

# External Efforts to Increase Cocoa Exports to the European Market: A Comparison between Ghana and Indonesia

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## Abstract

Cocoa is one of the essential commodities that contribute significantly to the Indonesian economy. As the third largest cocoa-producing country in the world, Indonesia is facing competition from Ghana, a global cocoa-producing country which is relatively similar to Indonesia in terms of politics, economy, and the cocoa industry. Ghana has a competitive advantage that makes its cocoa products appear superior to Indonesia in terms of quality, productivity figures, and cocoa export value. Especially, this is seen in terms of cocoa export to the European Union market. This article aims to study the external efforts made by Ghana and Indonesia to increase their cocoa exports to the European Union market, the largest chocolate consumer region in the world. To do this, it used a qualitative research method with descriptive-analytical and comparative analysis employing the theory of competitive advantage and the concept of economic diplomacy. The article found that Indonesia has excellent cocoa potential that can be developed further and can learn from what Ghana has attempted to increase its cocoa exports to the European Union market.

## Key Words

Cocoa exports, European market, Indonesia, Ghana

## Introduction

*Theobroma cacao L.* or commonly known as cocoa is one of the strategic plantation commodities in Indonesia that has been cultivated and traded to other countries. Currently, the cocoa commodity in Indonesia has a large

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area of land and has contributed significantly to the Indonesian economy. Chocolate, which is the main product of cocoa, is in demand by people of all ages and is one of the world's most popular flavours. It is also believed that chocolate contains substances useful to relieve stress and improve memory function or brain memory in humans (Karmawati 2010). Europe is well-known for having considerable interest in chocolate products. It is recorded that around ten countries in Europe have a chocolate consumption rate of 6.2 kg/capita/year, and European imports in 2018 were dominated by cocoa beans with a volume of 2.3 million tonnes (Gesha 2019). This is an illustration of the enormous potential market for processed products from this cocoa commodity.

For Indonesia, the cocoa commodity is one of the plantation products that can be vital because it has great potential if it is appropriately utilized. The Ministry of Industry emphasized that in 2018, most processed products from the cocoa industry in the forms of cocoa liquor, cocoa butter, cocoa powder, and cocoa cake contributed up to USD 1.13 billion from exports weighed 328,329 tonnes (Kementerian Perindustrian Republik Indonesia 2019). In terms of quantity, Indonesia ranks third as the largest cocoa-producing country globally, with the number one, two, four, five, six, and seven positions occupied by Ivory Coast, Ghana, Nigeria, Cameroon, Brazil, and Ecuador respectively (Rohmah 2019).

Cocoa is a commodity that requires planting areas that is suitable, not cold, and rich in nutrients to grow ideally. This is one of the reasons why many Europeans import their cocoa products from other countries. Geographically, both Ghana and Indonesia have soil types that are very suitable for growing cocoa commodities, which have been practised since the colonial era. Ghana has similarities with Indonesia, namely in the cocoa processing industry sector. Like Indonesia which has increased its priority in the cocoa processing industry sector (Kementerian Perindustrian Republik Indonesia 2019), Ghana has made the cocoa processing industry sector a priority. It is considered that Ghana is a country whose most of its economy comes from the cocoa industry. According to data from the World Bank National and OECD National Accounts (2020), it was recorded that Ghana's average Gross Domestic Product (GDP) was 5.09% from 2013 to 2018. This figure is not far from Indonesia's average GDP growth data in the same period, namely 5.11% (World Bank 2020). Politically, Ghana and Indonesia have the same system of government, namely democracy. This allows citizens whose lives depend on cocoa either directly or through representatives in manufacturing to formulate or develop laws for the cocoa industry.

Ghana is also a cocoa-producing country competing with Indonesia for the closest position and condition to other cocoa-producing countries. This can be seen from the low annual consumption of chocolate from Indonesia and Ghana, namely 0.5 kg/year (GBG Indonesia 2016). Thus, it can be concluded that the demand for cocoa commodities in the domestic markets of Ghana and Indonesia both have low figures making exports the only alternative means of income for cocoa commodities. If the countries had an abundant amount of production but did not have access to international markets or good exports, it could be estimated that part of their production will be wasted, especially for Indonesia, where the per capita consumption of chocolate is still low compared to other countries in Europe. Therefore, viewed from the perspective of industrial characteristics, economic growth, politics, and consumption figures, it can be concluded that Ghana is a cocoa centre country in the world which is suitable for comparison with Indonesia.

