

CHAPTER I

INTRODUCTION

1.1. Background

Economic cooperation between Indonesia and Mozambique represents a strategic step, driven by shared challenges both nations face amidst global dynamics. As developing countries, Indonesia and Mozambique have a mutual interest in addressing issues that threaten their economic stability and growth. One of the primary challenges is their reliance on traditional trading partners. Indonesia, the largest economy in Southeast Asia, has been significantly dependent on markets like China, which accounts for 26.3% of its trade, and the United States, with 12.61%.¹ This reliance makes Indonesia vulnerable to shifts in global economic policies and dynamics. Similarly, Mozambique exhibits a comparable pattern, with Western nations as its primary trading partners. To mitigate these risks, market diversification has become a crucial necessity for both countries. In this context, cooperation between Indonesia and Mozambique presents new opportunities to broaden and strengthen their trade networks.²

Furthermore, the island of Java, home to over 149 million people, grapples with significant challenges related to resource density and distribution. Regional inequality remains a pressing issue in Indonesia, with areas outside Java requiring accelerated infrastructure development to foster more balanced and inclusive economic growth.³ On the other hand, Mozambique urgently needs to develop

¹ Endah Heliana, "Indonesia's Largest Trading Partner: US and China Are Experiencing Economic Slowdown," July 18, 2022, <https://www.lemhannas.go.id/index.php/publikasi/press-release/1627-mitra-dagang-terbesar-indonesia-as-dan-china-sedang-alami-perlambatan-ekonomi-2>.

² "Mozambique | Imports and Exports | World | ALL COMMODITIES | Value (US\$) and Value Growth, YoY (%) | 2012 - 2023," January 28, 2024, <https://trendeconomy.com/data/h2/Mozambique/TOTAL?form=MG0AV3>.

³ "Indonesia is not just the island of Java," accessed January 5, 2025, https://babelprov.go.id/siaran_pers/indonesia-bukan-hanya-pulau-jawa.

fundamental infrastructure, including transportation, ports, and energy systems, to promote economic stability and foster growth.⁴

The collaboration between Indonesia and Mozambique enables both nations to exchange experiences, technologies, and resources in addressing infrastructure challenges. This initiative not only aims to enhance the competitiveness of their respective economies but also lays the foundation for equitable and sustainable development. By tackling inequality and improving basic infrastructure, this partnership is anticipated to yield long-term positive impacts for both countries.

Poverty and economic inequality also remain pressing issues. In Indonesia, while the poverty rate has decreased, achieving evenly distributed economic growth across all regions continues to be a challenge. According to the Central Statistics Agency (BPS), the number of people living in poverty was recorded at 25.22 million in March 2024.⁵ Meanwhile, Mozambique faces a high poverty rate, with 46.1% of its population living below the poverty line, alongside limited access to education, healthcare, and employment opportunities. Through trade and investment, this collaboration is expected to generate new jobs and enhance the standard of living for people in both nations.⁶

Another critical challenge is food security. Despite being one of the largest agrarian nations, Indonesia remains reliant on imports for several staple commodities, leaving it vulnerable to global food price fluctuations. In 2022, Indonesia ranked 69th out of 113 countries in the Global Food Security Index (GFSI), with a score of 60.2—an improvement from the previous year's score of 59. However, despite this progress, Indonesia's position remains below the global

⁴ Carolina Dominguez-Torres and Cecilia Briceño-Garmendia, *Mozambique's Infrastructure: A Continental Perspective*, Policy Research Working Papers (The World Bank, 2011), <https://doi.org/10.1596/1813-9450-5885>.

⁵ "Indonesia's poverty rate in the last decade | Indonesia is Good," accessed January 5, 2025, <https://indonesiabaik.id/infografis/tingkat-kemiskinan-indonesia-dalam-satu-dekade-terakhir>.

⁶ "Mozambique - Country Snapshot," Action on Poverty, accessed January 5, 2025, <https://actiononpoverty.org/our-impact/where-we-work/mozambique/>.

average.⁷ Mozambique faces significant challenges in meeting its food needs, with 54% of the population unable to afford nutritious food due to vulnerabilities in the agricultural sector caused by climate change. Collaborative efforts in agriculture, agricultural technology, and food processing could serve as a shared solution to enhance food security and resilience in both nations.⁸

On the other hand, both Indonesia and Mozambique often face disadvantages in global trade due to challenges such as high tariffs, complex technical standards, and protectionist policies from developed countries. By forging bilateral cooperation, the two nations can support one another in improving market access and overcoming these barriers.

The collaboration between Indonesia and Mozambique is not merely an economic initiative but also a concerted effort to address shared challenges in a mutually beneficial manner. By fostering market diversification, advancing infrastructure development, reducing poverty, strengthening food security, and enhancing their standing in global trade, both nations are committed to promoting more inclusive and sustainable economic growth.

In an increasingly interconnected world, international trade has become a major driver of global economic growth. Amidst rising competition and economic inequality between nations, Preferential Trade Agreements (PTAs) have emerged as a strategic tool to strengthen trade relations. PTAs provide special advantages, such as tariff reductions, expanded market access, and the elimination of non-tariff barriers for participating countries. By facilitating the flow of goods and services, PTAs not only bolster trade but also promote cross-border investment and

⁷ Putu Agus Pransuamitra, "Indonesia's Food Security is Below the World Average, Here's the Facts," CNBC Indonesia, accessed January 5, 2025, <https://www.cnbcindonesia.com/research/20230516074542-128-437635/ketahanan-pangan-ri-di-bawah-rata-rata-dunia-begini-faktanya>.

