaborate the nontraditional market that defines by Indonesia ministries with Nigeria as the example of the non-traditional potential market. This research done through descriptive analytical method which cover the Indonesia – Nigeria bilateral economic relations specialized in export trade within the year of 2010-2013. The result of this study is the strategy that use by MOFA and fellow agencies in conducting economic diplomacy which are through agreement, Head of State/Government Official Visits and Cooperation with the related agencies home and abroad and also the realization of Nigeria as potential market.

Keywords: *indonesia, foreign policies, economic diplomacy, nigeria, non-traditional market*
ABSTRAK

Judul: ‘Diplomasi Ekonomi Indonesia Dalam Peningkatan Akses Potensial Pasar Non-Tradisional Nigeria, 2010-2013’


Kata kunci: Indonesia, kebijakan luar negeri, diplomasi ekonomi, nigeria, pasar non-tradisional
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Cikarang, January 2015

Astri Irawanti
# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>BDF</td>
<td>Bali Democracy Forum</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West Africa States</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>ITCP</td>
<td>Indonesia Trade Promotion Center</td>
</tr>
<tr>
<td>MOFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Agreement</td>
</tr>
<tr>
<td>NLTDP</td>
<td>National Long Term Development Plan</td>
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<tr>
<td>NMTDP</td>
<td>National Medium Term Development Plan</td>
</tr>
<tr>
<td>SBY</td>
<td>Susilo Bambang Yudhoyono</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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CHAPTER 1
INTRODUCTION

I.1 Background of Study

Indonesia’s economy has improved since the independence day of Indonesia. While in the past Soekarno as the first president of Indonesia aimed at self-sufficiency and import substitution and has put effort to eliminate foreign economic control, those efforts were not always supportive of the struggling economy of the new sovereign state.\(^1\) After the fall of Soekarno the economic view of Indonesia completely changed. Soeharto as the second president of Indonesia had established a quiet different ways in developing the economy. Soeharto has established a tightly controlled regime that discouraged intellectual enquiry, but it did help Indonesia’s economy back in rail.\(^2\) New flows of foreign investment and foreign aid programs were attracted, unbridled population growth was reduced due to family planning programs, and a transformation took place from a predominantly agricultural economy to an industrializing economy.\(^3\)

Moreover, Indonesia economy has grown rapidly during the leadership of Susilo Bambang Yudhoyono (SBY), the president of Indonesia directly chosen by the people of Indonesia. During SBY era 2004-2014 the economy improved well. In 2011 Indonesia economic growth reported reached 6.5% which mainly was driven primarily by domestic consumption, which accounts for roughly three-fourths of Indonesia's gross domestic product.\(^4\)

However, a great economic development is not only counted from the domestic consumption itself because it only shows how much domestic consumption a country can afford. The growth of domestic consumption does not always mean that the actual country is growing if the capital stocks and

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\(^1\) The Economic History of Indonesia; retrieved: 10/10/2014 8.00 pm from: http://eh.net/encyclopedia/the-economic-history-of-indonesia/, 10/102014

\(^2\) Ibid\(^1\)

\(^3\) Ibid\(^1\)

\(^4\) Indonesia Norway Business Council; retrieved: 10/10/2014 10.00 pm from: http://www.inbc.web.id/menu/top_menu/indonesia_information/economy/indonesia_economy
productive capacity of a country keep dropping. Economic growth also counts from the increasing of country’s productive capacity, as measured by comparing gross national product (GNP) each year. Also, economic growth could be defined through the increase number in the capital stock, advances in technology, and improvement in the quality and level of literacy.

Moreover, one of the ways to improve the economic growth is through international trade where the exchange of capital, goods, and services across international borders or territories is possible. International trade could help countries to do export and import which also can help create profit and allowing countries to balance their finances.

Thus, even though Indonesia’s economy has grown rapidly there are the needs of Indonesia to keep the balance of its economic growth, not only focusing on the domestic purchase but also have to maintain its economic performance in trading and investment abroad. So far, Indonesia has been able to manage its trade and investment abroad and this also happen partly due to the market diversification strategy that was implemented, with the focus on the identification of market potentials in emerging economies, or sometimes referred to as non-traditional markets.

Market diversification focus on the countries which has potentials market in emerging economies, Indonesia has identified those emerging economies or so called non-traditional markets into 8 region, there are; Africa, Central America & Caribbean, Eastern Europe, Mid East, North America (exclude US and Canada), Oceania (Exclude Australia), South America and South Asia where the increasing

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6 Ibid 5
7 What is international trade, Investopedia from: http://www.investopedia.com/articles/03/112503.asp
number of export of non-oil and gas has been noticed.\textsuperscript{10} As in 2011 Indonesia’s non-oil and gas exports to non-traditional markets were dominated by African countries, which accounted for USD 6.01 billion (3.76%), while the Middle East accounted for USD 4.88 billion (3.01%), South Asia accounted for USD 3.06 billion (1.89%), Eastern Europe accounted for USD 2.98 billion (1.84%) and South America accounted for USD 2.87 billion (1.77%).\textsuperscript{11} Even though the share of non-traditional market destinations is still relatively low, the share also indicates that there are still a lot of potentials and wide opportunities for Indonesia to explore the non-traditional market especially in non-oil and gas.

African countries held the major share of the new diversification market of emerging economies or so called as the non-traditional markets, it become more interesting to explore one of the African countries that become the major emerging potential markets in Africa. Therefore, the writer decided to take Nigeria as one of the potential market that need to be further analyzed because of its striking potential and also the uniqueness of bilateral ties that Indonesia and Nigeria has.

Matter of fact, Nigeria economic posture placed among the medium to high economic top growers in the world, the country recorded an average of 6.8% economic growth in the last 5 years, with a 7.8% growth recorded in 2010.\textsuperscript{12} Many financial institutions like the IMF and Citi forecast that the economy of Nigeria, home to the tenth-largest oil reserve in the world will grow at an average of 7% in 2012, and is projected to continue with this trend at least until 2015.\textsuperscript{13}

Today, Nigeria is Indonesia's second largest trade partner in Africa after South Africa with the total trade value in 2011 reached USD 2.09 billion.

\textsuperscript{11} Ibid\textsuperscript{10}
\textsuperscript{12} World Bank data, GDP growth (annual %) 2007 – 2011 from: http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG
accounted for 21.66 percent of Indonesia's total trade with Africa. In 2013, the bilateral trade volume between Indonesia and Nigeria reached USD 2.2 billion.

Until now there are over 15 Indonesian companies currently operating in Nigeria such as Indorama, Indofood, Kalbe Farma and Sayap Mas Utama. Some of the company has been in Nigeria since long time ago such as Indofood, it had established instant noodle factory in Nigeria since 1995 where Indomie has become a popular brand and now have the largest instant noodles manufacturing plant in Africa.

On the side of Nigeria government itself, the government is also currently striving to diversify its economy with the manufacturing sector backed by a sound agricultural sector. Regardless of the current economic situation, Nigeria has tried to stabilize its national politics, even though there are still some domestic issues appears. Furthermore, Nigeria is one of the biggest economy in West Africa and has become a driving force for the economic development of ECOWAS (Economic Community of West African States) member countries.

Moreover, looking back at its historical path, Indonesia – Nigeria bilateral relations started in 1965 when Indonesia opened its resident Diplomatic Mission in Lagos. After couple of years Nigeria opening its mission office in 1976 in Jakarta. After that both conducted did the highest level of exchange visit in the year of 2001 with the first visit by former President of Indonesia Abdurrahman Wahid who visited Nigeria in 2001 and continued by former President of Nigeria Obasanjo who visited Indonesia for three times in 2001, 2005 and 2006.

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15 Ibid
16 Ibid
18 Ibid
20 Ibid
These relations continued by the meeting of President Umaru Musa Yar’adua and President Susilo Bambang Yudhoyono in New York 2007 and both of leaders agreed to further strengthen economic relations between the two countries by increasing trade and encouraging investment. In February 2013, President Susilo Bambang Yudhoyono visited Abuja accompanied by 99 businessmen from Indonesia in order to strengthen the trade relations between Indonesia and Nigeria.

I.2 Problem Identification

Indonesia’s foreign trade policy on the diversification of its export of traditional and non-traditional markets has become the new strategy for Indonesia in conducting and implementing the foreign policy towards the partner countries. The policy has applied to targeted countries around the globe including Nigeria. Therefore, to directly implement the foreign trade policy towards Nigeria, Indonesia first needs to understand the policy that has made by Indonesia government clearly and also needs to set strategy to achieve the right outcome.

Moreover, the implementation of both countries will be conducted directly through the representatives of Indonesia that has been posted in Nigeria, which also means it will tightly related to the bilateral relations of Indonesia and Nigeria especially the economic relations. Furthermore, the diplomacy economy is one of the ways that shall be used optimally by Indonesia towards Nigeria through its officers abroad.

The relations among African countries and Indonesia are based on a strong foundation; it was started during the Asia Africa Conferences 1955 that bring Asia and Africa together with the common ground which is the spirit of solidarity, collaboration and independence. Nigeria as part of Africa continents also has a great diplomatic relations with Indonesia which started in 1965 when Indonesia opened its resident Diplomatic Mission in Lagos and continued by Nigeria in

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21 Ibid
22 “Visit of President Yudhoyono of Indonesia”. News Agency of Nigeria. 2 February 2013.
1976 by opening its Mission in Jakarta. However, the bilateral relations between these two countries have shown a slow growth where it shows from the lack of high level visit with far range of time as in 2007 until 2013.

In building great bilateral relations, it takes a long time and there needs to be a gradual approach and through the approach it will awaken the trust that will bring an ease to the future cooperation, which in here could help in the implementation of the new foreign policy of Indonesia towards Nigeria that will directly conduct by Indonesia agencies in Nigeria.

On the other hand, seeing Nigeria as one of the country that has potential market for Indonesia, Indonesia start to regain its trust and to regrow its relations with Nigeria since the era of President SBY where there had been done high level visits from both countries in purpose to enhancing the bilateral relations of both countries. The bilateral economic relations of Indonesia and Nigeria placed into focus by Indonesia since 2012 with the realization of the potential market of Africa and also this matter is included in the economic development to increase the welfare of the people which has been one of the priorities under the Medium-Term National Development Plan (MTNDP) by enhancing exports and the exploration for non-traditional markets.

Thus based on the bilateral relations between both countries has giving impact towards economic relations to both countries. As the result, Nigeria is Indonesia's second largest trade partner in Africa after South Africa; in 2011 the trade value reached US$2.09 billion accounted for 21.66 percent of Indonesia's total trade with Africa. In 2013, the bilateral trade volume between the countries reached $2.2 billion. Moreover, there are over 15 Indonesian companies currently operating in Nigeria such as Indorama, Indofood, Kalbe Farma and Sayap Mas Utama. Taking example of Indofood that established in Nigeria since 1995 which

25 Ibid
now become famous brand and the largest instant noodles manufacturing plant in Africa.\textsuperscript{27}

The fact that way before the diversification non-traditional market some of businesses of Indonesia has established way before the bilateral relations between Indonesia and Nigeria become more serious. Moreover, this unique relation will further give the impact in future bilateral relations.