Table 1. Ghana dan Indonesia's Cocoa Export Value for the Period 2013-2018 (Tons)

<b>Year</b>	<b>Ghana</b>	<b>Indonesia</b>
2013	\$ 1,457,581,465.00	\$ 1,151,485,009.00
2016	\$ 1,898,465,226,00	\$ 1,239,621,288.00
2017	\$ 2,433,741,812.00	\$ 1,120,251,806.00
2018	\$ 3,249,916, 972,00	\$ 1,245,800,033.00

Table 1 shows a significant difference in export value between Indonesia and Ghana in the 2016-2018 period (TrendEconomy 2020). The most notable difference occurred in 2018 when Ghana's export income reached USD 3,249,916,972 or 160.93% larger than Indonesia's cocoa export value of USD 1,245,520,201. Besides, the export value of Ghana shows a steady increase from year to year, unlike Indonesia's export value which tends to fluctuate and only experienced a slight increase in the three years. According to Wahida, the Indonesian Agricultural Attaché (ATANI) for Belgium, the exports of Indonesian cocoa products to the European market increased by 22% in 2018 compared to the previous year, USD 215.2 million. However, this figure is still very far from being compared to the total value of European imports, which reached USD 27.4 billion, or Ghana's cocoa exports to Europe which reached USD 1.5 billion (Gatra.com 2019).

This shows that cocoa products produced by Indonesia have not fully entered the global market. For example, in the European market, most people tend to dislike Indonesian cocoa products and prefer African-made cocoa products such as Ghana and Ivory Coast. The main reason is that cocoa from Indonesia tends to be bitter compared to African cacao, which is rich in taste. The difference in taste quality can be achieved through fermentation. In other words, the majority of cocoa coming from Africa has gone through the fermentation process first (detikFinance 2014). This is undoubtedly a blow to Indonesia because Europe is the largest chocolate consumer in the world. Apart from the taste, another obstacle to increasing Indonesian cocoa exports to Europe is the high import duty for Indonesian products that can reach 15%, which is relatively higher compared to those of Ivory Coast and Ghana, free of charge or 0% import duty. This shows that Indonesian cocoa products should be no less competitive with other world-class cocoa products by going through a good fermentation process. The results of a study also show that cocoa farming in Indonesia experiences stagnant production and is followed by a decrease in productivity (Fahmid 2018).

Cocoa is a strategic commodity that is important for Indonesia. If it is not managed correctly, there will be consequences for Indonesia in terms of economic, environmental, and social aspects. From an economic point of view, Indonesia will undoubtedly experience a significant decline in foreign exchange earnings in the agricultural sector, given the sizeable contribution of cocoa. Economically, the decline in cocoa exports will also decrease domestic cocoa prices, which will reduce the income of cocoa farmers. Besides, as the largest cocoa cultivation province in Indonesia, Sulawesi will also be affected, especially cocoa farmers, processing industries, and distributors. From an environmental perspective, the decline in cocoa prices can trigger cocoa farmers to expand their land to increase their production by cutting down forests. Meanwhile, from a social perspective, the decline in cocoa exports could impact farmers who have begun to switch to cultivating other commodities with a broader market scope, such as rubber and palm oil.

Based on the above background, this study will analyse efforts taken to improve the competitiveness of cocoa in Indonesia and Ghana by using the theory of competitive advantage. Through the factors and strategies for competitive advantage, it will be known how good the policies and efforts taken by Indonesian cocoa are compared to Ghana, which has advantages in exports and production. This comparison results could be applied to Indonesia to increase its cocoa exports, especially to the European market.

Cocoa is one of the plantation products that has contributed significantly to the Indonesian economy. Ghana is the second-largest cocoa producer globally, with an average GDP growth rate that is not far from Indonesia. Indonesia is the third-largest cocoa-producing country in the world. However, Ghana has a higher export value than Indonesia. To be precise, Indonesia suffers a defeat in terms of the value obtained from cocoa exports, which was 160.93% lower than the export value obtained by Ghana. This is due to the superiority of Ghana's competitiveness in international trade, namely entering the European market and the superior quality of its cocoa products. Ghana as a cocoa producer has more effective methods and policies than those of Indonesia for developing cocoa potential, especially from an external perspective. Therefore, this study attempts to compare how Ghana and Indonesia make external efforts to increase their cocoa exports to the European market.

This study uses a qualitative research method with descriptive and comparative analysis. The required primary data were obtained from official data sources such as data on export value, production, productivity, and land area of Indonesian cocoa from the Cocoa Outlook book and the official website database of the Indonesian Ministry of Agriculture. The secondary data were collected from previous research related to the research topic.

### **Competitive Advantage Theory and Economic Diplomacy: Theoretical Frameworks**

This study uses competitive advantage and economic diplomacy as its theoretical frameworks. According to Porter (1985), competitive advantage is an ideal situation in which a company or country as a producer can create a product with a value that exceeds the cost required to make it, exceeds the price that buyers are willing to pay, and does not exceed the selling price of competing manufacturers with equivalent or superior products. In the absence of competitive advantage, the risk of being overthrown by competitors is quite considerable.