⁸ "Mozambique | World Food Program," March 29, 2024, <https://www.wfp.org/countries/mozambique>.

technology transfer crucial components for the economic development of developing nations.⁹

PTAs play a crucial role in fostering trust and strengthening relationships between nations. These agreements often serve as instruments of economic diplomacy, enhancing strategic partnerships, particularly among developing countries. By providing a structured framework, PTAs enable developing nations to support one another and reduce reliance on developed countries. Furthermore, PTAs contribute to regional market integration, the creation of new employment opportunities, and the accelerated growth of key sectors such as agriculture, manufacturing, and technology.

Through PTAs, developing countries can open their markets to one another, reduce trade barriers, and facilitate a smoother flow of goods and services. In this context, PTAs serve not only as a mechanism to boost trade volumes but also as a platform to strengthen economic connectivity and expand opportunities for bilateral investment. Additionally, these agreements symbolize economic solidarity, fostering shared economic growth and mutual prosperity.

The signing of the Preferential Trade Agreement (PTA) between Indonesia and Mozambique in 2019 marked a pivotal moment in strengthening bilateral relations. Through this agreement, both countries committed to reducing tariffs on several key products, thereby unlocking broader market opportunities. Consequently, bilateral trade volumes have continued to grow, highlighting the immense potential for both nations to complement each other's market demands. Furthermore, this PTA serves as a strategic platform to enhance economic connectivity between Southeast Asia and Africa.¹⁰

⁹ "Preferential Trade Partnership Agreement (PTA) - Definition, Benefits, and Impact - UKMINDONESIA.ID," accessed December 30, 2024, <https://ukmindonesia.id/baca-deskripsi-posts/preferential-trade-partnership-agreement-pta-pengertian-manfaat-dan-dampak>.

¹⁰ Public Relations, "Improving Indonesia's Relations with African Countries After the State Visit of the President of the Republic of Indonesia," Cabinet Secretariat of the Republic of Indonesia, November 29, 2023, <https://setkab.go.id/peningkatan-hubungan-indonesia-dengan-negara-negara-afrika-pascakunjungan-kenegaraan-presiden-ri/>.

Although this collaboration has shown promising results, challenges such as inadequate logistics infrastructure, bureaucratic hurdles, and limited product competitiveness remain significant obstacles that need to be addressed. However, the PTA provides an opportunity for both countries to enhance technical cooperation, boost investment, and facilitate technology transfer. If fully leveraged, the Indonesia-Mozambique partnership has the potential to become a model for bilateral relations, delivering tangible benefits for the economic development of both nations.

This research is significant as it addresses a gap in the study of Preferential Trade Agreements (PTAs) and their role in enhancing bilateral economic growth between Indonesia and Mozambique. While numerous previous studies have explored Indonesia's economic diplomacy and trade strategies in Africa, none have specifically evaluated the impact of PTAs on the economic growth of both nations.

PTAs are often regarded as a strategic instrument for developing countries to reduce reliance on developed nations and foster economic independence. In the case of Indonesia and Mozambique, the PTA is anticipated to accelerate market diversification, enhance industrial competitiveness, and unlock new investment opportunities. Data from COMTRADE 2023 reveals significant growth in trade between the two countries following the PTA's implementation, with Indonesia primarily exporting manufactured goods and Mozambique focusing on agricultural and mineral resource sectors.¹¹ As such, this research holds not only academic importance but also policy relevance, as it can guide the optimization of bilateral economic cooperation.

1.2. Problem Formulation

In this study, the following research question is formulated:

How do Preferential Trade Agreements (PTAs) enhance bilateral economic growth between Indonesia and Mozambique?

¹¹ "Indonesia Imports from Mozambique - 2025 Data 2026 Forecast 1989-2023 Historical," accessed February 11, 2025, <https://tradingeconomics.com/indonesia/imports/mozambique>.

1.3. Research Objectives

Based on the background outlined above, this study aims to:

Examine how Preferential Trade Agreements (PTAs) enhancing bilateral economic growth between Indonesia and Mozambique

1.4. Usability of Research

1.4.1 Scholarly Uses

The findings of this study are anticipated to enhance the understanding of Indonesia-Mozambique cooperation within the framework of international trade agreements. The expected benefits include academic contributions, valuable strategic insights for industry stakeholders, and reference materials to support effective policymaking.

1.4.2 Practical Uses

The findings of this study can serve as a valuable reference for the government and relevant stakeholders in formulating effective strategies. Additionally, they are expected to guide parties involved in international trade, cooperation, and economic policymaking, contributing to the optimization of business strategies and regulatory frameworks in the future.

1.5 Literature Review

1.5.1 Previous research

To begin, previous research by Langgeng Larasati and Dike Aseilla, titled "Indonesia's Economic Diplomacy Efforts in Africa Through the Indonesia-Mozambique Preferential Trade Agreement," highlights Indonesia's strategic efforts to expand trade cooperation with non-traditional regions, particularly Africa, often referred to as the "Continent of Hope." Within this framework, Mozambique emerged as a key strategic partner, culminating in the signing of the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA) on August 27, 2019.¹²

¹² Langgeng Larasati and Dike Aseilla, "Indonesia's Economic Diplomacy in Africa Through the Indonesia-Mozambique Preferential Trade Agreement," *KELUWIH: Journal of Social and Humanities* 2, no. 2 (October 26, 2021): 49–57, <https://doi.org/10.24123/soshum.v2i2.4625>.