The market diversification is the term that used by Indonesian agencies in differentiate the market. Non-traditional market is export markets that are not quite large but has the potential to increase Indonesia's exports, export markets that are categorized as non-traditional market is the market outside Indonesia's main export destinations such as Japan and the United States.\textsuperscript{28} The Potential of non-traditional markets is quite in line with the founding of a free trade agreement.

Moreover, the promotion to the non-traditional markets overseas is always included bilateral relations which mean include diplomacy. In fact the diplomacy which in here the economic diplomacy will be the main way for Indonesia agencies in promoting and implementing the new trade foreign policy of market diversification.

The new trade foreign policy is the policy made by the Ministry of Trade directed towards the enhancement of competitiveness of non-oil products to push forward market diversification. This is conducted by focusing on three (3) main strategies, among others\textsuperscript{29}:

a. The enhancement of market diversification: enhanced market access intelligence and integrated promotion


\textsuperscript{28} Diplomasi Ekonomi: Optimalisasi Instrumen Kerjasama Luar Negeri Sebagai Upaya Peningkatan Ekspor dan Arus Masuk Investasi Asing ke Indonesia, Ministry of Foreign Affairs, pg.6, 2012.

b. The diversification and enhancement of product qualities: to increase value-added commodity production

c. The enhancement of trade facilitation

Moreover, the foreign trade policy has become the guideline for MOFA in conducting the economic diplomacy because economic diplomacy itself majorly played by the role of the government which in here Ministry of foreign affairs which also supported by other institution and private sectors. Therefore, the aims of this research it to analyze the strategy of Indonesia economic diplomacy through ministry of foreign affairs in building the economic relations in Nigeria within the year of 2010-2013.

**I.3 Statement of Problem**

As mentioned above this research is design to analyze the strategy of Indonesia economic diplomacy that has been done by the Ministry of Foreign Affairs in Nigeria within the year of 2010-2013. This research has taken four years length of Indonesia economic diplomacy in Nigeria. Moreover, the writer acknowledges that there will be outcomes from this analysis. Thus the writer research questions as follow:

1. Why did Indonesia perceive Nigeria as a potential market in order to implement its foreign economic policy?
2. What were Indonesia strategies in implementing its economic diplomacy in Nigeria within 2010-2013?

**I.4 Objective of the Research**

Based on the statement above, the objective of this research is to:

1. To explain the significance of Nigeria as potential market.
2. To describe and elaborate the implementation of Indonesia’s Trade Foreign Policy on Nigeria market.
3. To describe and identify Indonesia’s economic diplomacy in Nigeria
4. To explain economic diplomacy strategy implemented by MOFA in Nigeria as a potential non-traditional market in order to strengthen closer economic relations.

I.5 Significance of Study

The significant study of this strategy analyses of Indonesia economic diplomacy are:

1. To know in depth about the works of Indonesia economic diplomacy that has been done by Indonesia Ministry of foreign Affairs and also hopefully through this research could result another perspective of the works that has been done and can be future suggestion for the better development.

I.6 Theoretical Framework

The theoretical framework is the structure that can hold or support a theory of a research study, the theories are formulated to explain, predict, and understand phenomena and also to challenge and extend existing knowledge within the limits of critical bounding assumptions. Therefore, this research includes several theories that related to each other and also support the idea of this research.

Based on figure I.1 the writer tried to use the existing theory to relate it to one another. In the First or top phase Foreign policy analyses is combined with the Interdependence Liberalism theory which the basic of it is the state interest, continued on the second phase both theories could be applied in bilateralism which actually talks about bilateral relations between two countries as in this thesis Indonesia and Nigeria and last the Economic Diplomacy which one of the tools that could use to achieve the purpose of state interest that described as foreign policy.

**Foreign Policy**

Theories of foreign policy seek to explain what states try to achieve in the external realm and when they try to achieve it. Theory development at this level, however, has received comparatively little attention. Some, like Waltz himself, simply rule the subject out of bounds due to its complexity.
“Theories must deal with the coherent logic of "autonomous realms." Because foreign policy is driven by both internal and external factors, it does not constitute such an autonomous realm, and therefore we should not strive for a truly theoretical explanation of it. Instead, we must rest content with mere "analyses" or "accounts".31

As Waltz describe that foreign policy is driven by internal and external factors, foreign policy is more acknowledge as the foreign policy analysis. Foreign policy made by the external and internal factor of a country which also reflect the need and the interest of a country. Therefore, foreign policy is used as the face of the interest.

**Global Interdependence**

Global interdependence created by mutual dependence at a global level when one country depends on another country for something and that country may depend on another country, importing and exporting of goods and services also highly contribute to global interdependence.32 Global interdependence sees the increasing the levels of expert and import between states lead to greater cooperation and also lead to welfare as the primary concern of states.

Moreover, global interdependence acknowledge on how the relations among nations become more important to achieve welfare together and also to avoid conflict. On the other hand, the nature of country’s interest is to achieve welfare for its citizen and without partner it is almost impossible to achieve it because there will be no trading, no profit and etc. Therefore, Foreign Policy analyses and global interdependence is closely related and here the writer put it in the same level of priority.

**Bilateral Relations**

Bilateral relations is the relations between two sovereign countries which the relations includes the political, economic, social and cultural relations. It is very different with multilateralism where the relation is between multiple states.

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31 Rose, Gideon, Review on Neoclassical Realism and Theories of Foreign Policy 2010.
32 Business dictionary, retrieved: 10/11/2014 10 pm, from: http://www.businessdictionary.com/definition/global-interdependence.html#ixzz3Ow3yOGYp
Moreover, when states recognize one another as sovereign states and agree to develop diplomatic relations, they will exchange diplomatic agents such as ambassadors or country representatives to facilitate dialogues and cooperation that between both countries. Bilateral relations also explain the exclusivity of relations between two countries which also the beginning of other diplomatic relations which in here refers to the bilateral relations of Indonesia and Nigeria.

**Economic Diplomacy**

Diplomacy is the art and practice of conducting negotiations between representatives of states and usually refers to international diplomacy, the conduct of international relations through the intercession of professional diplomats which related to issues of war, trade, economics, peace-making, human right, culture, and environment.³³ Put in detail, economic diplomacy is a form of diplomacy which is use of economic tools of the state to achieve its national interest and economic diplomacy includes all the economic activities, including but not limited to export, import, investment, lending, aid, and free trade agreements etc.³⁴ In the end, back to the interest of a country to achieve welfare, economic diplomacy will be use as one of the tool to achieve it.

**Trade Diplomacy**

Trade diplomacy and economic diplomacy are strongly related to each other, economic and trade diplomacy has become an inseparable element of conventional diplomacy, particularly in its professional management. economic and trade diplomacy involves joint efforts through cooperation between governments and the private and public business sector with respect to external actions to achieve economic goals linked to the national interests.

Moreover, in this thesis trade diplomacy helps in enhancing the economic relations between Indonesia and Nigeria especially in the export-import trading.

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³³ Ronald Peter Barston, Modern diplomacy, Pearson Education, 2006, p. 1
Trade diplomacy is the specialization of economic diplomacy which concentrated in the trading area.

I.7 Scope and Limitations of the Study

The scope and Limitations of this thesis are as following:

1. This thesis will be focus on Indoensia economic diplomacy that has been done to developed non-traditional market access possibilities in Nigeria during 2010 - 2013.

2. The main concern in this research is only limited to decision and strategy implementation conducted by Indonesia’s diplomatic representative in Nigeria.

I.8 Definition of Terms

- Economic diplomacy is seen primarily as intergovernmental which conducted by Foreign Service officials with the purpose to advancing the economic interest of the state in foreign countries and the world economy.\(^3^5\)

- Bilateral relations — or bilateralism — refers to the relationship between two independent regions. Cultural, economic, and political factors influence this relationship.

- NMTDP stands for National Medium Term Development Plan 2010-2014. NMTDP provide further guidelines for ministries/institutions in developing their own Strategic Plan and become consideration by the local governments while developing/adjusting their own local development plan in order to achieve the national development goals.\(^3^6\)

- Trade diplomacy is the specialization of economic diplomacy which are focusing in the trade relations such as export import trade.

- Non-traditional market is export markets that are not quite large but has the potential to increase Indonesia's exports, export markets that are

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\(^3^6\) Governments visions for National Development retrieved: 20/11/2014 11.00 pm from: http://www.kemlu.go.id/Pages/Polugri.aspx?IDP=16&l=en
categorized as non-traditional market is the market outside Indonesia's main export destinations such as Japan and the United States.  

- Global interdependence is a mutual dependence at a global level, when one country depends on another country for something and that country may depend on another country, which eventually creates global interdependence.

- Foreign Policy is driven by internal and external factors, foreign policy is more acknowledge as the foreign policy analysis. Foreign policy made by the external and internal factor of a country which also reflect the need and the interest of a country.

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37 Diplomasi Ekonomi: Optimalisasi Instrumen Kerjasama Luar Negeri Sebagai Upaya Peningkatan Ekspor dan Arus Masuk Investasi Asing ke Indonesia, Ministry of Foreign Affairs, pg.6

II. 1 Exploring Africa Mainstreaming Indonesia’s Economic Diplomacy in Non-Traditional Markets.

In order to support this research on how Indonesia economic diplomacy works in Nigeria, it would be better to have supporting research that had been done by experts at this field of area. One reliable source came from the Center for Policy Analysis and Development on Asia-Pacific and African Regions, Ministry of Foreign Affairs of the Republic Indonesia (2012) titled Exploring Africa Mainstreaming Indonesia’s Economic Diplomacy in Non-traditional Markets. This book explained how important African market is for Indonesia. Therefore, this book has been done for the recommendation of the future of Indonesia’s foreign policy developments which would result in strategic recommendations to the foreign Ministry and other related stakeholders.

In detail, this book has explained about the Indonesia’s strong economic performance which could not be separated from its sound of economic policies. In the first chapter of the research it shows how Indonesia tries to diversify its export market by expanding to countries that has not been explore yet to the maximum level which in here most of countries in Africa region is included. Moreover, it also explained about Indonesia’s trade policy created by the Ministry of Trade which has the objective to enhancing domestic competitiveness trough several terms such as to give support to upstream industrial development and other export-oriented industries, market expansion, the enhancement of competitive products and also improving the effectiveness of International cooperation through the enhancement of Indonesia’s role in the world’s economy through multilateral diplomacy.39

Furthermore, in the second chapter of this book, it explained about the potentials and profile of the African market. As stated based on the economist magazine there are four African countries namely Angola, Niger, Ethiopia and Rwanda are among the 10 Top Growers of the world.\(^{40}\) Moreover, in the last global financial crisis 2012, Africa has demonstrated resilience to maintain its economy and afloat and in the same time gave attraction to investors to do business in its region. Apart from that, Indonesia has built good relations with some countries in African region. In this chapter, it gave out some of country profile of some African countries that Indonesia needs to give more attention to it. Those countries are Nigeria, Kenya, Ethiopia, Egypt and Africa. To be put in specific as the supporting of the topic of this thesis, Nigeria will be explained clearly. Indonesia and Nigeria both have huge potentials; in fact both countries have been starting to build strong economic relations through their businessmen. It happened even before the governments have agreed to re-evaluate their mindsets towards each other and until now there are already at least 20 to 30 Indonesian companies operating, ranging from food processing, manufacturing and pharmaceutical companies.\(^{41}\)

As one of the potential market in Africa, Nigeria placed as the second largest economy in Africa and also Nigeria is the proper gateway to enter the West African market. However, for Indonesia itself in implementing its economic diplomacy there are still lots of things that need to regenerate such as the bilateral relations of both government, imbalance trade relations in terms of market awareness and choice of commodity and many more.\(^{42}\)

In order to provide comparative study, in the third chapter of this book the researcher also give explanation and strategy analyses of several countries named China, India, Australia and Malaysia that already have successfully enter African market. Based on the analysis of researcher of this book there are three similarities


\(^{41}\) Ibid \(^{40}\)

\(^{42}\) Ibid \(^{40}\)
on the strategies applied by those countries when enhancing relations with Africa, such as:43

1. Frequent exchange visits started from high officials up to the level of head of state visits. This shows how importance of the country and at the same time it opened up the opportunity for high level of lobbying in order to gain market access.