This competitive advantage theory is needed to analyze how Ghana, which is politically and economically the same as Indonesia, can have a competitive advantage compared to Indonesia in the cocoa sector. Coupled with the natural or absolute advantage of the two countries, both have natural wealth for the cocoa sector. According to mercantilism, it can increase the country's power by increasing the country's economy or trade. Therefore, this competitive advantage is not only crucial for Indonesia to increase cocoa exports, but also of particular interest to have "power" in

the European Union region. Using this theory of competitive advantage, we analyze how the differences between both countries in their efforts to increase cocoa trade to the European market and what factors allow Ghana's cocoa to be superior to Indonesia.

According to Rana (2007), economic diplomacy is a process that state actors go through in foreign relations. This economic diplomacy is carried out to take advantage of domestic advantages in fields such as the trade and investment sector at the bilateral, regional and multilateral levels. The economic diplomacy method is a method that can be used by the government as an instrument or a driving factor in increasing market access for a commodity to the market of the country or destination region and can be used to create certain conditions that are favourable to national interests.

The concept of economic diplomacy was helpful for us to analyze how the external efforts taken by Ghana and Indonesia increase their cocoa trade exports, especially to the European market. Through its economic diplomacy, a state can increase its export trade through product promotion activities and solve obstacles or problems that block the potential entry of access from a product to a destination market. We also consider that economic diplomacy is essential because it can be used as one of the cogs that will take the country one step closer to a competitive advantage. Promotional activities and negotiations carried out in economic diplomacy can increase domestic and international demand or consumption for cocoa products. Without economic diplomacy, export policies issued by the government tend to be less relevant because there is little demand for cocoa from the global market.

### **Ghana and Indonesia's Exports of Cocoa**

Rahmanu (2009) analyzes the state of Indonesia's cocoa competitiveness. He describes the factors that hinder the development of national cocoa processing, namely limited infrastructure, value-added tax (VAT) on cocoa beans, low quality and productivity of cocoa, and difficulty in gaining access to capital. As a result, Indonesian cocoa, in general, was not a commodity with competitive advantages. Nevertheless, the research results show that from 1996 to 2006, Indonesian cocoa began to have a reasonably high competitive value.

In their article, Florensia Garner and Setyasih Harini (2015) attempt to find out what impact the Generalized Scheme of Preferences (GSP) trading scheme had on Indonesia and what efforts Indonesia took to overcome it. GSP is a form of international economic policy in international trade in the

European Union that facilitates import duty relief from industrial countries for manufactured goods from developing countries. This article discusses how the GSP facilities received by Indonesia, especially for cocoa export products, differ from the facilities obtained by ACP countries. It also discusses the export policies of Indonesia and Ghana to the European Union market.

According to Elfiana (2014), the Indonesian government's Export Duty policy hinders the development of cocoa commodity exports. However, the policy also benefits the cocoa industry in the future. Generally, trade policies are issued to expand international markets, protect domestic industries, or increase government revenue through taxes. In this case, the Indonesian government implements an export duty trade policy in the form of export taxes for unfermented cocoa products to improve the quality of Indonesian cocoa to compete in the European market in the future.

### **European Cocoa Market**

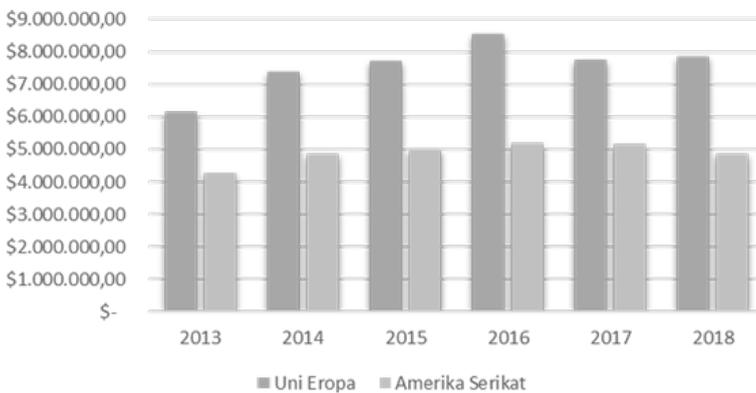
Europe imports more than 60% of its basic needs and other components directly or indirectly from various countries in the world. Multinational companies such as Hershey, Mars, Mondelez, Nestle, and Lindt & Sprungli were recorded to have used around 1.8 million tonnes of imported cocoa beans in 2017. The European Union is the most significant contributor to global cocoa milling activities with 37% in total. In 2018, global cocoa milling with around 1,748 tonnes came from the European Union with the Netherlands as its base (Center for Promotion of Imports 2020). The rate of chocolate consumption per year in Europe is very high, reaching 6-8 kg/capita/year, which is dominated by Switzerland, Germany, England, and Ireland, with an average consumption of above 7 kg/capita/year. This is much higher than the middle world consumption of chocolate which is only around 0.9 kg/capita/year, or Indonesia and Ghana, which is only 0.5 kg/capita/year (Center for Promotion of Imports 2020).