This study employs a qualitative method with literature reviews to analyze Indonesia's economic diplomacy process in the IM-PTA. The findings indicate that economic diplomacy efforts have been executed through seven strategic stages, with the agreement now in the ratification phase. The IM-PTA is expected to open new investment pathways for Indonesia in Africa while fostering economic growth in both countries.

The relevance of my research lies in its distinct focus compared to previous studies. While Langgeng Larasati and Dike Aseilla's research emphasizes Indonesia's economic diplomacy process, my study centers on how the IM-PTA contributes to bilateral economic growth between the two nations as a whole. Their work offers valuable insights into economic diplomacy strategies, which form the foundation for my analysis of IM-PTA's effectiveness in driving bilateral growth.

For the second discussion, previous research by Chelsea Silviani, titled *"Ratification of the Preferential Trade Agreement between Indonesia and Mozambique in the IM-PTA: Impact of Implementation,"* investigates the impact of IM-PTA's implementation on Indonesia following its ratification on October 6, 2021, via Presidential Regulation Number 90 of 2021. The ratification process spanned two years, commencing with the agreement's signing on August 27, 2019, in Maputo, Mozambique.

This study adopts a qualitative method with a descriptive-analytical approach to examine empirical evidence related to the implementation of the IM-PTA. The findings indicate that the agreement aims to enhance market access by reducing import duty rates on specific products mutually agreed upon by both parties. Indonesia secured tariff reductions on 217 tariff posts, while Mozambique obtained reductions on 242 products. Mozambique was selected as a strategic partner due to its role as a gateway for Indonesian products to the southern African region, its relatively stable geopolitical environment, and the strategic significance of Maputo Port.¹³

¹³ Chelsea Silviani, "Ratifikasi Perjanjian Perdagangan Preferensial Indonesia Dan Mozambik Dalam IM-PTA: Dampak Penerapannya," accessed January 7, 2025, https://www.researchgate.net/profile/Chelsea-Silviani/publication/376800463_Ratifikasi_Perjanjian_Perdagangan_Preferensial_Indonesia_dan_

The relevance of my research lies in its distinct focus. While Chelsea Silviani's study examines the implementation of the IM-PTA following its ratification, my research concentrates on how the IM-PTA, in its entirety, contributes to enhancing bilateral economic growth between Indonesia and Mozambique. Her research provides a technical and empirical perspective on the initial impacts of the IM-PTA's implementation, which serves as a critical reference point for analyzing the agreement's long-term effects.

For the third discussion, previous research by Wiwi Angriana, titled *"Indonesia-Mozambique Non-Traditional Market Expansion Cooperation Through the Preferential Trade Agreement (PTA) Framework,"* explores Indonesia's economic diplomacy strategy for penetrating non-traditional markets in Mozambique via the IM-PTA framework. This study aims to examine the mechanisms of bilateral economic diplomacy executed by Indonesia, while also identifying the prospects and challenges in the implementation of this trade cooperation.¹⁴

Wiwi Angriana's research employs a qualitative method, utilizing secondary data from literature studies and primary data from interviews. The findings reveal that Indonesia leverages various international forums, including the Indonesia Africa Forum (IAF), Indonesia Africa Infrastructure Dialogue (IAID), and the Indian Ocean Rim Association (IORA), to support market expansion efforts in Mozambique. Key factors contributing to the success of this cooperation include Mozambique's strategic geographical position, its diverse natural resources, and political stability. However, challenges remain, such as Mozambique's small population size, the presence of least developed countries in the region, and intense global market competition.

The relevance of this research to my study lies in its strategic focus. While Wiwi Angriana's study emphasizes economic diplomacy strategies and the potential

Mozambik_dalam_IM-PTA_Dampak_Penerapannya/links/65896b4d2468df72d3d726a4/Ratifikasi-Perjanjian-Perdagangan-Preferensial-Indonesia-dan-Mozambik-dalam-IM-PTA-Dampak-Penerapannya.pdf.

¹⁴ A Wiwi Angriana, "International Relations Faculty of Social and Political Sciences," 2022.

for Indonesia-Mozambique cooperation, my research goes further by specifically examining how the implementation of the IM-PTA enhances bilateral economic growth. This prior research provides valuable strategic insights into the opportunities and challenges of economic diplomacy, which are critical for my analysis of the IM-PTA's effectiveness.¹⁵

For the fourth discussion, previous research by Indira Reva Labibah, titled *"The Process of Forming a Trade Facilitation Policy by the Governments of Indonesia and Mozambique in the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA) 2017-2021,"* explores the trade facilitation policy process undertaken by the two governments within the IM-PTA framework. This research focuses on analyzing the negotiation process and the establishment of preferential trade rules from the initial stages in 2017 to the ratification of the IM-PTA in 2021.

The study employs a qualitative descriptive method, utilizing literature studies for data collection. It applies the theory of Preferential Trade Agreements (PTA) to analyze the critical role of trade facilitation in reducing international trade barriers at the bilateral level. The findings highlight that the trade facilitation efforts within the IM-PTA align with trends in trade liberalization, emphasizing the reduction of trade barriers through multilateral and bilateral cooperation.