2. Huge commitments followed by in-time deliveries towards Africa. The use of media as a public diplomacy tool is important and must be handled carefully so there will not create any wrong impression in the publications.

3. Comprehensive policy package that involves synergized efforts of various government institutions, supported by business sectors and other stakeholders.

Thus, in the end of this book, there are recommendations on a strategy of economic diplomacy at the policy level and at the technical level. In the policy level, the research recommends strategies of Indonesia’s economic diplomacy towards Africa are:44

1. Engaging the African Union
   With the benefit as permanent observer in African Union, Indonesia should be able monitor closely the activities of countries in Africa especially their cooperation with other countries. Thus Indonesia could update information on potential cooperation and also get wide opportunities to exhibit its tools of diplomacy through closer interaction.

2. Empowering the New Asian-African Strategic Partnership (NAASP)
   Indonesia has an important role in the creation of the Asia-African Conference and the adoption of New Asian-African Strategic Partnership (NAASP). Indonesia needs to be filled NAASP with concrete projects of

44 Ibid42
cooperation which directly affect, positively the people in both regions. Indonesia in this matter should utilize this political vehicle to gain economic and social benefits.

3. **Intensifying the Technical Cooperation on Developing Countries (TCDC)**
   So far technical cooperation has considered as one of Indonesia’s best tools of economic towards African countries. However, due to the limited funding and does not have a specific pooling resource bowl which is dedicated to provide assistance to other countries. Most of the TCDC programs have been conducted through a triangular cooperation (Indonesia as provider, other governments as donors, and targeted countries as receivers), and only few programs are solely funded by the government. This, however, can be reinforced and further developed by engaging the private sector, which, in turn, will get benefit from TCDC. The point is that the design and implementation of TCDC should be in synergy with the need to intensify economic ties, trade and other wise.

4. **Initiating the Indonesia-Africa Forum**
   Learning from other countries successful story in Africa, it is time for Indonesia to do the same by initiating the Indonesia-Africa Forum as the next step of the diplomacy. It is stated that The Indonesia – Africa Forum is a necessity due to at least these following reasons:
   
   a. To provide a comprehensive concept of Indonesia’s policy towards Africa.
   
   b. To consider the gap between bilateral relations and the NAASP.
   
   c. To synergize engagement among stakeholders.

5. **Establishing the African Fund**
   The establishment of the African Fund is an effort to further synergize resources that the Government of Indonesia allocates for Africa. This requires strong commitment from the Government based on cost and benefit analysis in calculating the consequences of the allocation of funds and resources in order to gain more benefits, both economically and politically.
Last, the Recommendation on the Management of Economic Diplomacy at the Technical Level, such as:

1. Empowering Indonesian Mission as Sales Agents
   With the aim of maximizing the penetration of Indonesian products in the respective states of accreditation(s) the 17 Mission in Africa should focus on the promotion of champion sector which are goods and services. Every Indonesian Mission in Africa should encourage and facilitate the establishment of Indonesian-African business councils, both at the capital and provincial levels, and encourage the establishment of Preferential Trade Agreements (PTAs) for Indonesian champion products. While the business councils are B to B in nature, the Indonesian Missions will function as the facilitator and protector of Indonesian business interests (i.e. embedded in one of the missions’ main functions, which is to protect Indonesian legal entities/Badan Hukum Indonesia).

2. Establishing Indonesia’s entry points to Africa
   It is important to have more than one entry point in a big region such as Africa. The entry point should satisfy the best consideration for business in the future. Based on the research there are several countries that are ideal for Indonesia for the entry points, such as:
   - Nigeria, as the gate to Western Africa region/ECOWAS
   - Kenya, as the gate to Eastern Africa region/EAC
   - South Africa, as the gate to Southern Africa region/SADC
   - Tunisia and Algeria, as the gates to Northern Africa region/AMU
   - Egypt, as the gate to MENA and Europe

3. Coordinating annual activity (RKT) plans to maximize economic diplomacy through entry points. It is very important to Indonesia to have the RKT to maximize the economic diplomacy, access market and it is important to maintain the efficiency and effectiveness of each mission, thus could be formulate and implemented evenly among the sub region countries.
4. Establishing Indonesian Business Center and Mall sponsored by Indonesia Government. The benefits from it are to facilitate the trade expansion of Indonesian business both state owned or private sector to promote Indonesian products of goods and service

It will be great if the recommendations on the management of Indonesia economic in several level could be done and improved, however as it explained there are still several challenges that Indonesia have to face. One of the most crucial things is the funding. To do the economic diplomacy in a maximum way the funding to help the diplomacy also required quite a lot. Furthermore, so far the Indonesia government had tried it best to do the diplomacy with limited funding. However, aside from limited funding there are also several things that need to regenerate by Indonesia government such as the relations towards Government of the destination country (Government to Government) and also the relations towards the local business both private and state owned enterprises (Government to Business).

II.2 Can Indonesia Use Its Economic Performance as Asset For Diplomacy?

In supporting this research, the journal from Jurnal Diplomasi publicized by the Ministry of Foreign Affairs titled Can Indonesia Use Its Economic Performance as Asset for Diplomacy? Has revealed some interesting points on how Indonesia economic condition could actually become assets for Indonesia diplomacy. As the introduction of this journal the writer mentioned how Indonesia is viewed positively as one of the fast emerging economies along with the other G-20 countries especially after the 2008 financial crisis, where at that time Indonesia has successfully handle the issue quiet well. Moreover, start from there the writer start to questioning whether is it time for Indonesia to use its economic performances as asset for diplomacy or not. Furthermore the journal discussed about the changing nature of diplomacy, the posture of Indonesia’s economic performance, how Indonesia tap into it and what could be done to take most advantage out of the new context and development in international politics.
In the beginning of this journal, it talks about the new era of global interaction, where management of economic growth and the use of common resources become critical international discourse. Rather than explaining the world in conventional term of international relations which related to hard power and military offense, the achievement on economic force also has big matters in increasing the bargaining leverage at international tables of negotiations. This is the era where the rest of the world beyond the Western developed nations are rising, first economically and politically as well. Moreover, there are more than a few rising new emerging economic power from various models of market governance, which would imply different possible externalities, may emerge out of the policies they choose.\(^{45}\) Thus, given these new developments, it is time for Indonesia to start considering new tools for Indonesia’s diplomacy which in this journal through economic diplomacy.

Continued, in the second part of this journal the writer analyze the posture of Indonesia economic performance. It is stated that in international relations, economic performance is typically viewed as an asset usable for enhancing power at global interaction. Moreover, economic performance affects how countries are perceived and how they matter in global negotiations. In the world of realist, state pay close attention to how power is distributed among them, and they would look for opportunities to alter the balance of power by acquiring variety of means, including economic, in order to shift the balance of power in their favor.\(^{46}\) Moreover, Keohane also said that the bigger one’s own market, and the greater government’s discretion in opening it up or closing it off, the greater one’s potential economic power will be. “\textit{A country with powerful posture of economic performance would have greater likelihood of winning more respect at negotiation tables than the weak one}”\(^{47}\)

\(^{46}\) Measheimer (2005, p.53).  
\(^{47}\) Keohane (1984, p.32-33)
The writer also explain the indicator of economic performance which are the trend of economic growth rate, rate of inflation, financial reserve, government revenue, and debt, the attractiveness of a country to foreign investors is one additional factor that matters. The posture of one’s economy is also determined by how other countries respond to the economic environment in that country. It also evaluated based on the value added of goods and services, namely how big is the difference between sales price and its cost of production. Values of products and services are measured by whether these items are built on knowledge and technology that is innovated competitively by a country, or merely sold as “raw” materials. 48 Country’s economic performance includes the measurement of socioeconomic inequality and welfare. The distribution of wealth to citizens across the country is an item illustrating the real strength of a country’s economic performance. Based on those criteria, the writer has stated that;

“Among other economies, Indonesia’s economic posture is not as promising given its reliance on pure extractive economy, It is helped much by its large population and growing middle class, but the socioeconomic gap among the society and the relatively unskilled labor put Indonesia in no less better posture than many other developing economies. More attention needs to be given to improve the positioning of Indonesia as “subject” in global economy. Policies need to be taken in order to diverse its basis of economic wealth (not just in pure extraction activities) and to elaborate social protection. Investment in knowledge and technology acquisition is urgent to improve Indonesia’s comparative advantage in the region and internationally.”49

Continued by the posture of Indonesia Diplomacy argue on how the Free and Active principle has different interpretations on each presidents of Indonesia. Started from the era of President Abdurrahman Wahid which believed that to be nice to whoever nice to Indonesia and to have no enemy but million friends in the era of President Susilo Bambang Yudhoyono and surely free and active could also be understood as avoiding being allies of big power. However, being realized that Indonesia can’t deny at some degrees of Influence played by other countries is

49 Ibid 47
appealing to Indonesia and it helps to shape the foreign policy in certain level. Therefore, the implementation of free and active in the current setting still needs more elaboration.

In the context of Indonesia economic diplomacy, it has been acknowledged that Ministry of Foreign Affairs is not the only one actor that actively involved in doing the contacts with foreign parties. Many other ministries are now opening negotiations directly with foreign partners and governments too such as ministry of health, Ministry of Trade, and the State Ministry of Environment. Not only ministries but also multi-national companies (MNCs), media and civil society organizations (CSOs) have actually become new actors in foreign affairs. In the end the writer concludes that;

“With the proliferation of actors who are capable of sounding domestic concerns abroad, it is only proper if the use of economic performance as tool for diplomacy would take into account the desire to protect domestic needs. The challenge would be for the government, especially the President, as the one with the highest authority to shape nation’s foreign policy. With the rise of many emerging economies, Indonesia needs to be more alert and non-ambiguous in practicing its free and active principle. Diplomatic moves conducted by the Ministry of Foreign Affairs should engage more government ministries, private actors even NGOs.”

CHAPTER III
RESEARCH METHODOLOGY

In the making process of this thesis, it is necessary to have research methodology. Research methodology is a way to systematically solve the research problem, it can also be understood how research is done scientifically.\textsuperscript{51} This research will be using the Qualitative Research which is using the descriptive analytic approach concerned with understanding the meanings of certain observed phenomena or actions. It examines and analyzes observations for the purpose of discovering underlying patterns of relationships in a manner that does not involve mathematical models. Qualitative research also provides explanation of reasons and associations between social variables. The data in this type of analysis is not in the form of numbers (Ritchie and Lewis, 2003; Royse, 1999).