Europe is a gathering place for the world's largest importers and re-exporters of cocoa. This makes Europe a gold mine for cocoa-exporting countries. However, this European market is difficult to reach for cocoa-exporting countries such as Indonesia. The reason is tight competition between exporting countries and the various European Union policies or requirements of cocoa products. Europe pays serious attention to the quality of cocoa products.

In the European Union, the majority of cocoa traded is of global standard product quality. This global standard cocoa is commonly called "forastero" which constitutes 80% of the world's total cocoa production.

However, the European cocoa market has a particular market segment that offers higher prices for quality and certified cocoa products such as “trinitario” and “criollo” cocoa varieties. Trinitario is high-grade cocoa originating from Trinidad and grown in several regions of America and Southeast Asia with a production capacity of around 15% of the total world cocoa production. Meanwhile, criollo is a type of cocoa with higher quality than trinitario. Criollo cacao is known for its bitter and harsh aroma but is easy to process. It is produced only 5% -10% of the total world cocoa production (Kedutaan Besar Republik Indonesia Bern, Switzerland 2018).

Figure 1. Value of European Union and American Cocoa Imports 2013-2018 (USD)



Source: Trendeconomy.com (data processed by the authors)

As seen in Figure 1, the European Union imported a large amount of cocoa every year, with an average value of USD 7,570,465,453 in the 2013 to 2018 period and the highest value of USD 8.5 billion in 2016. The magnitude of the cocoa import value of Union Europe is larger than the United States, one of the largest importing countries of cocoa globally with an average of USD 4.8 billion in the same period. In 2017 alone, the European Union imported cocoa amounting to USD 7.75 billion of cocoa, most of which or 68.5 per cent came from African countries such as Ivory Coast (45%), Ghana (16%), and Nigeria (7%). Apart from Africa, the European Union imports cocoa from other countries such as Switzerland (8%) and Indonesia (1.7%). Based on these data, it can be concluded that the European Union is an auspicious cocoa market opportunity (TrendEconomy 2020).

## **External Efforts of the Government of Ghana to Increase Cocoa Exports to the European Market**

### *The Role of the EU-Ghana Economic Partnership Agreement (EPA) in Encouraging Ghana's Cocoa Exports to the European Market*

Since pre-colonial times, West African people (including Ghanaians) have been trading unprocessed raw materials such as cocoa, wood, gold, diamonds, and other semi-finished materials with European citizens in exchange for primarily finished materials. Under the control of the colonial governments, trade between the pre-colonial countries in West Africa and Europe continued to develop. In 2000, countries in the African, Caribbean, and Pacific (ACP) region began to sign an agreement with the European Union called the Cotonou Agreement, which was later referred to as the Economic Partnership Agreement (EPA). The agreement aims to create reciprocal trade and development partners that help each other. In its scope, the EPA covers trade in goods according to the existing regulations in the World Trade Organization (WTO). The main objectives of the EPA set out in the Cotonou Agreement are as follows:

- a. Establishing a free trade area (FTA) through the gradual elimination of barriers such as tariffs and other restrictions on trade between ACP countries and the European Union;
- b. Creating sustainable development and alleviating poverty by helping ACP countries to be integrated into the world trade system; and
- c. Strengthening regional integration based on the six ACP regional groupings as a basis for negotiations.

In addition to the FTA, which will facilitate the sale of its finished products to ACP countries at affordable prices, the European Union gets a lot of quality raw materials according to the standards of ACP countries at relatively affordable prices, considering that Europe has high standards for the quality of its raw materials. After the Cotonou Agreement and the EPA were implemented, Ghana has become increasingly involved in international trade, particularly its trade with Europe. Ghana's total external trade increased by more than 70 per cent. This happens because Ghana and Ivory Coast are some of the few African countries that get Import Duty accessible facilities or 0% tariffs on exports to the European Union in the Generalized Scheme of Preferences (GSP) trade scheme combined with the EPA. GSP is a facility for import duty tariff relief from developed or industrial countries for goods or manufactured components originating

from developing countries. The GSP scheme brings the advantage that the donor country benefits from the requirements imposed on the recipient country. The recipient country gets reduced tariffs and easy access to profitable markets.

The EU GSP trading scheme is divided into two types: the standard or general GSP and the “GSP+”. In most cases, the GSP offers deep tariff reductions for developing ACP countries, while the “GSP+” offers the complete elimination of tariffs entirely on specific product categories. However, complete abolition is only given to countries that have ratified and implemented international conventions relating to the environment, human rights, labour, and good governance. Overall, the EPA has facilitated access and reduced tariffs for almost all of Ghana’s export products to the EU market, except sugar and rice. In exchange, however, Ghana has agreed to liberalize around 80% of imports from the European Union, primarily vehicles, industrial machinery, and certain chemicals (Acheampong, Omane-Achamfuor, & Tawiah 2014). This kind of EPA is also closely related to factors affecting competitive advantage elaborated in Porter’s theory. It provides an opportunity for international competitors to compete with Ghana cocoa players in the European market.