The relevance of this research to my study lies in its focus on the policymaking and negotiation process. In contrast, my research examines the broader impact of the IM-PTA's implementation on bilateral economic growth between Indonesia and Mozambique. This previous study provides a vital foundation for understanding the processes and elements of trade facilitation, enriching my analysis of the IM-PTA's effectiveness as a bilateral economic cooperation instrument.

¹⁵ Indira Reva Labibah, "THE PROCESS OF ESTABLISHING TRADE FACILITATION POLICIES BY THE GOVERNMENTS OF INDONESIA AND MOZAMBIQUE IN THE INDONESIA-MOZAMBIQUE PREFERENTIAL TRADE AGREEMENT (IM-PTA) IN 2017-2021" (PhD thesis, UPN Veteran East Java, 2024), <https://repository.upnjatim.ac.id/id/eprint/22883>.

For the fifth discussion, previous research by Nurul Sakinah Arif and Arie Kusuma Paksi, titled *"Indonesia-Mozambique Preferential Trade Agreement: The Stepping Stone of Indonesia in the African Continent?"* examines the rationale behind Indonesia's decision to sign the IM-PTA. The study highlights the strengthening bilateral relations between Indonesia and Mozambique, which have developed since 1991. This partnership is evidenced by increasing visits from government officials and businesspeople from both nations, as well as the signing of various Memorandums of Understanding (MoUs).¹⁶

The research conducted by Nurul Sakinah Arif and Arie Kusuma Paksi applies the concept of National Interest to analyze Indonesia's foreign policy decisions. Using a qualitative descriptive approach, data was collected from books, journals, government reports, and credible online articles. The study found that Indonesia's decision to sign the IM-PTA was primarily driven by national interests, particularly the goal of achieving a trade surplus and opening market access in the African region. This agreement is positioned as a steppingstone for Indonesia to expand its market reach into Africa, a region with significant potential for the development of future economic relations.

The relevance of this research to my study is its focus on Indonesia's foreign policy and the strategic rationale behind the IM-PTA. In contrast, my research emphasizes the impact of the IM-PTA's implementation on bilateral economic growth. Nevertheless, this study provides a critical perspective on how national interests underpin decision-making in international trade cooperation, forming a foundational element for my analysis.

For the next discussion, previous research by Lussy Novalinda, titled *"Indonesia's National Interests in the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA) Cooperation Regarding Indonesian CPO Exports to Mozambique,"* analyzes how Indonesia's national interests drive cooperation under

¹⁶ Nurul Sakinah Arif and Arie Kusuma Paksi, "Indonesia-Mozambique Preferential Trade Agreement: The Stepping Stone of Indonesia in African Continent? THE STEPPING STONE OF INDONESIA IN AFRICAN CONTINENT?," *Horizon Journal of Social Research* 10, no. 2 (2021): 139–54.

the IM-PTA, particularly with respect to crude palm oil (CPO) exports to Mozambique.

This study also employs a qualitative descriptive approach, with data gathered through literature studies. The findings highlight that Indonesia's primary objectives within the IM-PTA framework are to expand its CPO export market, secure a trade surplus, and leverage Mozambique's strategic position as a gateway to the southern African market. Concrete outcomes of the agreement include tariff reductions on 242 tariff posts for Indonesia and 217 for Mozambique. Furthermore, the significant growth in the value of Indonesia's CPO exports to Mozambique since 2018 underscores the successful implementation of the IM-PTA.¹⁷

The relevance of Lussy Novalinda's research to my study lies in its focus on the national interest and CPO export strategies within the IM-PTA framework. In contrast, my research emphasizes the overall impact of this agreement on bilateral economic growth. Nevertheless, this prior study offers valuable insights into the strategic aspects of exports and their significance within the context of bilateral trade, serving as a foundation for further analysis in my research.

1.6. Conceptual Framework

1.6.1. Concept of Comparative Advantage

In the increasingly intricate realm of international trade, the concept of Comparative Advantage forms a fundamental basis for understanding how nations can collaborate and achieve mutual benefits. First introduced by David Ricardo in his seminal work *On the Principles of Political Economy and Taxation* (1817), this concept posits that each country possesses the ability to produce certain goods or services at a relatively lower opportunity cost than others. As such, countries can

¹⁷ LUSSY NOVALINDA, "INDONESIA'S NATIONAL INTEREST IN CARRYING OUT INDONESIA MOZAMBIQUE-PREFERENTIAL TRADE AGREEMENT (IM-PTA) COOPERATION ON INDONESIAN CPO EXPORTS TO MOZAMBIQUE," accessed January 6, 2025, https://repository.unsri.ac.id/153068/3/RAMA_84201_07041182025008_0002037805_894834002_2_01_front_ref.pdf.

optimize gains from trade by specializing in their comparative advantages and exchanging products.

The principle of comparative advantage revolves around efficiency and the optimal allocation of resources. Ricardo illustrated this concept with the trade relationship between the UK and Portugal, where the UK had a comparative advantage in textiles and Portugal excelled in wine production. By specializing in these respective industries, both nations could not only meet domestic demands at reduced costs but also enhance overall economic well-being. Importantly, Ricardo emphasized that the benefits of trade stem not from absolute efficiency but from relative opportunity costs. Even a country with absolute superiority in all industries benefits from focusing on production areas with the lowest opportunity costs while importing other goods from trade partners.¹⁸

In the modern era, the concept of comparative advantage is prominently applied through mechanisms like Preferential Trade Agreements (PTAs), including the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA). PTAs are specifically designed to reduce or eliminate trade barriers, such as tariffs, thereby enabling countries to leverage their comparative advantages more effectively and maximize mutual economic benefits.