Moreover, the writer uses this methodology to be applied in the research of Indonesia Strategy of Economic Diplomacy, which is best suitable using this Qualitative research because the method itself is needed to identify and analyze Indonesia strategy in conducting the economic diplomacy in Nigeria within the year 20010-2013.

III.1 Research Method

This research is designed by using the descriptive analytical method which part of qualitative research. Descriptive analytical method is explained as a method that uses to describe facts and circumstances based on theories and concepts (Silalahi 199:100).

Moreover, this research use library and internet research besides direct interview with the person from MOFA specialized in Africa region to describe and analyze collected data that include legal documents such as agreements joint communiqué, internet news, press release from MOFA website and etc. Therefore, this method helps the writer do finish this thesis.

III.2 Research Framework

The variable of this research are consists of two variables. There are Indonesia and Nigeria. Based on the research question of this research, the specific actor that will be analyzed is Indonesia Ministry of Foreign Affairs to the government of Nigeria. As it explained clearly in Chapter I on how the theory will work in this research it also explained on this specific actor to be chosen.\textsuperscript{52}

Based on figure 3.1 the relations between Indonesia and Nigeria governments will be the main focus. It will be the in the State level of analysis that examines the foreign policy behavior of states in terms of state characteristics.\textsuperscript{53} Moreover, it also include the Organizational level analysis examines the way in which organizations within a state function to influence foreign policy behavior. States don’t make decisions. Organizations bargain with each other to create a foreign policy that is a compromise between competing organizations.\textsuperscript{54}

Furthermore, as this research will be focusing more on how Indonesia Ministry of Foreign Affair placing their strategy in Nigerian market which will be further analyses by defining MOFA’s relations with other supporting actors behind the Indonesian government. There are many other actors that Ministry of Foreign Affairs need to corporate and work together hand in hand to achieve the goal that has been planned.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{diagram.png}
\caption{State to state relations}
\end{figure}

\textsuperscript{52} For clear information back to Chapter I Pg.9
\textsuperscript{53} A Brief Introduction to Theories on International Relations and Foreign Policy, POLI 468, Bill Newmann. http://www.people.vcu.edu/~wnewmann/468theory.htm
\textsuperscript{54} Ibid\textsuperscript{52}
III.3 Research Time and Place

The research started in the first week of September 2014 up to January 2015. It started by collecting necessary data and reliable information from various sources relating to the specific issue of this thesis follows through interview, library and internet research, thesis writing and final draft submission this thesis will be finished within five months length.

Moreover, the venue of this research has taken place in various areas such as government institution (Ministry of Foreign Affairs, and library. Below is the detail information of the research venue:

1. Directorate Africa of Ministry of Foreign Affairs
   Address: Jl. Pejambon No.6. Jakarta Pusat, 10110 Indonesia

2. Ali Alatas Library
   Address: Jl. Pejambon No.6. Jakarta Pusat, 10110 Indonesia

3. Adam Kurniawan Library
   Address: Jalan Ki Hajar Dewantara, Jababeka Education Park, Cikarang, West Java 17550, Indonesia

4. Freedom Institute Public Library
   Address: Jalan Proklamasi No.41, Menteng, Kota Jakarta Pusat, DKI Jakarta 10320, Indonesia

III.4 Research Instrument

The collected data in this research is divided by two categories, Primary Data and Secondary Data.

Primary Data

The primary data include as:

- Official Document from Directorate Africa of Ministry of Foreign Affairs.
- Interviews with the expert of related research from Directorate Africa Ministry of Foreign Affairs.

Secondary Data
In addition to support this research, secondary data is needed. Therefore, the secondary data in this research include literatures, books, journals, video documentations, official news and etc.

Data Collection Method

There are several methods that used by the writer to obtain the data collection, there are:

- **Observation Method**, is a data collection method in which the writer observe all the collected data and also based on the issue development that already acknowledge by the writer during her internship period in April – July 2014 at the Secretariat General of Asia Pacific and Africa of Ministry of Foreign Affairs.

- **Interview Method**, is a data collection method in which the writer going through direct communication with reliable sources and the expert in the related field by doing a questions and answers session.

- **Internet Method** is a data collection method with the internet usages. Most of the data such as journals and updated news about related topic are collected using internet. The official press release from the related institutions can also found in internet in easiest way for the writer.
CHAPTER IV

INDONESIA ECONOMIC DIPLOMACY TO INCREASE POTENTIAL ACCESS OF NIGERIA NON-TRADITIONAL MARKETS, 2010-2013

IV.1 Indonesia Perception on Nigeria (2010-2013)

Indonesia Foreign Policies

Nation as sovereign state always has interest and goals to be achieved, whether it is welfare, economic prosperity, security and also world peace. In order to achieve their interest, all nations will try to mobilize all their capabilities including Indonesia. Moreover, the world have grown become more interdependent due to the globalization, this also require nation to have better relations towards each other in so many aspects in order to achieve their national interest, including economic interest. Therefore, for Indonesia as a developing country who still needs to develop its economy become more stable and growing, Indonesia has to actually keep going on the same rhythm as the world grow. By realizing the current economic situation in this 21st century, Indonesia has come up with new strategy and policies. The Strategic plan called National Long Term Development Plan (NLTDP) for 2005-2025 and the National Medium Term Development Plan (NMTDP) for 2010-2014 as its foundation.55

The vision of the NLTDP from 2005 to 2025 is to realize an advanced society, independent, and fair as the foundation for the stage the next development towards a just and prosperous society. vision development NLTDP 2005-2025 gives directions achievements through eight (8) mission development, namely: (1) Creating community has high morals, ethics, culture, and civilized, (2) Achieve a competitive nation, (3) Create a democratic society based on law, (4) Realize Indonesia is safe, peaceful, and united, (5) Achieve equitable development and

55 Indonesia Foreign Policy Vision and Mission, retrieved: 10/12/2014 from: http://www.kemlu.go.id/Pages/Polugri.aspx?IDP=1&l=en
justice, (6) Creating beautiful and sustainable Indonesia, (7) Realize Islands Indonesia became an independent state, advanced, strong and based on interests national, and (8) Realizing Indonesia plays an important role in the international community. 56

Achievement of the main targets NLTDP 2005-2025 in each of the development mission, carried out through the stages of development priorities and medium-term development. For each of the development mission, in every stage of the medium-term development plan described the development and annual 5 main targets. 57 Moreover, the National Medium Term Development Plan 2010-2014 provide further guidelines for ministries/institutions in developing their own Strategic Plan and become consideration by the local governments while developing/adjusting their own local development plan in order to achieve the national development goals. 58

In this thesis the writer takes the National Medium Term Development Plan (NMTDP) for 2010-2014 as its foundation as the foreign policy that will further related to the topic of this thesis. Moreover, NMTDP 2010-2014 has three main goals which are; the reform of the Homeland, improving the quality of human resources, building science and technology capabilities, strengthen the competitiveness of the economy. 59 Thus, strengthen the competitiveness of economy goals of NMTDP 2010-2014 as the new policy in conducting the economic diplomacy for Ministry of Foreign Affairs.

In order to achieve the NMTDP 2010-2015 especially to strengthen the competitiveness of economy goals, MOFA has set its own program which one of them is include the program for Strengthening Relations and Foreign Policy and Optimizing Diplomacy in Asia Pacific and Africa to improved cooperation

57 Ibid 40
59 Ibid 40
between the Republic of Indonesia and countries in Asia Pacific and Africa. These are strategies to be implemented through the program of MOFA are as follows: 60

1. To improve non-political relations and to encourage people to people interaction as a strategic foundation for harmonious relations in the future.

2. To take on a more positive role and leadership in various bilateral and regional cooperation to support multilateral cooperation.

3. To improve economic relations with countries which have non-traditional economy as an effort to expand traditional markets for Indonesian products, and to boost investment from Middle East and African countries in Indonesia.

4. To set the priority and main issues. For example, Indonesia should improve technical assistance as a foreign policy instrument to relate with countries in CMLV countries in ASEAN and countries in the Pacific region. To relate to East Asian countries, Australia, and New Zealand, Indonesian should make use of the regional mechanism both within ASEAN and East Asia Summit as its main foreign policy instrument.

On the other hand, other Ministries of Indonesia also done the same things, which is making new program and strategies to achieve the same goal as written on the RPJMN 2010-2015 and on the matter of economic strengthen Ministry of Trade has make new trade foreign policy.

The Ministry of Trade, which is responsible for Indonesia’s trade policy, has set strategies and policies with the objectives of: 61

1. Enhancing domestic competitiveness through:

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60 M. Programs, Direction, Policies, and Strategies of The Ministry of Foreign Affairs from: http://www.kemlu.go.id/Pages/Polugri.aspx?IDP=1&l=en
• The support of upstream industrial development and other export-oriented industries.

• Market export expansion: (a) the enhancement of exports to non-traditional markets; (b) the rebalancing of exports to countries with which Indonesia experiences trade deficits of over USD 100 million; and (c) the South-South Cooperation approach.

• The enhancement of competitive products.

2. Improving the effectiveness of trade control and trade infrastructures through:

• The utilization of trade remedy instruments (antidumping, safeguards, and subsidies).

• The improvement of the national distribution system.

• The enhancement of the control of the supply of goods.

• The development of further future markets.

• The development of the warehouse receipt system as an alternative payment method for farmers and business entities.

3. Improving the effectiveness of international cooperation through the enhancement of Indonesia’s role in the world’s economy through multilateral diplomacy.

Indonesia’s foreign trade policy is directed towards the enhancement of competitiveness of non-oil products to push forward market diversification. This is conducted by focusing on three (3) main strategies, among others:62

a. The enhancement of market diversification: enhanced market access intelligence and integrated promotion

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b. The diversification and enhancement of product qualities: to increase value-added commodity production

c. The enhancement of trade facilitation

Strengthen Indonesia economic competitiveness through non-traditional market become one of the common thing that appears in both ministry’s program. Therefore, as a research was being done the market diversification between traditional and nontraditional. It focus on the countries which has potentials market in emerging economies, Indonesia has identified those emerging economies or so called non-traditional markets into 8 region, there are; Africa, Central America & Caribbean, Eastern Europe, Mid East, North America (exclude US and Canada), Oceania (Exclude Australia), South America and South Asia where the increasing number of export of non-oil and gas has been noticed. As in 2011 Indonesia’s non-oil and gas exports to non-traditional markets were dominated by African countries, which accounted for USD 6.01 billion (3.76%), while the Middle East accounted for USD 4.88 billion (3.01%), South Asia accounted for USD 3.06 billion (1.89%), Eastern Europe accounted for USD 2.98 billion (1.84%) and South America accounted for USD 2.87 billion (1.77%).

IV.2 Nigeria Current Political Situation

Nigeria gained its independent in 1960 and ruled militarily nearly 16 years until anew constitution was adopted in 1999. The return to civilian rule in 1999 has been followed by militants from religious and ethnic groups such as al-Qaeda and Boko Haram in order to pursuing their demands, however the way that they use was through communal attacks which cause thousands of people died over the past few. Moreover, the government continues to face another task of the corruption of revenue and mismanagement of petroleum-based economy.