Then, the EU-Ghana EPA scheme is one of the external efforts of the Ghana government to increase its cocoa exports to Europe in the form of economic diplomacy, to be more precise in the realm of trade diplomacy. Based on Rana’s (2007) economic diplomacy typology table, we find that some of the activities of EPA trade diplomacy are categorized as the traditional type of diplomacy, especially for external economic management activities. External economic management activities fall into the traditional type because there has not been an element of coordination between each ministry of trade and foreign affairs or an element of concentration on one product market. In this EPA, Ghana not only focuses on cocoa but also on other export products. For economic aid activities as recipients, there has also not been any coordination between the Ministry of Foreign Affairs of Ghana and the economic agency that distributes funds, namely the European Development Fund.

Meanwhile, for regional diplomacy activities, Ghana tends to be reactive to the EPA scheme involving the ACP and European regions, only following the flow of cooperation. The reason is as a developing country Ghana does not have enough power to bring about changes and the position of the European Union as a potential market for the largest cocoa market in the world, which has provided various kinds of facilities and reduced GSP

tariffs for the Ghana cocoa industry. Overall, it can be seen that Ghana only relies on the traditional diplomacy model because this trading scheme is considered to have fulfilled the majority of its national interests, especially regarding cocoa exports to the European market, and is influenced by Ghana's position as a developing country which is afraid of being expelled from the scheme if it acts arbitrarily.

### *Ghana Cocoa Diplomacy through African Cocoa and Chocolate Expo (ACCE) in Accra*

Economic diplomacy is a method that a government uses as an instrument or a driving factor in increasing market access for a commodity to the market of the country or destination region. In general, diplomacy is usually associated with the affairs of the foreign ministry. Still, many countries link diplomacy with the economic sector of their government, which is then manifested in foreign policy. Here, Ghana and Indonesia are among the countries that make diplomacy their foreign policy to achieve their economic interests (Kurniawan 2014).

To increase exports and introduce its cocoa products to a broader market, Ghana, through the Ghana Export Promotion Authority (GEPA) organized the first chocolate exhibition in Africa in 2019. The expo was called the African Cocoa and Chocolate Expo (ACCE) in Accra, the capital and largest city of Ghana. GEPA is the leading partner of ACCE, which aims to promote cocoa entrepreneurs currently developing in Ghana. The exhibition was held to gather and encourage innovations and achievements in the cocoa industry in Africa. Another objective of ACCE was to bring back all players in the cocoa industry, from small farmers to entrepreneurs who lead the cocoa trade chain. This innovation was demonstrated in panel discussions on various issues such as panels on cocoa in cosmetics and skincare, seminars on the medicinal and nutritional benefits of cocoa, and tasting and sampling sessions of different types of African cocoa. Ghana used this exhibition to introduce quality cocoa products and innovations to entrepreneurs who were looking for business opportunities in the cocoa sector such as European cocoa entrepreneurs. In addition to increasing the value of its cocoa exports, Ghana also hoped that with this ACCE, the number of chocolate consumption in Ghana and other African countries would increase (CocoaPost 2019).

Economic diplomacy through ACCE, which was an external effort by the Ghanaian government to increase its cocoa exports to Europe, entered the realm of commercial diplomacy. Commercial diplomacy is a part of economic diplomacy that focuses only on promoting the export of goods

and services and foreign investment. According to Rana's (2007) economic diplomacy typology table, we find that some of the commercial diplomacy activities through the ACCE chocolate exhibition are categorized as niche-focused and evolving type diplomacy, especially for external economic management activities, trade promotion, and regional diplomacy roles. For external economic management activities, commercial diplomacy tends to go into an evolving type of coordination from the Ghanaian government agency, namely GEPA, as the leading partner of the ACCE exhibition.

Then, trade promotion activities focused on cocoa commodities and their processed products. For instance, ACCE was the first and largest chocolate exhibition in Africa that aimed to promote cocoa products from Ghana and other African countries such as Ivory Coast and Nigeria. Ghana had an active role in the exhibition to promote their cocoa commodities as ACCE itself was held in Accra, the largest city and the centre of the cocoa industry in Ghana.

#### *Ghana's Cocoa Soft Diplomacy Efforts in the Form of the Cocoa Eco-Tourism Initiative*

In addition to the ACCE exhibition, Ghana, through The Ghana Tourism Authority (GTA), has begun to introduce its soft diplomacy efforts called the Cocoa Eco-tourism Initiative. As one of the highest quality cocoa-producing countries, which reaches 800 thousand tons per year, Ghana wants to present to chocolate lovers how their cocoa cultivation process occurs. The program has the theme of eco-tourism, which offers tourist attractions of direct visits to several locations where Ghana cocoa is produced to show directly where chocolate comes from and provide an overview of how cocoa is grown as a whole, led by local expert guides. Most of the areas in the eco-tourism program are in the eastern region of Ghana, which is the birthplace of the Ghana cocoa industry and a central region for cocoa production (GhanaWeb 2020).