Comparative Advantages of Indonesia and Mozambique

1. Indonesia: Indonesia excels in the production of manufactured goods, including palm oil, textiles, and footwear, thanks to its relatively advanced industrial infrastructure.
2. Mozambique: Mozambique boasts abundant agricultural commodities such as tobacco, cashews, and cotton, along with rich mineral resources like coal.

With the removal of trade barriers under the IM-PTA, both nations are well-

¹⁸ David Ricardo, *On the Principles of Political Economy and Taxation* (John Murray, 1817), p.115-122.

positioned to fully capitalize on their respective comparative advantages, fostering mutually beneficial economic cooperation.

The IM-PTA enhances the efficiency of bilateral trade by enabling each country to focus on its areas of strength, fostering mutually beneficial and balanced trade relations.

Comparative advantage plays a crucial role in bolstering economic solidarity among developing countries. Nations like Indonesia and Mozambique often grapple with resource and infrastructure constraints; however, trade based on comparative advantage allows them to achieve economic efficiencies that promote growth. The IM-PTA serves as a platform for both countries to complement each other's market demands, simultaneously reducing reliance on developed nations.

The concept of comparative advantage offers a robust theoretical framework for understanding how Preferential Trade Agreements (PTAs), such as the IM-PTA, can drive bilateral economic growth. By capitalizing on their respective strengths, Indonesia and Mozambique can establish more efficient trade relations, stimulate economic development, and reinforce solidarity within the South-South Cooperation Framework. To sustain these gains, it is essential to implement policies that support infrastructure development, diversify products, and enhance the added value of export commodities.

1.6.2. The Concept of Complex Interdependence

In an increasingly interconnected world, international relations have evolved beyond mere military power or unilateral dominance. Instead, nations are deeply intertwined across various domains, from economic to social dimensions. The concept of Complex Interdependence, introduced by Robert Keohane and Joseph Nye in *Power and Interdependence* (1977), serves as a vital analytical framework to grasp this dynamic. They describe a global landscape where no country can act in isolation without influencing or being influenced by others. In

this context, collaboration and mutually beneficial partnerships take precedence over conflict or domination.¹⁹

The concept of Complex Interdependence highlights three key characteristics that distinguish modern interstate relations from traditional patterns:

1. **Multiple Channels:** Interstate interactions have expanded beyond government-to-government relationships to include corporations, international organizations, and various cooperative mechanisms that facilitate cross-border economic exchanges and investments. In the context of the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA), collaboration extends beyond state policies and involves private companies and state-owned enterprises. Examples include Indonesia's exports of palm oil, rubber, and paper, and Mozambique's exports of tobacco and oil ore. Platforms like the Indonesia Africa Forum (IAF) and the Indonesia Africa Infrastructure Dialogue (IAID) further deepen these connections by bringing together businesses and governments to explore markets and investment opportunities.
2. **Absence of Hierarchy Among Issues:** Previously, security and military concerns dominated international relations. Today, economic, trade, environmental, and social issues hold equal significance. Under the IM-PTA framework, Indonesia and Mozambique cooperate not only in trade but also in diverse areas such as infrastructure development, renewable energy transitions, logistics facilities, and even health initiatives like vaccine procurement and drug development. This shift demonstrates how modern bilateral relations address a broad spectrum of interests beyond traditional domains like defense and geopolitics.
3. **Military Force Is Irrelevant:** Military power is no longer the primary means of achieving national objectives. Instead, economic diplomacy has emerged as the cornerstone of mutually beneficial partnerships. The IM-PTA

¹⁹ Robert Owen Keohane and Joseph S. Nye, *Power and Interdependence* (Longman, 2012), p.19-23.

illustrates this evolution, as two developing nations enhance cooperation without relying on military or political dominance. By eliminating and reducing tariffs on industrial goods such as aluminum, tobacco, cotton, and palm oil, the agreement emphasizes a shared focus on fostering economic collaboration.

Preferential Trade Agreements (PTAs), such as the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA), vividly illustrate how complex interdependencies function in practice. PTAs not only facilitate the exchange of goods but also foster connections in various other fields. The IM-PTA opens opportunities for collaboration in education, technology transfer, and infrastructure development. This interdependence not only strengthens the economies of both countries but also fosters closer and more sustainable diplomatic relations.

The concept of Complex Interdependence emphasizes that trade relations between nations are not solely about which party benefits more, but also about mutual dependence. In the context of the IM-PTA, Indonesia and Mozambique exhibit a symbiotic relationship, where each country possesses complementary comparative advantages.

Economic dependence does not develop instantly; it gradually evolves as needs increase. Before the implementation of the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA), the trade relationship between the two nations was relatively modest. However, since the agreement's enactment, Indonesia has begun importing key commodities from Mozambique, potentially marking the onset of deeper economic interdependence.