Furthermore, on Indonesia’s point of view, Nigeria have its challenges to overcome especially in economic field. Nigerian entrepreneurs itself realized that

\[\text{Ibid}^61\]


\[\text{Ibid}^64\]
Nigeria’s domestic conditions tend to be less conducive for growing businesses.\textsuperscript{67} Also the other issue of corruption and extortion in Nigeria hampers the efforts of Nigerian entrepreneurs to develop their business relations with Indonesia, particularly when it comes to enhancing investment cooperation in the country.\textsuperscript{68}

Moreover, based on the interviews with several Nigerian scholars and economic experts done by ministry foreign affairs, the other economic challenges of Nigeria are coming from the poor infrastructure and institutions as well as the massive practices of corruption that has lead to poor policies.\textsuperscript{69} For example, the policy change to shift the economy from an agriculture-based economy toward an economy which relies on oil/gas exploitation has severely hampered the real sector in Nigeria.\textsuperscript{70} As a consequence, there was a deindustrialization process in Nigeria, which made the imports of consumer goods the largest component of its foreign trade structure ever since. Realizing the flaws of its economic development policy in the past, the Nigerian Government is currently striving to diversify its economy with the manufacturing sector backed by a sound agricultural sector.\textsuperscript{71}

“Despite the obstacles that Nigeria has, Indonesia still think Nigeria as one of the potential market as it stated in the research book called Explore Africa which done by Indonesia Ministry of Foreign affair. As the second largest economy in Africa, Nigeria is the proper gateway to enter the West African market. The presence of a number of obstacles in trade and investment in Nigeria did not dampen the interests of Indonesian businessmen to continue investing in Nigeria, especially given Nigeria's huge market potential, its relatively mild competition level, its abundant natural and human resources, as well as the opportunities presented by Nigeria as the stepping stone for a broader market in Western Africa and Africa as a whole.”\textsuperscript{72}

\textsuperscript{68} Ibid \textsuperscript{67}
\textsuperscript{69} Ibid \textsuperscript{67}
\textsuperscript{70} Ibid \textsuperscript{67}
\textsuperscript{72} Ibid \textsuperscript{70}
IV.3 Nigeria Economy

Nigeria is one of the largest African country in term of population, there are around 166 million people sharing Nigerian citizenship. The country also ranks as the 7th world’s most populous country and 11th in the list of the world’s largest country-specific labor force. In its 923,768 square km of land, Nigeria is enriched with large reserve of oil and gas, various natural resources as well as other mineral and extensive arable land. Moreover, Nigeria has positioned as the 3rd of Africa’s largest economies after South Africa and Egypt due to its GDP per capita adjusting by Purchasing Power Parity (PPP) growth as seen on figure 4.1

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Figure 4.1 (Unit in US$)

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74 Ibid
75 Ibid
Moreover, by looking at its geographic map (figure 4.2) Nigeria has a strategic location to be the gateway of export import in West Africa because it is placed in the West African region and also Nigeria shares borders with several land-locked countries such as Niger, Chad and Burkina Faso. Also, the coastline of Nigeria is approximately 800 km with the potential of a maritime power. Not only strategic location, Nigeria economy is one of the biggest in West Africa and has become a driving force for the economic development of ECOWAS (Economic Community of West African States) member countries.

Furthermore, in term of interest in economic improvement, Nigeria’s government has established ‘Vision 20:2020’ with the vision statement “By 2020,

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76 Embassy of Nigeria – Indonesia, Booklet Discover Nigeria: Abuja City Gate.
Nigeria will have a large, strong diversified, sustainable and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens.”  

Moreover, recognizing the abundant human and natural resources of the nation, Nigeria intended to improve the living standards of its citizens and placed the country among the Top 20 economies in the world with a minimum GDP of $900 billion and a per capita income of no less than $4000 per annum.

As the transformation of Nigeria vision 20:2020 it showed how serious the government to reform its economy. Through the vision 20:2020 Nigeria government has upgrading their performances and their ability to serve the business better in Nigeria. Therefore, Nigeria is now seen as one of the potential market for other countries around the world. In fact China, US and India has successfully doing export to Nigeria and become the top 3 exporter to Nigeria with the nominal China 18.3%, US 10.1% and India 5.5% in 2012.

For Indonesia, Nigeria has become the important country in Sub-Saharan region since years ago. In the past, Nigeria was the first Sub-Saharan African country that established diplomatic mission in Indonesia. Since then, Indonesia has recognized the important role of Nigeria as one of the country that could become the gate to West and Central Africa. Therefore, Indonesian embassy in Abuja, Nigeria is also accredited to Ghana, Liberia, Burkina Faso, Benin, Cameroon, Cape Verde, Republic of Congo and Togo.

Moreover, before the governments of Indonesia and Nigeria agreed to re-evaluate their mindsets towards each other, the economic relations between both

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79 Ibid
countries already grown years back through the relations of their business man.\textsuperscript{82} There are already at least 10 until 15 Indonesian companies that are operating and investing in Nigeria vary from food processing, pharmaceutical companies and manufacturing companies.\textsuperscript{83} Those make Nigeria is Indonesia biggest trading partner in Sub-Sahara region (2012) and also the largest investment destination for Indonesia in Africa region.\textsuperscript{84}

On the other hand, compare to other promising market in Africa region, Nigeria still has its sparks, for example based on the Exploring Africa book, Kenya and Ethiopia are both strong players in the eastern region of Africa. Kenya is the prime mover of the East African Community (EAC), a sub-regional organization whose level of market integration is regarded as being the most advanced. EAC member countries combine to make up a profitable market and are currently focusing on improving infrastructures to smoothen the flows of goods and people.\textsuperscript{85}

Ethiopia, on the other hand, is regarded as the capital of Africa, due to its strategic location as the host of the two Pan-African organizations: the African Union (AU) and the United Nations Economic Commission for Africa (UNECA). Ethiopia alone is a substantive market, being the second most populous nation in Africa and hosting a growing middle class. Therefore, Ethiopia is a perfect place to start diplomatic engagements with Africa.\textsuperscript{86}

However, between Indonesia - Kenya and Indonesia – Ethiopia it is still the beginning to start a new relationship, different with Indonesia – Nigeria that have already settled agreement and did business from many years back. As the

\textsuperscript{83} Ibid.
\textsuperscript{84} Kertas Tugas Duta Besar RI untuk Abuja, Nigeria (2009).
explanation goes, the promising market of Nigeria cannot be seen as one sided thing especially for Indonesia. Without putting more attention and taking it into serious action Indonesia has gain popularity in Nigeria through its enterprises that already expanded years before Indonesia realize how much is the potential of Nigeria.

Moreover in the recent years, the government has raised its awareness toward this promising market. As it is being assured by Mr. Aris Munandar (the head of Economic Development in Africa Region of Ministry of Foreign Affairs), through a quick interview, Mr. Munandar said Nigeria has a big potential market since the number of its population is growing which is good for our market. Also, our companies that already established in Nigeria and doing business it could become the attractions for other Indonesia company to do business in Nigeria. Moreover, as far as the economic growth that Nigeria has and become one of the biggest it Sub-Sahara region it will be very strategic to make Nigeria as the Get way to do trading especially export and import.

IV.4 Bilateral Relations Indonesia - Nigeria

Indonesia and Nigeria have a long history of friendship and similarities. Bilateral ties between two countries were established in 1965 when the Indonesian Embassy was inaugurated in Lagos. The Nigerian Embassy in Jakarta was established in 1976. Since the diplomatic relations established in 1965, the relations of the two countries continue to robust and flourish.

Nigeria was the first Sub-Saharan African country that established diplomatic mission in Indonesia. Indonesia recognizes the important role played by Nigerian in Sub-Saharan region and has made Nigeria as its gate to West and Central Africa. The Indonesian Embassy in Abuja is also accredited to Ghana, Liberia, Burkina Faso, Benin, Cameroon, Cape Verde, Republic of Congo, and Togo.

There have also been an exchange of visits at the highest level, by former President of Indonesia Abdurrahman Wahid who visited Nigeria in 2001 and continued by the visit from former President of Nigeria Olusegun Obasanjo who
visited Indonesia three times in 2001, 2005 and 2006.\textsuperscript{87} It is continued by the meeting of President Umaru Musa Yar’adua and President Susilo Bambang Yudhoyono of Indonesia whom met in New York in 2007. Both leaders agreed to strengthen further economic relations between the two countries by increasing trade and encouraging investment.\textsuperscript{88} In February 2013, President of Indonesia, Susilo Bambang Yudhoyono visited Abuja to met Nigerian President Goodluck Jonathan and during that time President SBY also accompanied by Indonesia businessmen in context to strengthen trade relations, and.\textsuperscript{89}

Currently, the Federal Government of Nigeria is implementing Nigeria Vision 20:2020 with coordinated implementation plan which brings the Nigerian economy moves forward and Indonesian government has also initiated the RPJNM to strengthening Indonesia economic abroad.\textsuperscript{90} The two countries has the same interests to improve their economy by an acceleration program that emphasizing on building the infrastructure such as road networks, bridges, seaports and airports.

In March 2007, Nigeria’s Economic and Financial Crime Commission (EFCC) and Indonesia’s Corruption Eradication Commission (KPK) signed a Memorandum of Understanding on cooperation between the two anti-corruption commissions.\textsuperscript{91} In the same year, President Umaru Musa Yar’adua met Indonesia’s President, Susilo Bambang Yudhoyono in New York and both leaders agreed to give a boost the relation of the two countries.

In 2010, Nigeria and Indonesia signed Memorandum of Understanding on Bilateral Joint Commission.\textsuperscript{92} This Commission has the purpose to promote relations in five keys areas of shared mutual interest and is focuses on economy, investment, trade, culture and technical cooperation that will be the basis for

\textsuperscript{88} Ibid \textsuperscript{87}
\textsuperscript{89} Ibid \textsuperscript{87}
\textsuperscript{92} Ibid \textsuperscript{91}
further engagement beyond the political and diplomatic relations and later become another framework agreement for economic, investment and trade, cultural exchanges and technical cooperation. The Joint Commission was followed by the signing of Memorandum of Understanding on Agricultural Cooperation.

The two countries on February 2013 signed multi-billion long-term agreements on airlines and aircraft maintenance. The agreement and contracts are between Garuda Maintenance Facility Aeroasia, Indonesia, with its Nigerian counterparts, including Kabo Air, Max Air, Silverback Africa, Hak Air, and Service Air Ltd.93

On 25 July 2013 in Jakarta, Indonesia and Nigeria held the Inaugural Session of the Joint Commission for Bilateral Cooperation Meeting to follow up their agreement on the establishment of the commission for the cooperation between the two countries signed in New York in September 2010.94 The Session was preceded by a Senior Officials’ Meeting, attended by representatives of relevant Ministries and Government agencies from both countries.

The meeting led jointly by foreign minister Marty Natalegawa and his Nigerian counterpart Olugbenga Ashiru was held to discuss the follow up of bilateral commitments made during the state visit of President Susilo Bambang Yudhoyono on February 2-3 2014.