The program aims to promote the well-known quality of Ghanaian cocoa and demonstrate the environmentally friendly cocoa cultivation process through a pleasant tourism experience. Also, eco-tourism aims to welcome cocoa entrepreneurs from various countries seeking or entering the cocoa trading industry business, especially those from Europe. The Cocoa Eco-tourism Initiative is expected to make cocoa from Ghana increase its cocoa export income and increase the income of small farmers whose cocoa fields are close to or are located in the eco-tourism tourism destinations (Williams 2019).

Soft diplomacy is included in commercial diplomacy, which is part of economic diplomacy. As we explained above, commercial diplomacy is diplomacy that only focuses on one product or market, that is, in this case, the cocoa commodity. According to Rana's (2007) economic diplomacy typology table, we find that some commercial diplomacy activities are categorized as niche-focused diplomacy, especially policy management and trade promotion activities. For policy management activities, this diplomacy falls into a niche-focused type, where there is good coordination with government policies. The soft-diplomacy of the Cocoa Eco-tourism Initiative itself is part of the Ghanaian government's policy which combines elements of tourism with those of commercial diplomacy. Then for trade promotion activities, this diplomacy enters into a niche-focused typology because it aims to promote and market the products and processing of Ghana's cocoa wrapped in the form of tours to attract investors' attention offering a pleasant atmosphere.

### **Indonesian Government External Efforts to Overcome Barriers to Cocoa Exports to the European Markets**

One of the forms of external efforts is economic diplomacy. With economic diplomacy, it will be possible for developing countries such as Ghana and Indonesia to establish trade relations with large markets that hold much potential, such as the European Union market for cocoa products. The following are efforts conducted by the Indonesian government to increase cocoa exports, especially to the European market.

#### *Indonesia's Efforts to Increase Cocoa Exports to European Markets through the IEU-Comprehensive Economic Partnership Agreement (CEPA)*

Regarding the import duty tariff policy as a trade barrier facing Indonesia in exporting its cocoa beans to Europe, Indonesia took efforts in the form of negotiations. The import duty tariff on its cocoa products could be reduced or eliminated. The import duty not only complicated Indonesia's competition with cocoa-producing countries from Africa but also burdened the productivity of the domestic cocoa industry and farmers. Given that most cocoa bean products are not fermented, it is difficult for Indonesia to compete in the international market. The low quality of national cocoa indicates that a series of policies related to the development of cocoa cultivation and processing are inaccurate and harmonious, such as cocoa certification policies, sustainable cocoa cultivation policies, policies to increase chocolate consumption, cocoa fermentation policies, and other

policies (Mulyono 2016). This is a reason why Indonesian cocoa exported to European Union countries is subject to tariff discrimination. Regarding the issue of exports to Europe, the Indonesian Ministry of Agriculture, through the EU Comprehensive Economic Partnership Agreement (IEU - CEPA) diplomacy, continues to collaborate with the Ministry of Trade, the Coordinating Ministry for Economic Affairs, and the Ministry of Foreign Affairs in conducting diplomacy and other trade efforts with the goal of reducing barriers in the form of cocoa import duty rates of 9-11% in Europe in the future as well as increasing consumption of Indonesian processed cocoa in the European region (Gesha 2019). Through the IEU-CEPA, it was hoped that all problems in the Indonesian cocoa industry related to the European Union would be resolved.

The IEU-CEPA scheme was also one of the external efforts of the Indonesian government to overcome problems that arose in its cocoa export activities to Europe in the form of economic diplomacy, more precisely trade diplomacy. Based on Rana's (2007) economic diplomacy typology table, we find that some of the activities of the CEPA trade diplomacy are categorized as niche-focused and evolving diplomacy, especially for external economic management activities, policy management, and the role of non-state actors. External economic management and policy management activities fall into the evolving type due to the discovery of a series of coordination between the Ministry of Trade, the Coordinating Ministry for Economic Affairs, and the Ministry of Foreign Affairs in terms of negotiations and trade schemes. The form of negotiations carried out was aimed at reducing or eliminating tariff discrimination set by the European Union to Indonesia for cocoa products and their processed products. Meanwhile, the role of non-state actors was a niche-focused type where there has been a role or support from private actors in the implementation of diplomacy, namely the role of the Indonesian Cocoa Industry Association (AIKI). AIKI's involvement in this diplomacy was important because it had the same economic interests as the Indonesian government, which was to remove all forms of barriers to cocoa exports to the European Union, either tariff or non-tariff barriers.