According to Databox 2023 data, Indonesia recorded imports from Mozambique worth US\$ 88.18 million as of December 2023. Indonesia now relies on Mozambique for five main commodities. Oilseeds and oil-containing fruits are the largest imports, valued at US\$ 50 million, contributing significantly to the vegetable oil and pharmaceutical industries. Any disruption in this supply could affect these sectors in Indonesia. A similar situation is observed with mineral fuels,

valued at US\$ 29.77 million, which only began to be imported from Mozambique this year. If this trend continues, Indonesia could become increasingly dependent on Mozambique as an alternative energy source.²⁰

Additionally, tobacco imports from Mozambique, valued at US\$ 7.79 million, have started integrating into the supply chain of Indonesia's cigarette industry. Similarly, ores and slag (US\$ 0.43 million) and chemical products (US\$ 0.15 million), though currently small in scale, have the potential to develop into new dependencies. The preferential tariff rates offered by the IM-PTA make Mozambican products more competitive, leading Indonesian industries to favor supplies from there. If this trend continues, Indonesia's economic dependence on Mozambique will strengthen, positioning Mozambique as an increasingly strategic trading partner in the national supply chain.

The following is statistical data created based on statements from *the 2023 databox*:

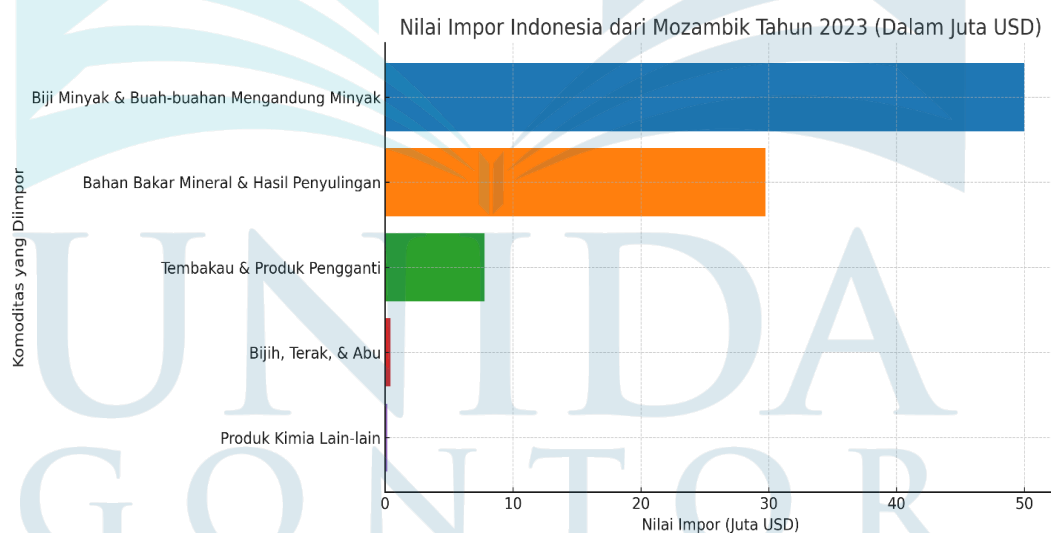


Figure 1. The value of Indonesia's imports from Mozambique in 2023

²⁰ "Indonesia Impor Biji Minyak Dan Buah-Buahan Yang Mengandung Minyak Senilai US\$ 50 Juta Dari Mozambik Pada 2023 | Databoks," accessed February 5, 2025, <https://databoks.katadata.co.id/perdagangan/statistik/5307a17fd722a86/indonesia-impor-biji-minyak-dan-buah-buahan-yang-mengandung-minyak-senilai-us-50-juta-dari-mozambik-pada-2023>.

Meanwhile, Mozambique is also highly dependent on Indonesia in various sectors. In 2023, Mozambique imported USD 56.98 million worth of products from Indonesia, highlighting closer economic ties between the two nations. Palm oil and vegetable products (USD 46.99 million) were the largest imports, followed by paper and pulp (USD 3.18 million) and soap and hygiene products (USD 1.72 million). Additionally, Mozambique relies on Indonesia for industrial machinery (USD 957 thousand) and motor vehicles (USD 768 thousand).²¹

his dependence underscores how Indonesia plays a crucial role in meeting Mozambique's needs across the food, industry, and infrastructure sectors. With the preferential tariffs offered by the IM-PTA, trade between the two countries has become increasingly efficient, fostering mutually beneficial economic gains.

Here are the statistical data created based on statements from *COMTRADE* 2023:

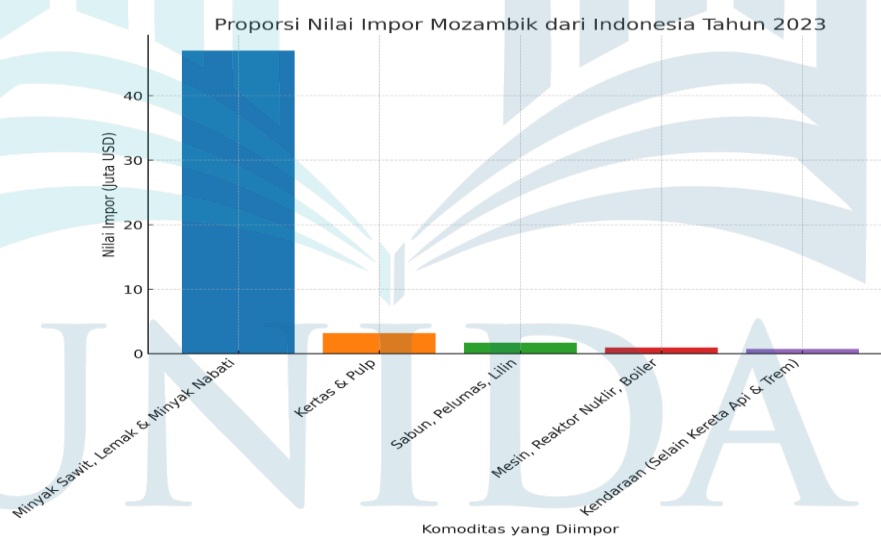


Figure 2. The value of Mozambique's imports from Indonesia in 2023

In other words, the relationship between these two countries exemplifies the complex concept of Interdependence, where both nations rely on and mutually benefit from one another.

