

INDONESIAN TRADE PROMOTION CENTER (ITPC) DIPLOMACY IN ENCOURAGING COFFEE EXPORTS TO THE UNITED STATE AS ECONOMIC RECOVERY FOR 2021-2022

Afni Regita Cahyani Muis, S.IP.M.A.,¹, Luthfia Fiki Amalia²

¹ Lecture of International Relations University of Darussalam Gontor

² Student of International Relations University of Darussalam Gontor

¹ University of Darussalam Gontor, Jalan Raya Siman, Ponorogo

² University of Darussalam Gontor, Mantingan, Ngawi

afni.regita@unida.gontor.ac.id

luthfia.fiki.amalia@mhs.unida.gontor.ac.id

Abstract

Coffee is Indonesia's leading export commodity that is able to create added value for the country's foreign exchange. The Covid-19 pandemic that entered Indonesia has caused a decrease in coffee exports to the United States. One of the government's agendas to create economic recovery is carried out by optimizing the Indonesian Trade Promotion Center (ITPC) to emphasize the task of diplomacy. This study analyzes the role of ITPC in encouraging coffee exports to the United States as an effort to accelerate economic recovery. The research method used is qualitative explorative by relying on secondary data. The concept used is commercial diplomacy according to Michel Kostechky and Ollivier Naray which emphasizes the value chain which includes the main activities that include (trade promotion, FDI promotion, science and technology cooperation, tourist promotion and advocacy of the national business community) and support activities that include (intelligence, networking and public relations, negotiation contacts and problem solving). ITPC's efforts in encouraging coffee exports to the United States are based on the main activities, namely through trade promotion strategies and providing business advocacy services. Indicators of FDI promotion, science and technology cooperation and tourist promotion are not run by ITPC Los Angeles and ITPC Chicago because they do not fall within the authority and duties of ITPC. While efforts in support activities consist of intelligence, networking and public relations. Contact indicators of negotiation and problem resolution are not the authority of ITPC so they are not carried out. The results of ITPC's performance in encouraging coffee exports can be seen through an increase in the value of coffee exports to the United States in 2021-2022.

Keywords: Coffee Export, Commercial Diplomacy, ITPC Los Angeles, ITPC Chicago, Economic Recovery

1. INTRODUCTION

Coffee are the plantation commodity that are used as the basic ingredient for food and beverages that has been cultivated in more than 50 countries in the world. In international trade, coffee beans are the most popular commodity compared to tea leaves and cocoa beans. One of the coffee producing countries in the world is Indonesia. Coffee are the plantation product that are the fourth mainstay commodity after palm oil, rubber and cocoa.¹ Almost 90% of Indonesia's coffee production is robusta type. However, from the number of arabica coffee production with intense and unique flavors, these Indonesian arabica coffees are the ones that occupy the ranks of the world's best coffee.² Of the two types of coffee varieties, there is coffee with premium quality and has the high taste called *specialty coffee*. This coffee is specially processed by having standard provisions starting from the initial process of coffee being grown until it is served in the cup.³ Indonesia occupies the fourth position as the coffee exporter in the world after Brazil, Vietnam and Colombia. There are more than 50 export destination countries for Indonesian coffee where the United States, Japan, Germany, Italy and the United Kingdom are the main destinations.

In contemporary society, the culture of consumption is shaped by the fact that the human being are now surrounded by consumption factors in which consumed are signs, symbols and images. Some people think of coffee as more than just a drink that is able to provide calming effect because of its distinctive taste and aroma. Within a few decades, coffee drinks became very popular among the public, marked by the rampant emergence of coffee shops that served

¹ Bhatara Bharah Nasution, *Specialty Kopi Indonesia*, *Warta Ekspor* (Jakarta, 2018), http://djpen.kemendag.go.id/app_frontend/admin/docs/publication/9321548126511.pdf.

² Solikatun, Tri Kartono, and Argyo Demartoto, "Perilaku Konsumsi Kopi Sebagai Budaya Masyarakat Konsumsi," *Jurnal Analisa Sosiologi* 4, no. 1 (2015): 60–74.