#### *Indonesia's Joining the International Cocoa Organization (ICCO)*

Since 2011, Indonesia has joined forces with one of the largest cocoa organizations in the world, namely the International Cocoa Organization (ICCO) and officially through the ratification of the International Cocoa Agreement (ICA) in 2012. ICCO is an association body for producer and consumer countries which aims to create a sustainable world cocoa

economy, involving economic, social and environmental aspects in the production and consumption of cocoa products. It also includes several arrangements regarding import customs tariffs, taxes, production costs in each different region, Price Risk Management for farmers through cooperatives, and market information for farmers that apply to all cocoa products. Indonesia's decision to join ICCO aimed to gain access or ease in negotiating with European countries over the tariff discrimination it experiences to 0% so that the national standard for the quality of Indonesia's national cocoa can be improved following the standards set by ICCO and then even be able to compete with the quality of Ghana's cocoa.

By joining ICCO, indirectly, Indonesia received access to export its cocoa products to the member countries. Although the import duty rates also apply to other exporting countries such as Malaysia, both raw and processed cocoa, this does not negate the fact that African, Caribbean and Pacific (ACP) countries are not subject to these tariffs. By joining the ICCO, Indonesia hoped that the members could assist in lobbying the European Union so that the discriminatory import duty rates could be reduced to the smallest extent or eliminated.

*Indonesian Economic Diplomacy to the Netherlands through The 16th Working Group on Agriculture, Fisheries, and Forestry Between Indonesia and the Netherlands (WGAFF)*

Indonesia also negotiated with the Dutch on cocoa issues through the 16th Working Group on Agriculture, Fisheries, and Forestry Between Indonesia and the Netherlands (WGAFF) which is held annually. The Working Group discussed the Dutch regulations of imports from Indonesia related to fisheries, forestry and agriculture. In the 16th Working Group meeting, there was a discussion regarding several import regulations that were set by the Netherlands on Indonesian cocoa commodities. Indonesia's participation, represented by the Director General of Horticulture in the WGAFF, was a form of effort to address barriers to cocoa export to the Netherlands, a member country of the European Union. This was important considering that Indonesia had been subject to GSP tariff discrimination and other consequences such as a reduction in import quotas from Indonesia to the Netherlands if these regulations were not complied with. Reducing the import quota would certainly be detrimental to cocoa farmers and could result in the shift of farmers to other commodities (Ardini 2018).

Through the Discussion on New Ideas agenda at WGAFF, Indonesia emphasized that they guaranteed that their cocoa beans that enter the Dutch market are superior, clean cocoa beans, and avoid chemical compounds

or harmful pesticides. The Ministry of Agriculture, Director General of Plantation and Forestry conducted inspections of cocoa production areas in Indonesia where farmers were always asked to use vegetable fertilizers that do not contain hazardous chemical compounds. Then, through the Food Security and Nutrition Component in the Sustainable Cocoa Production Program (SCPP) program, Indonesia sought to ensure that the Netherlands and other European Union countries provide relief from regulations on residue limits in cocoa beans which have been considered to have hampered the development of Indonesian cocoa exports to the Netherlands (Ardini 2018). Indonesia's negotiation efforts with the Netherlands through the WGAFD were a form of the Indonesian government's economic diplomacy to deal with obstacles that arose in its cocoa exports to the European Union, especially to overcome non-tariff barriers. Based on Rana's (2007) economic diplomacy typology table, we find that some of the activities of WGAFD diplomacy are categorized as niche-focused types, especially for external economic management and policy management activities. External economic management activities are categorized as niche-focused because there is coordination between the Ministry of Agriculture, Director General of Plantation and Forestry in a series of diplomacy that focuses on cocoa commodities. Policy management activities also tend to fall into the niche-focus type due to internal coordination through an SCPP program to gain economic interest in WGAFD diplomacy.

### *Indonesian Cocoa Diplomacy at the Salon du Chocolat Exhibition in Paris, France*

Salon du Chocolat or also known as the Paris Chocolate Show is one of the most famous chocolate exhibition events in Paris since 1995 and is one of the largest chocolate exhibitions in the world. It has certainly become a prima donna for chocolate lovers or parties whose businesses are engaged in chocolate, such as importing, exporting, re-exporting, and processing countries of cocoa. Indonesia is one of the cocoa-producing or exporting countries that attend the Salon du Chocolat exhibition. By participating in this exhibition, Indonesia hopes to market its chocolate products not only to France but also to other countries participating in the exhibition. There were also some Indonesian chocolate companies and producers that participate in Salon du Chocolat.