²¹ "Mozambique | Imports and Exports | World | ALL COMMODITIES | Value (US\$) and Value Growth, YoY (%) | 2012 - 2023."

Complex interdependence is a key pillar in building solidarity among developing countries. The IM-PTA demonstrates how interdependent relationships can yield tangible benefits:

1. **Reducing Dependence on Developed Countries:** By increasing trade between developing countries, Indonesia and Mozambique can mitigate the economic dominance of developed countries in the global market.
2. **Economic Diversification:** Through PTAs, both countries can expand their economic portfolios, thereby reducing the risks associated with relying on a single trading partner.
3. **Promotes Political Stability:** Strong economic ties create incentives to maintain peaceful relations and political stability between the two countries.

The concept of complex interdependence provides a deep understanding of how relationships between developing countries can create mutual benefits through Preferential Trade Agreements (PTAs), such as the Indonesia-Mozambique Preferential Trade Agreement (IM-PTA). By reducing trade barriers, expanding cross-sectoral cooperation, and strengthening diplomatic relations, the IM-PTA serves as a model of how the principle of interdependence can support shared development. However, this success requires prudent management to ensure that the benefits can be sustained without creating new risks.

1.7. Thinking Framework

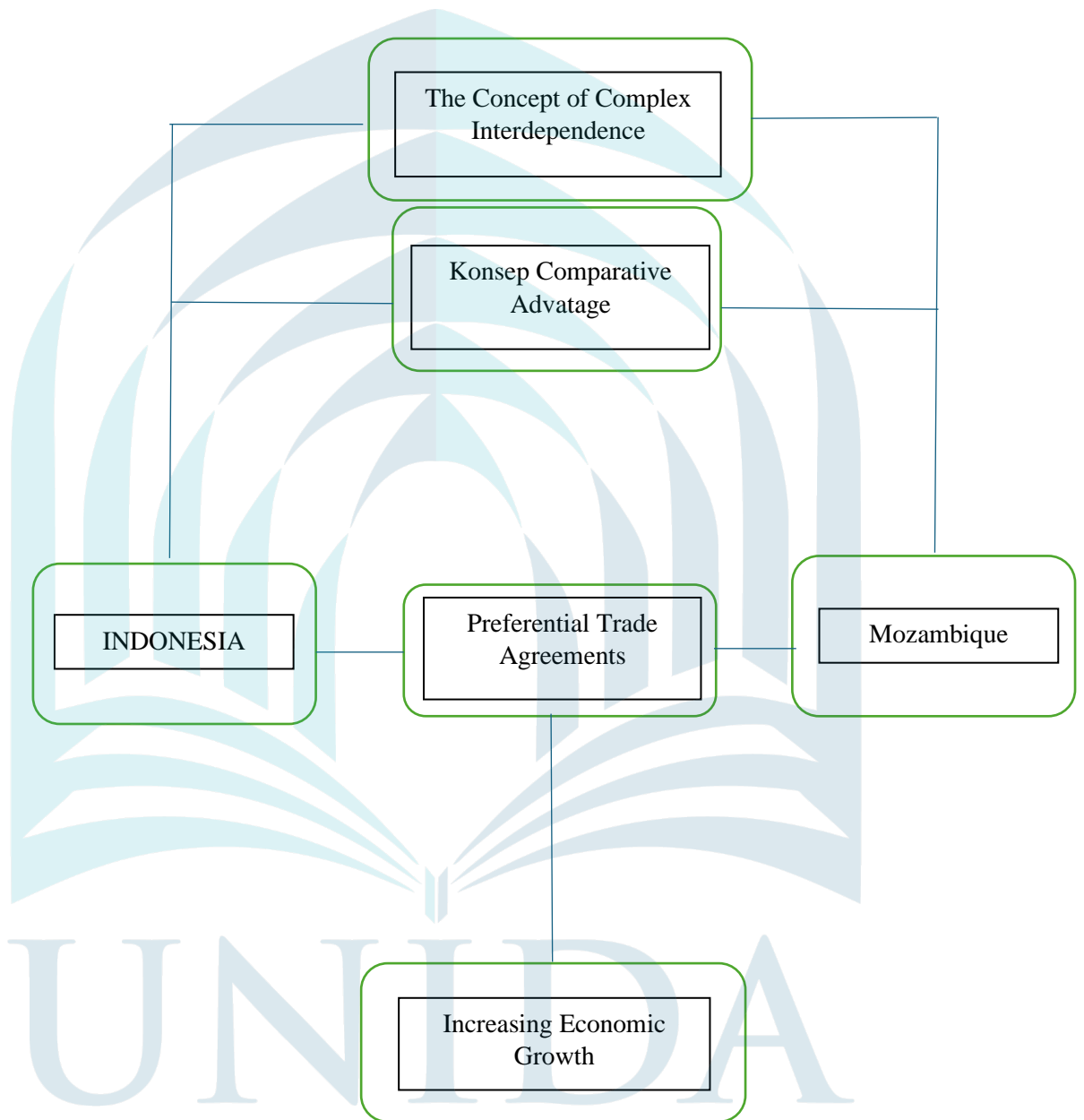


Table 1. Concept Map of Thinking Framework

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1.8. Hypothesis

Preferential Trade Agreements (PTAs) between Indonesia and Mozambique are believed to contribute significantly to increasing bilateral economic growth by strengthening trade in each country's superior products. Indonesia, which has advantages in products such as palm oil (CPO), rubber, and paper, is using PTAs to expand export markets to Mozambique. Conversely, Mozambique offers its flagship products, such as beans, soybeans, sunflower seeds, cotton, and aluminum, to meet the needs of the Indonesian market.

PTAs not only support trade in goods but also foster interdependence, including investment plans for end-to-end oil and gas management by Indonesian State-Owned Enterprises (SOEs) and expansion of investment in the power generation sector. Furthermore, Indonesian private companies are involved in the production and sale of gas distribution. Mozambique contributes to health security cooperation through the procurement of vaccines, medicines, and medical devices. Additional cooperation extends to the mining, transportation, and fisheries sectors. This collaboration illustrates how PTAs can optimize the comparative advantages and interdependence of both countries, encourage trade efficiency, promote economic diversification, and increase the volume of transactions between countries, ultimately creating inclusive and sustainable economic growth for both nations.

1.9. Research Methods

1.9.1. Research Design

This study employs a qualitative design with a descriptive-analytical approach. This approach was chosen because the research aims to describe in depth and analyze how Preferential Trade Agreements (PTAs) increase the bilateral economic growth of Indonesia and Mozambique. This design allows researchers to delve into detailed information about the process of international cooperation and how PTAs enhance the bilateral economic growth of Indonesia and Mozambique.²²

1.9.2. Research Object

The object of this research is to investigate how Preferential Trade Agreements (PTAs) increase bilateral economic growth between Indonesia and Mozambique. The main focus of this study is to analyze the impact of PTAs on the bilateral economic growth of these two countries, with a specific emphasis on Indonesia-Mozambique cooperation.