This year 2014, there are some groups of Nigerian businessmen to visit Indonesia to explore the potential of existing business in accordance with their respective business areas to further develop into a profitable venture.95

Bilateral relations that Indonesia and Nigeria has was flourish and great at the beginning, however there were gap years where Indonesia and Nigeria bilateral relation were moving nowhere. This happened for quiet sometimes until Indonesia government started to renew its vision and mission during President

93 Ibid 61
95 Ibid 91
SBY era. Indonesian government has initiated Master Plan for the acceleration and expansion of Indonesia Economic Development 2011-2025 (MP3EI). Also the National Medium Term Development Plan (NMTDP) which focus more on economic development to increase the welfare of the people. This new plan has influence a lot in government works and behavior. For Ministry of Foreign Affairs it gave new directions to what they should do in a way to achieving those visions especially in building connection and interaction overseas.

Therefore, those plans also work in the development of bilateral relations between Indonesia and Nigeria. As we can see the relations of both countries started to developed rapidly in 2010, both Ministers shared their common view that given the two countries’ commonalities, such as huge economic potentials and complementarities, shared ideals and political outlooks, as well as strong sense of determination and responsibility for international causes, relations between Indonesia and Nigeria constitute partnership. The commitments include increasing the two countries’ bilateral relations in various fields including politics and security, trade, investment and social-culture. In the meeting the two ministers also exchanged views on various global and regional issues.

IV.5 Indonesia Economic Diplomacy Strategy used by Ministry of Foreign Affairs 2010-2013

Economic diplomacy is seen primarily as intergovernmental matters which conducted by Foreign Service officials with the purpose to advance the economic interest of the state in foreign countries and the world economy. Economic diplomacy has at least three important things. First is the relationship between economic and politic, second is the relationship between environment with a

variety of domestic and international pressure, and third is the relationship between the Government and non-government (private Industries/sectors of private Industries). In addition, the combination of these three relationships would eventually become one of main colors in the dynamics of the contemporary international relations environment and productive.\textsuperscript{99}

In the context of Indonesia economic diplomacy, it has been acknowledged that Ministry of Foreign Affairs is not the only one actor that actively involved in doing the contacts with foreign parties. Many other ministries are now opening negotiations directly with foreign partners and governments too such as ministry of Trade and Ministry of Economic Creative. Not only ministries but also multi-national companies (MNCs), media and civil society organizations (CSOs) have actually become new actors in conducting the economic diplomacy.

This phenomenon should be considered by the Indonesian government in carrying out activities of economic diplomacy. If it is done properly, correctly and organized then this may be a major breakthrough for Indonesia itself to increase the value of its economic trades with other countries. However, if it runs alone by each actor in the absence of organized system and cooperation, there will be overlap of information and which will result in a repetition of matters concerned with economic performance. Where will eventually lead to moments of "going nowhere" in which each agency doing the things that have been done by other agencies and leads it to nowhere.

Therefore, there are several tools analyzed by the writer in order to define the maximizing the use of economic diplomacy which has been implemented by Ministry of Foreign Affairs within the year 2010-2013. The writer has successfully identify four elements that used by the Ministry of Foreign Affairs, in a way to accomplish Indonesian Mission in Nigeria with the specification of economic bilateral improvement. Those elements are consisting of:

1. Treaty/Agreement between Indonesian and Nigeria Government

\textsuperscript{99} Hendra Manurung : Strategi Diplomasi Ekonomi Indonesia, http://thepresidentpostindonesia.com/2012/10/01/strategi-diplomasi-ekonomi-indonesia/
2. State Official Visits

3. Cooperation with relevant agencies at home and abroad (Indonesia Government)

IV.5.1 Treaty/Agreement between Indonesian and Nigeria Government

Treaty/Agreement is official document which expresses that agreement in words; and it is also the objective outcome of a ceremonial occasion which acknowledges the parties and their defined relationships. The need for treaties has increased as the world's interdependence has intensified. Continuing technological innovation, economic globalization and the growth of transnationalism has resulted in an enormous increase in the frequency and rapidity of global interaction. Through treaty and agreement countries who are involved can pour their purpose in cooperation in various fields and it is also a testament to the seriousness of the involving parties. In the process of making the treaty/agreement negotiations have taken place between the two parties that eventually formed mutually agreed to the deal.

Treaty/Agreement for Indonesia itself has been used as it should be the same as with countries around the world. Through the process of good diplomacy Indonesia are able to negotiate with partner countries to achieve the goals and interests, not only Indonesia but also the interests of partner countries. Through the agreement Indonesia also can build a better relationship with partner countries, which in this thesis Nigeria is a country that will be discussed.

The table below is list of the treaty that Indonesia has made with partner country Nigeria. These agreements is not include all the agreement that has been made between Indonesia and Nigeria, it is only the agreements that related to economic development matters in its content between Indonesia and Nigeria.

---

## Indonesia – Nigeria Bilateral Agreement

<table>
<thead>
<tr>
<th>NO.</th>
<th>TITLE AGREEMENT</th>
<th>PLACE AND DATE OF SIGNATORY</th>
<th>ENFORCEMENT STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Joint Communiqué between the Federal Republic of Nigeria and the Republic of Indonesia</td>
<td>Abuja, 2nd February 2013</td>
<td>Be In Effect 02-02-2013 Date of Signing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Validity Period</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Not listed in the manuscript</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Termination Method</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Not listed in the manuscript</td>
</tr>
<tr>
<td>2</td>
<td>Memorandum of Understanding between the Directorate General of Small and Medium Industry of the Ministry of Industry of the Republic of Indonesia and the Small and Medium Enterprises Development Agency of the Federal Republic of Nigeria on Cooperation in the Field of Economic Capacity Enhancement of Small and Medium Enterprises in the Industrial Sector</td>
<td>Abuja, 2nd February 2013</td>
<td>Be In Effect 02-02-2013 Date of Signing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Validity Period</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3 (three) years and may be extended for a certain period of time as agreed by the Parties</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Termination Method</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Each Party may terminate this MOU at any time by giving written notice to the other Party of its intention to terminate two (2) months prior</td>
</tr>
<tr>
<td>3</td>
<td>Memorandum of Understanding between the Ministry of Agriculture of the Republic of Indonesia and the Ministry of Agriculture and Rural Development of the Federal Republic of Nigeria on Agricultural Cooperation</td>
<td>Bali 11th March 2011</td>
<td>Be In Effect 11-03-2011 Date of Signing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Validity Period</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5 years and can be renewed automatically</td>
</tr>
</tbody>
</table>
|   | Agreement between the Government of the Republic of Indonesia and the Government of the Federal Republic of Nigeria on Economic and Technical Cooperation | Jakarta 21\textsuperscript{st} December 2000 | Be In Effect  
Notice the last date of receipt of the Memorandum of Validity Period  
5 years and can be renewed automatically every 1 next year  
Termination Method  
Can be done through a written notice six months before the validity period expires |  
|   | Memorandum of Understanding between the Government of the Republic of Indonesia and the Government of the Federal Republic of Nigeria on the Establishment of a Joint Commission for Bilateral Cooperation | New York 25\textsuperscript{th} September 2010 | Be In Effect  
25-09-2010 Date of Signing Validity Period  
5 years and can be renewed automatically every 1 next year  
Termination Method  
Can be done through a written notice six months before the validity period expires |  

Figure 4.3  
Source: Ministry of foreign Affairs
There are five treaties/agreements that have been made between Indonesia and Nigeria which include the economic agreement for both countries. In 2000 the first agreement between Indonesia and Nigeria was made. The agreement is about the technical cooperation, economic development and the intellectual property rights. Indonesia and Nigeria agreed to take all necessary measures to encourage technical cooperation between them through the exchange of scientific and technological data and of experts, technicians and trainers in addition to the encouragement of all aspects of technical cooperation between the specialized institutions of both countries.\(^{101}\)

Moreover, The Parties agree that any intellectual property arising under the implementation of this agreement will be jointly owned under the following conditions:\(^{102}\)

a. each Party shall be allowed to use such intellectual property for the purposes of maintaining, adapting and improving the relevant property;

b. In the event that the intellectual property is used by the party and/or institutions on behalf of the Party for commercial purposes, the other Party shall be entitled to obtain equitable portion of royalty.

The first establishment of agreement on how Indonesia and Nigeria shall improve and encourage their technical corporations through exchanges both scientific and technological data was a good start for both countries. Looking back in the year of 2000 Indonesia was ahead developed than Nigeria, which in here Indonesia tried to give help and building trust with Nigeria. Moreover, the protection of the intellectual property right is also a good start; it helped both countries to establish a strong ground before they move up to another level of cooperation. Both countries will have a clear line on how they will corporate.


\(^{102}\) Ibid 98
However, as the table on figure 4.3 made, it shows how there huge gap within the year of 2000 up until 2010. It shows there was no treaty or agreement that has made during those years. Treaty/agreement was not a forceful thing for countries to have every year. However, the 10 years gap has become a question because in 2000 Indonesia just begins its cooperation with Nigeria and there should be continuity and further development of it.

Therefore, long after 10 years vacuum, Indonesia and Nigeria has established another agreement in 2010. The agreement is called the Memorandum of Understanding between the Government of the Republic of Indonesia and the Government of the Federal Republic of Nigeria on the Establishment of a Joint Commission for Bilateral Cooperation. This agreement has become a fresh start for Indonesia and Nigeria. Through this agreement, it shows how both countries take things more seriously by agreeing to establish the Joint Commission for bilateral cooperation. The content of the treaty is about the technicalities on how the joint commissions will works together. It concludes that the Join commissions shall be at the level of Ministers, and or their representatives who shall be a Senior Officials and headed by the Ministry of Foreign Affairs, also the scope of cooperation of the Commission shall include the promotion if bilateral relations and cooperation through the implementation of bilateral projects and take other mutually beneficial measures.\textsuperscript{103}

2010 agreement was one of the breakthroughs of the bilateral relations between Indonesia and Nigeria. After 2010, treaty/agreement has continuously made for further development of both countries. The last agreement was on the 2013 the Joint Communique between the Federal Republic of Nigeria and the Republic of Indonesia. In this joint Communique the highlight was how Indonesia and Nigeria government acknowledge both countries improvement in economic field. Both countries are also agreeing with a view to further enhancing the bilateral trade and investment, agreed to encourage contacts between their

countries’ respective National Chambers of Commerce. They also instructed relevant agencies in both countries to work toward the conclusion of the following agreement and MoUs:  

a. MoU on the establishment of cooperation between both Ministries of SMEs;

b. MoU between the two Ministers on Marine and Fisheries;

c. Agreement on Promotion and Reciprocal Protection of Investment between Indonesia and Nigeria;

d. MoU on the cooperation between the Indonesian Chamber of Commerce and Industry and the Nigerian Association Chamber of Commerce, Industry, Mines and Agriculture.

Indonesia has done its homework in maintaining the bilateral relations with Nigeria through showing its consistency in building better relations and also to achieve both countries interest. There was the vacuum year were Indonesia and Nigeria had no progress in building the relations, it shown how the inconsistency of both countries despite any other reasons behind the vacuum year but the trust has rebuild and the consistency has been made.