Diplomacy through the Salon du Chocolat exhibition is one of the external efforts of the Indonesian government to promote and increase its cocoa exports, especially to the European Union in the form of economic

diplomacy, more precisely commercial diplomacy. Based on Rana's (2007) economic diplomacy typology table, we find that some of the activities of commercial diplomacy are categorized as niche-focused diplomacy, especially for external economic management activities, roles of non-state actors, trade promotion, and policy management. External economic management activities are included in the niche-focused type because there is coordination from the POM in Indonesia's participation in the exhibition which focuses on the cocoa commodity. Policy management activities fall into the niche-focused type because in this diplomacy Indonesia has begun to introduce an Eco-tourism policy program like that of Ghana where Indonesia seeks to promote its cocoa innovation through tourism activities. Trade promotion activities tend to enter into a niche-focused type where the promotional activities for export products that are carried out are very focused only on cocoa and its processed products. Meanwhile, the activity of role of non-state actors is a niche-focused type because of the role and participation of private companies such as P.T. Assorted Kakao Chocolate (Kkakakoa), Timor, Ewwon Chocolate, Cocoa Beans Trading, and P.T. Bali Chocolate. They were present at the exhibition to present and promote the latest works unique to cocoa products in Indonesia

#### *Diplomacy of Vice President Jusuf Kalla at the Federation of Cocoa Commerce (FCC) Conference*

The Federation of Cocoa Commerce Conference provides a platform for discussions on quality, sustainability and direct linkages to the cocoa market. The main objective of the FCC which was founded in 1935 is to protect, regulate and promote the trade in cocoa beans and other cocoa products, as well as to safeguard and support the status and interests of its members. Indonesia carried out economic diplomacy by participating in the annual FCC Conference in London, which was held on 15-17 May 2015. Indonesia's presence at the FCC Conference was represented by the visit of Indonesian Vice President Jusuf Kalla with the hope of increasing the number of domestic cocoa products that can reach the European market (Sidik 2015).

During his visit, Indonesian Vice President Jusuf Kalla made diplomatic efforts to the FCC to reduce the import duty tariff for processed cocoa products originating from Indonesia to the European Union region. This diplomacy was one of Indonesia's external efforts to promote its cocoa products while overcoming export barriers to the European Union. Based on Rana's (2007) economic diplomacy typology table, we find that some of the activities of FCC diplomacy are categorized as traditional and

niche-focused diplomacy, especially for external economic management and trade promotion activities. External economic management activities fall into the traditional category because there is no form of coordination between relevant ministries. In this diplomacy, Indonesia only relies on Vice President Jusuf Kalla as a delegation who conveyed the difficulties Indonesia experienced in its efforts to enter the European Union cocoa market. The trade-promotion activities carried out in FCC diplomacy is a niche-focused type because it only focuses on one commodity, namely cocoa and its processed products, and is only aimed at a specific market, namely the European Union market.

### **Conclusion**

Cocoa is one of the important commodities that contribute significantly to the Indonesian economy every year. Indonesia is the third-largest cocoa-producing country in the world. However, Indonesia's capability in the cocoa industry is still below that of Ghana, which ranks second. In 2017 and 2018, Ghana was recorded to have an export value figure that was twice as large as Indonesia. One of the reasons why Ghana is above Indonesia is because of its competitive advantage. Ghana has a quality cocoa product so that it can add value to the cocoa sale and meet the standards for entering the European market. It also has high productivity rates so that it can offset any demand for cocoa from consuming countries.

The quality and quantity of Ghanaian cocoa also attract the attention of Europe, the largest cocoa market in the world. This is shown by the special treatment given in the EU-Ghana Economic Partnership Agreement (EPA). Europe provides special tariffs for ACP countries including Ghana cocoa products which can reach 0% or not subject to tariffs at all. The special tariff consists of a combination of tariff reductions such as MFN and GSP under the auspices of the EPA. Indonesia also received a tariff reduction from Europe, but it did not reach 0% like Ghana, especially for processed cocoa products. This is because Indonesia's cocoa products did not meet the criteria and requirements set by Europe. The central role of government, high quality, production performance and special European tariff treatment of Ghana's cocoa products are competitive advantages and the main factors why the value of Ghana's cocoa exports is higher than Indonesia.

Indonesia has made several good efforts internally. Internally, Indonesia has a Cocoa Gernas program and a Customs Export trade policy. The program aims to increase cocoa production and productivity, which tends to be stagnant and faces other agricultural problems from upstream to downstream through the joint role of the government, private sector

and the community. It has a budget of Rp. 13.7 trillion for rehabilitation, rejuvenation and plant intensification as well as training on cocoa commodities. Indonesia also made an export duty trade policy as a form of government effort in addressing the low quality of Indonesian cocoa exports. This is a strategic trade policy that can indirectly regulate the flow of exports by imposing additional taxes or tariffs on local exporters who still export cocoa products without the fermentation process so that exports in the form of low-quality beans can be limited. Through this government intervention policy, it is hoped that in the future the quality of Indonesian cocoa will increase to compete with Ghana's cocoa. Indonesia has made various efforts to reach the European cocoa market both internally such as government intervention in the form of strategic trade policies and externally in the forms of cooperation with the European Union and economic diplomacy with EU member countries. However, the results of these efforts are not enough to bring Indonesian cocoa products into the European market and compete with Ghanaian cocoa. Therefore, Indonesia needs to learn from Ghana how to increase its cocoa exports to the world.

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