1.9.3. Data Collection Techniques

The data used in this study are secondary data sourced from various related documents and literature. The data collection technique involved conducting literature reviews, which included tracing official documents such as the annual report of the Ministry of Trade, Indonesian government policies related to Preferential Trade Agreements (PTAs), as well as relevant scientific articles and journals. These data were obtained from various sources, including the Ministry of Trade, the World Bank, and academic publications discussing Indonesia-Mozambique Cooperation through Preferential Trade Agreements (PTAs).

²² Aadhi Kusumastuti & Ahmad Mustamil Khoiron, *Qualitative Research Methods* (Sukarno Pressindo Education Institute (LPSP), 2019), https://books.google.com/books?hl=id&lr=&id=637LEAAQBAJ&oi=fnd&pg=PA1&dq=metode+penelitian+kualitatif&ots=x4-nv7i1mw&sig=VTpGZ_gU965XA9-NvH-WUxEWYE.

1.9.4. Data Analysis Techniques

The collected data is analyzed using content analysis techniques. Through this approach, the data are classified and interpreted based on important themes such as Preferential Trade Agreements (PTAs), cooperation between Indonesia and Mozambique, and the implications of bilateral cooperation through PTAs. The objective is to identify patterns, relationships, and the influence of cooperation facilitated by PTAs on increasing economic growth in Indonesia and Mozambique. This technique allows researchers to understand how PTAs enhance bilateral economic growth between Indonesia and Mozambique.

1.9.5. Systematics of Writing

CHAPTER I

In this chapter, the author will present an introduction related to Preferential Trade Agreements (PTAs) aimed at increasing bilateral economic growth between Indonesia and Mozambique. The discussion will cover research background, problem formulation, research objectives, research benefits, research uses, data from previous studies, research concepts, research methodologies, hypotheses, research objects, research designs, and data collection and analysis techniques.

CHAPTER II

This chapter discusses the concept of Preferential Trade Agreements (PTAs), starting with the definition of PTAs. It then covers the history and development of PTAs, followed by their benefits. Additionally, it includes general discussions about PTAs in the context of Indonesia and Mozambique.

CHAPTER III

This chapter presents an analysis of how PTAs facilitate the trade of superior products such as palm oil, rubber, and paper from Indonesia, and tobacco and aluminum from Mozambique. It also examines how PTAs encourage cooperation between these two countries to invest in end-to-end oil and gas

management by Indonesian State-Owned Enterprises (SOEs) and expand investment in the power generation sector. Additionally, it discusses the production and sale of gas distribution by Indonesian private companies, Mozambique's health security cooperation through the procurement of vaccines, medicines, and medical devices, as well as cooperation in the mining, transportation, and fisheries sectors. The findings will be analyzed using the concepts of Comparative Advantage and Complex Interdependence to explain the trade efficiency and interdependence formed between the two countries, which in turn increases sustainable economic growth in both nations.

CHAPTER IV

This chapter summarizes the key findings related to the impact of Preferential Trade Agreements (PTAs) on trade efficiency, economic diversification, and diplomatic relations. The conclusions also include theoretical implications, policy recommendations for optimizing PTAs, and suggestions for further research.