IV.5.2 State Official Visits

A state visit is a formal visit by a head of state to a foreign country, at the invitation of that country's head of state, with the latter also acting as the official host for the duration of the state visit. State visits are considered to be the highest expression of friendly bilateral relations between two sovereign states, and are in general characterized by an emphasis on official public ceremonies.

State Visit for Indonesia itself has the same meaning for most countries; it shows the highest expression of friendly bilateral relations between two countries. Therefore, Indonesia President as the head of Indonesia has been traveled to many

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104 Ibid 100
countries to countries that are considered to have a high chance to cooperate and certainly bring a lot of benefits for Indonesia in the present and also the future.

Moreover, state visit is not always in the form of official state visit, but the head of state often do bilaterally on the sidelines during his time as an invitation or a conference participant or international forums such as APEC, ASEAN Summit, and the Bali Democracy Forum (BDF). Therefore, the writer has collected the data of States Visit that has been done by Indonesia and Nigeria Head of State.

2001
- Indonesia President Abdurrahman Wahid visited Nigeria in Abuja.

2005
- Nigeria President Olusegun Obasanjo visited Indonesia in Jakarta.

2006
- Nigeria President Olusegen Obasanjo visited Indonesia in Jakarta.

2007
- Indonesia President Susilo Bambang Yudhoyono met Nigeria President Umaru Musa Yar’adua in New York.

2013
- Indonesia President Bambang Susilo Yudhoyono visited Nigeria in Abuja

The state visits between Indonesia and Nigeria is in good place to hold better relations for the future. Both countries shows its interest towards each other and as the meaning of state visit itself, Indonesia and Nigeria shown so much respect and willingness to work together for the future development of both countries.

106 Diplomasi Indonesia 2013: Fakta dan Angka, Directorate Information and Media MOFA, pg.1
Moreover, when the head of a state do the state visit to other country, they also have agendas to accomplish. First, to show how important the visited country for them, second to give strong signal on what the future outlook of both countries and also for several interest that need to be done right away. Such as, When both president of Indonesia and Nigeria met in New York 2007, only through limited time both president agreed to strengthen further economic relations between the two countries by increasing trade and encouraging investment. Moreover, February 2013 during the visit of President Susilo Bambang Yudhoyono in Abuja, Nigeria, he was accompanied by 99 businessmen to strengthen trade relations, and met Nigerian President Goodluck Jonathan.\footnote{Press Release Abuja Embassy, \textit{Bilateral Relations of Indonesia and Nigeria}, retrieved 6/122014 22.00 WIB from: \url{http://www.kemlu.go.id/abuja/Pages/PressRelease.aspx?IDP=4&l=id}}

The State visit is one of the efficient ways to do diplomacy; it's not only economic diplomacy but other matters that need to be discussed during the high level visit. Specifically in economic diplomacy, the state visit help in showing the importance of the matters and it is good for further development of the relations. In Indonesia – Nigeria case, Indonesia has successfully used this tool (the state level) in very efficient ways. However, this tool cannot be use very often because as a country Indonesia has to be able to maintain its image and being respected by other, also to play the right strategy before hitting the right target.

**IV.5.3 Cooperation with relevant agencies at home and abroad**

In order to carry out the implementation of economic diplomacy in Nigeria Indonesia Ministry of Foreign Affairs has to realize the need of help from other agencies such as; Ministry of Trace, Indonesia Embassies and Indonesia Chamber which placed inside or outside the country. Therefore, writer tried to collect all the activities that have been done by Indonesian government agencies in order to implement the economic diplomacy in Nigeria as a potential market within the range of time 2010 – 2013. The objective of the table below is to analyze more on how the agencies work in implementing the economic diplomacy in Nigeria.
<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Name of Agencies</th>
<th>Cooperate with</th>
<th>Matters</th>
</tr>
</thead>
</table>
| 1.  | 2010 | **Indonesia embassy in Nigeria**  
Ambassador Sudirman Haseng | **Nigeria**  
**Government**  
President  
Goodluck Jonathan | Submission of Credential Letter |
| 2.  | 2011 | **Ministry of Foreign Affairs**  
- Indonesia Embassy in Nigeria  
- Directorate of Africa Business | **Indonesia business**  
- PT Wika Intrade  
- PT Agrindo  
- PT Dynea Indria  
**Nigerian Business** | Safari Business Trip to Nigeria, Benin, Togo and Ghana. |
| 3.  | 2012 | **Ministry of foreign Affairs**  
- Indonesia Embassy in Nigeria  
- Directorate of Africa Business | **Indonesia business**  
**Indonesia Trade Promotion Center**  
**Nigeria Business** | Safari Business and cultural Trip to Nigeria, Benin, Togo and Ghana. |
| 4.  | 2012 | **Ministry of Trade** | **Indonesia Embassy in Nigeria**  
**Indonesian Chamber**  
**ITPC** | Trade Expo Jakarta |
Within the range time of 2010 up to 2013 there are five major event that happened in order to developed the economic bilateral between Nigeria and Indonesia. The major event the first event was in the submission of credential letter from Indonesia President represented by the Ambassador Sudirman Haseng towards Nigeria President Goodluck Jonathan in the year of 2010. Moreover, in 2011 Ministry of Foreign Affair has successfully held the Safari Business Trip for Indonesia Businesses. The business trip has also being held again in the next year which is 2012.

Continued by the event of Trade Expo Jakarta which held in Jakarta has successfully attract Nigeria business, it listed that over 200 West Africa businesses came to join the event. Most of the businesses are from Nigeria,

Source: [www.kemlu.go.id](http://www.kemlu.go.id) constructed by writer
Benin and Togo. Also one of other event was the Business Forum which was held during the State Visit of President Susilo Bambang Yudhoyono.¹¹¹

Looking carefully at the figure 4.5 and the event that held by all the agencies. It shows how not even only one agency can work alone by itself to conduct the economic diplomacy in efficient way. It takes more than one agencies to maximize the use of economic diplomacy through various project. The events that held were varying in many formations, start from business trips, expo and also business forum. Indonesian agencies tried to held different events to attract many businesses so they can be attracted towards Indonesia.

Moreover, there are also improvements that can be seen from the safari business trip. In the first year of 2011 the business trip only do the short trip, however in 2012 the Indonesia embassies in Abuja tried to packed it become more interesting by held another cultural event from both countries after the trip which was very interesting for Nigerian business. As stated in the article the Safari Business Trip was made to give new experiences to Indonesia business to actually being in contact directly with local business in Nigeria and also it opens more opportunity for Nigeria business to have new partner in expanding their businesses.

Furthermore, looking by the number of West African businesses that had joined the Jakarta Expo Trade, it concludes on how Indonesian Agencies in West Africa works hard to attract those businesses. It could happen because the good cooperation between Indonesia ministries, embassies, and chambers.

The timing of the Business forum that held during the State visit was also great because at that time the visit has become the main topic and the side events such as business forum became the supporting power for Indonesia in implementing its interest in Nigeria. There were several important things that

being discuss during the forum such as; Indonesia and Nigeria have agreed to increase the value of trade between the two countries to $ 5 billion in the next 3 years. The agreement was reached during the bilateral meeting Trade Minister Gita Wirjawan and Head of the Investment Coordinating Board (BKPM) Chatib Basri with Nigeria's Minister of Trade and Investment Olusegun Aganga Olutoyin.112

Other agreement reached in the bilateral meeting was the establishment of the Preferential Trade Agreement (PTA) and a task force to create a road map for the development of trade and investment between the two countries. "PTA with Nigeria is the right step to develop the market in Indonesia's industrial products to non-traditional markets that have been difficult to penetrate," said the minister.113

## IV.6 Indonesia – Nigeria Bilateral Trade

### Indonesia – Nigeria Bilateral Total Trade

(value: thousands US$)

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL TRADE</strong></td>
<td>1,238,459,7</td>
<td>2,092,860,9</td>
<td>3,183,743,9</td>
<td>3,680,619,0</td>
</tr>
<tr>
<td>OIL &amp; GAS</td>
<td>913,209,4</td>
<td>1,606,109,9</td>
<td>2,735,099,4</td>
<td>3,092,378,8</td>
</tr>
<tr>
<td><strong>NON OIL &amp; GAS</strong></td>
<td>325,250,2</td>
<td>486,751,0</td>
<td>448,644,5</td>
<td>588,240,1</td>
</tr>
<tr>
<td><strong>EXPORT</strong></td>
<td>316,867,1</td>
<td>465,989,6</td>
<td>413,080,4</td>
<td>558,177,6</td>
</tr>
<tr>
<td>OIL &amp; GAS</td>
<td>19,9</td>
<td>24,8</td>
<td>99,6</td>
<td>423,5</td>
</tr>
<tr>
<td><strong>NON OIL &amp; GAS</strong></td>
<td>316,847,2</td>
<td>465,964,8</td>
<td>412,980,8</td>
<td>557,754,1</td>
</tr>
<tr>
<td><strong>IMPORT</strong></td>
<td>921,592,6</td>
<td>1,626,871,3</td>
<td>2,770,663,5</td>
<td>3,122,441,4</td>
</tr>
<tr>
<td>OIL &amp; GAS</td>
<td>913,189,5</td>
<td>1,606,085,1</td>
<td>2,734,999,8</td>
<td>3,091,955,3</td>
</tr>
<tr>
<td><strong>NON OIL &amp; GAS</strong></td>
<td>8,403,0</td>
<td>20,766,3</td>
<td>35,663,7</td>
<td>30,486,1</td>
</tr>
<tr>
<td><strong>BALANCE OF TRADE</strong></td>
<td>-604,725,5</td>
<td>-1,160,881,7</td>
<td>-2,357,583,1</td>
<td>-2,564,263,8</td>
</tr>
<tr>
<td>OIL &amp; GAS</td>
<td>-913,169,6</td>
<td>-1,606,060,2</td>
<td>-2,734,900,2</td>
<td>-3,091,531,7</td>
</tr>
<tr>
<td><strong>NON OIL &amp; GAS</strong></td>
<td>308,444,1</td>
<td>445,178,5</td>
<td>377,317,1</td>
<td>527,268,0</td>
</tr>
</tbody>
</table>

Figure 4.6
Source: www.kemendag.go.id

The data from the Ministry of Trade above show the total of trade between Indonesia and Nigeria in 2013 reached 3.6 million US dollars. Indonesia's exports to the country experienced the increasing value within the year of 2010-2013. Indonesian exports are generally in the form of finished and semi-finished goods such as cooking oil, margarine, vegetable oils, sauces, paper, paperboard, video recordings, medical products, and soap.
However, Indonesia experienced a deficit in its bilateral trade with Nigeria as a result of the value of imports of mineral fuels which reached 3.09 million US dollars in 2013. In addition to mineral fuels, Indonesia imported Nigeria’s non-oil products such as cotton, lead, aluminum, red leather, cardboard, wood products, machinery / mechanical appliances, coffee, tea, spices and soaps and cleaning preparations.

On the other hand by looking at its growing number of export in non-oil and gas Indonesia is further ahead than Nigeria and this number will keep growing. Therefore, it is important for Indonesia to focus on expanding the non-oil and gas through enhancing the economic bilateral relations, promotions and placing the right strategy.

Moreover, based on the strategies used by MOFA and Ministry of Trade to enhancing their bilateral economic relations through establishment of new agreement, state annual visits, and cooperation of agreement within the year 2010-2013, the number of export in non-oil and gas are improving. MOFA and fellow ministries made activities such as business trip for Indonesian businesses, business expo in Nigeria and Indonesia and also the implementation of agreements. Thus has help the growing number of Indonesia non-oil export to Nigeria.

IV.7 Ease of Doing Business in Nigeria

Nigeria as a potential market for Indonesia brought huge opportunity for Indonesia business to start doing business in Nigeria. Therefore, this sub-chapter explain the advantage of doing business in Nigeria from its policies, Indonesia business that already established in Nigeria, and also what commodities that interest Nigerian market.

IV.7.1 Nigeria Policy for Foreign Trade and Export Import

In order to attract and protect its economic condition, Nigeria government has established policies to organize the foreign business in Nigeria and also the foreign trade for export and import. There are regulations that made by the
government in order to attract foreign investment and foreign market. However, there are also regulations that made to protect Nigeria domestic market.

Nigeria Government has made the policy on the investment incentive in Nigeria. This investment incentive made to provide conducive environment for the growth and development of industries, inflow of foreign direct investment and also to shield existing investment from unfair competition and stimulate expansion of domestic production capacity, therefore Nigerian government made the Investment Incentive program that focus on taxation also called Tax Holiday.\textsuperscript{114}

Nigeria government did fiscal measures to provide deductions and allowances in the determination of taxable income of manufacturing enterprises including the new established businesses or also called pioneer status.\textsuperscript{115} The pioneer status is a concession to started companies that located in economically disadvantaged areas; this pioneer status will be provided five to seven years tax holiday period with notes, these industries must be considered by the government to be beneficial to Nigeria’s economy and also in the interest of the public in Nigeria.\textsuperscript{116}

Moreover, the other easiness given by Nigeria government is the visa permission. As stated from the head of trade chamber of North Sumatra that the foreign businesses who decide to invest in Nigeria will immediately get a visa for five years period of time and for the businesses who want to visit to explore Nigeria market the visa can be ready within 24 hours.\textsuperscript{117}

On the other hand, there are also regulations that incriminating Indonesia business, such as the regulations of “contra banned” where the Nigeria government announced since January 2004 in order to protect Nigeria domestic

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\textsuperscript{115} Ibid \textsuperscript{101}
\textsuperscript{116} Ibid \textsuperscript{101}
\textsuperscript{117} Pengusaha sumut jajaki investasi di Nigeria http://economy.okezone.com/read/2012/06/05/642099/pengusaha-sumut-jajaki-investasi-di-nigeria
market. There are 41 products which are banned to enter the Nigerian market.\textsuperscript{118} The 41 products that are banned by Nigeria government are; textiles, furniture, fresh fruit, plastic, men footwear, bags in leather and plastic, beef and beef products, pork and pork products, soaps, detergents, bicycles (assembled), flowers, (plastic and fresh) cutlasses, axes, pick axes, shovels and wheel banes, mutton, lamb, goat meat, toothpaste, pencils, plates, knives, spoons, forks, cups, buckets, bowls, containers and hangers, vegetable oil, bentolite and barite, spades, bins and many more.\textsuperscript{119}

For Indonesia businesses, those banned products are the product that highly requested from Indonesia because of the demand from Nigeria market. However, even though those products are being banned the product is still growing and it is still in Nigerian market. Indonesia businesses find another way which is trough Benin, the goods will be sent to Lome port of Benin and entering Nigeria market through Benin. It is legal because the region is the free trade area of the free trade zone of West Africa (ECOWAS).\textsuperscript{120}

Nigeria as a country tried to established policies and regulations at its best in order to fulfill both need which to protect its domestic market and also to please the foreign businesses and for Indonesia, even though there are several things that could not go as it should be there are still ways for Indonesia to penetrate Nigeria market.

Moreover, Indonesia government is still working in several agreements with Nigeria in order to achieve Indonesia’s interest in Nigeria. There are several agreements that are still ongoing process such as the Preferential Tariff Agreement (PTA) which in the future it will not only between Indonesia and Nigeria but also within Indonesia and the D-8 member countries. PTA is a trade pact between countries to reduce tariffs for certain products to countries that

\textsuperscript{119} Ibid \textsuperscript{115}
\textsuperscript{120} Ibid \textsuperscript{115}
signed the treaty, however PTA will not eliminate tariffs, but agreed to the provision of lower tariffs on products to fit between the two countries.  

IV.6.2 Indonesia Businesses in Nigeria

Indonesia businesses do not just start doing business in Nigeria because Indonesia businesses have been in investing in Nigeria since years ago. There are several businesses from Indonesia that are successfully doing business in Nigeria such as Kalbe Farma, one of the representatives of Kalbe Farma in Forum Business held in North Sumatera admits that the company that produces medicines and energy drinks already exports to Nigeria since 1988 and currently, approximately 20 Kalbe Farma products manufactured and marketed in Nigeria.

Moreover, in the same event the representative of Salim group also stated that through the noodles and Indofood, now the company has set up a factory in the town of Ota Nigeria, and seven variants typical noodles Nigeria has successfully produced. “First we try to send two containers only, and the market is incredible. Our sales took off in just a few years. Now our production there are already up to 1.6 billion packs per year. Even this amount 11 percent of the total volume of our sales in the country” said Patrick Darmawi as the representative of Salim Group.

Furthermore, it is also being realized that the natural resources of Nigeria is abundant which is become very preferential for foreign businesses to get cheaper raw materials and also labors because of the big number of total population of Nigeria people which is dominated by young-middle age people.

For the export, based on the yearly report of ITCP in Lagos, Nigeria there are several goods that are needed by Nigeria market such as; electronics, textiles,

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122 Pengusaha sumut jajaki investasi di Nigeria http://economy.okezone.com/read/2012/06/05/20/642099/pengusaha-sumut-jajaki-investasi-di-nigeria
123 Ibid 119
food and beverage, battery, chemical, pharmaceuticals, automobile and motorcycle tires, automobile parts, fertilizers, paper, margarine, sauces, soap, rubber, agricultural equipment, products and other services.\textsuperscript{124}

Based on the research done by ministry of foreign affairs, Nigeria businessmen prefer to do business with Indonesians because of the quality of Indonesia product that are offered to them.\textsuperscript{125} Also, for the export, the commodity that has been mentioned before or also called the non-oil and gas commodity is also the larger contributor in Indonesia export to Nigeria, as it can be seen on the table of Indonesia bilateral trade with Nigeria.

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CHAPTER V
CONCLUSION

Indonesia as one of the country with its growing economic development has realized that there is need for Indonesia to maintaining its economic growth through various ways. As the realization of it, Indonesia government has made the Policy called the National Medium Term Development Plan (RPJMN) 2010-2014. Which is focus on three things; the reform of the Homeland, improving the quality of human resources, building science and technology capabilities, strengthen the competitiveness of the economy.

In order to strengthen the competitiveness of the economy, Ministry of Foreign Affairs and Ministry of trade has planned their program and strategies which is to expanding Indonesia economy to non-traditional market. With the research done by ministry of foreign affairs, it is noted that there are 8 regions as emerging economies that appears has the market potential with Indonesia and Africa region was the first region that has the most potential trade with Indonesia.

To put in focus, Nigeria is one of the most important markets in West Africa for Indonesia. The fact that Nigeria could become the open gate for Indonesia in West Africa has made Indonesia focus more to its bilateral relations on purpose to improve its bilateral economic relations. Therefore, through economic diplomacy, Indonesia tried to expand its market in Nigeria. There are three strategies that Indonesia use in order to implementing the economic diplomacy in Nigeria such as; Agreement between Indonesia-Nigeria, State Official Visits and cooperation with relevant agencies at home and abroad.

The agreement between Indonesia and Nigeria help both countries to improve both countries relations especially in economic development. It listed since 2010-2013 Indonesia and Nigeria already made four agreements that are focus on economic development vary from the joint communique to enhance their
bilateral trade and investment and also the memorandum of understanding in expanding the small medium enterprises.

Moreover, the frequent state official visits between Indonesia and Nigeria helped to improve both countries bilateral relations. Indonesia – Nigeria agreement became more serious and intense after both president agreed to strengthen further economic relations between the two countries by increasing trade and encouraging investment during the international meeting in New York 2007.

Furthermore, the good cooperation of Indonesia agencies at home and abroad also gives impact to the enhancement of economic bilateral relations Indonesia and Nigeria. MOFA and fellow ministry, Ministry of Trade made several program such as Safari business trip which invites Indonesia businesses to come to Nigeria to look for the opportunity in Nigeria and also the Trade expo which invites Nigeria businesses to come to Indonesia in order to increase businesses to do investment and trading.

On the other hand, Nigeria government has established policies to organize the foreign business in Nigeria and also the foreign trade for export and import. The policies were made to attract the foreign businesses such as the tax holiday and visa’s approval. Moreover, the goods that are needed by Nigeria market and have high demand in Nigeria are electronics, textiles, food and beverage, battery, chemical, pharmaceuticals, automobile and motorcycle tires, automobile parts, fertilizers, paper, margarine, sauces, soap, rubber, agricultural equipment, products and other services.

On the other hand there are still obstacles that are appears in doing business in Nigeria such as the product banned by Nigeria government, corruption and also the market competition with other countries. However, this obstacles has not hamper Indonesia businesses in trying to do business in Nigeria.

In the end, Nigeria as the potential market still have bright future in economic expansion for Indonesia. By looking at its economic growth and the
willingness of its government to make changes in Nigeria there are big possibilities that Nigeria will become one of the top 20 biggest economic in 2020 as it is written in Nigerian Vision 2020. Therefore, Indonesia need to pay more attention in Nigeria and keep monitoring and maintaining its relations.
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APPENDIX

Nigeria Vision 20:2020 Background

Nigeria’s Vision 2020’s intent is to position Nigeria to become one of the top 20 economies in the world by 2020.

Linking the objectives of the NEEDs program (2004-2007), the NEEDS 2 program, and the Seven-point Agenda, key objectives of the vision 2020 are to:

- Stimulate Nigeria’s economic growth and launch the country onto a path of sustained and rapid socio-economic development.
- Place Nigeria in the bracket of top 20 largest economies of the world by the year 2020, able to achieve a GDP of not less than $900 billion and a per capita income of not less than $4000/annum by the year 2020.
- The Nigerian Government and key Vision 2020 stakeholder groups have already taken concrete steps towards the development of the Vision 2020 plan such as:
  - Provision for the developmental efforts in the 2009 Budget.
  - Development of sectoral strategies for the Vision by some Ministries, Departments and Agencies (MDAs):
    - CBN Financial Sector Strategy 2020
    - FIRS 2020 Strategy
- Constitution and Inauguration of the Business Support Group (BSG) intended to engender private sector support for the Vision 2020 process by the National Steering Committee.
  - Further, the National Planning Commission and the Vision 2020 Secretariat, which houses the Steering Committee, have been mandated by the Federal Executive Council (FEC) to produce the Vision 2020 Plan for launch by the President on October 1st 2009.