³ "Mengenal Apa Itu Specialty Coffee," *Coffeland Indonesia*, last modified 2022, <https://coffeeland.co.id/mengenal-apa-itu-specialty-coffee/>.

various variants. Coffee today has become necessity, person's identity and a lifestyle that has also been popularized by many younger generations.⁴ This are the main trigger for the increase in global coffee consumption in terms of supply and demand. According to report by the International Coffee Organization (ICO) the world coffee trade has increased from year to year. From 2018 until 2019, global coffee consumption reached 169,113 million bags, an increase of 4.6% from the previous year in terms of domestic consumption in exporting and importing countries.⁵

Diplomacy are the instrument of country's soft power to achieve national interests through diplomatic relations with foreign authorities. In the economic aspect, diplomacy are carried out with trade cooperation between countries with the purpose to improving the national economy. Entering the reign of President Joko Widodo in 2014, coffee diplomacy began to be known as new forming of discourse by using coffee as its main instrument. In accordance with the main objective of diplomacy are to reach a common agreement and achieve national goals, coffee diplomacy itself has the aim of increasing the export and promotion of Indonesian coffee.⁶

The United States are one of the countries with the most domestic coffee consumption in the world. Coffee consumers in the United States usually consume 3 cups of coffee per day. According to the standards of *Specialty Coffee Association of America* (SCAA) the most demanded type of coffee in the United States are *Specialty Coffee* which has concentrated taste and low acidity. Coffee imported by the United States are dominated by green bean products

⁴ Mustika Yoga, A, "Secangkir Kopi Dan Gaya Hidup Generasi Z," *Otten Coffee*, September 2019, <https://ottencoffee.co.id/majalah/secangkir-kopi-dan-gaya-hidup-generazi-z>.

⁵ Sevi Oktafiana Fortunika, Harianto, and Suharno, "The Effect of Trade Policy on the Position of Indonesian Coffee Market among the Major Importing Countries," *E3S Web of Conferences* 232 (2021): 1–12.

⁶ Sophiana Widiastutie and Ari Pradhanawati, "Diplomasi Kopi Indonesia Di Kancah Dunia" 7, no. 2 (2022): 180–204.

or coffee beans which reach 400,000 bags. The United States are one of the strategic trading partners for Indonesia where the United States is the third destination country for Indonesia's non-oil and gas exports after China and Japan. In addition, the United States is also the main destination country for Indonesian coffee exports with the highest volume.

Indonesian coffee exported to the United States are dominated by unroasted and non-decaffeinated coffee beans by 99.97% (HS 090111 coffee, not roasted, not decaffeinated). Meanwhile, exports of coffee beans to the United States were only 0.03% (HS 090121 coffee, roasted, not decaffeinated).⁷ Among the Indonesian coffee varieties that has received a lot of demand in the United States are Toraja coffee, Kintamani coffee, Gayo Coffee and Luwak Coffee which are known as one of the most expensive coffees in the world. The indications that distinguish the coffee are the taste, aroma, caffeine level and sensation caused after tasting.

On March 12, 2020, the International Organization of the World Health Organization (WHO) declared that COVID 19 are a global pandemic. In Indonesia itself, COVID-19 cases began to spread widely in March 2020 and have caused negative impacts on social, economic aspects and put severe pressure on the economy from the supply and demand sides in several sectors. One of the affected sectors are the coffee industry which experienced decrease in production by up to 35% due to restrictions on social activities which had an impact on reducing farmer activities. The decline in coffee production was also influenced by the decrease in international demand, as restaurants, hotels and cafes closed due to the implementation of the lockdown system. In addition, the Covid-19 pandemic has also slowed the pace of Indonesian coffee exports abroad due to restrictions on distribution and logistics

⁷ Rara Shertina, "Diplomasi Kopi: Kebijakan Luar Negeri Indonesia Dalam Meningkatkan Kerjasama Ekspor Komoditas Kopi Ke Amerika Serikat," *Global and Policy Journal of International Relations* 7, no. 02 (2020): 136–145.

transportation as well as the implementation of lockdown protocols in coffee export destination countries.⁸

The Covid-19 pandemic also had the negative impact on the volume of Indonesian coffee exports to the United States in 2020 which decreased from the previous year. This are influenced by the decline in coffee consumption in the United States in 2020/2021 where Americans did not drink much coffee during the pandemic and only drink a cup of coffee per day.⁹

According to the big Indonesian dictionary, economic recovery is an economic state in the conjuncture pattern characterized by the re-increase in production and consumption, the increase in employment opportunities, the money supply and increase in demand for credit. The Indonesian government's strategy in facing the economic recession caused by the Covid-19 pandemic is to encourage coffee exports to traditional markets, namely the United States through the assignment of Indonesian representatives abroad. Under the Ministry of Trade, the government optimizes the concrete role of the Indonesia Trade Promotion Center (ITPC) to contribute to the acceleration of the economic recovery process by encouraging the performance of coffee exports to the United States. ITPC are Indonesian trade representative who plays an active role in business activities abroad to encourage non-oil and gas commodities. In this case, ITPC plays the role in carrying out its duties and authorities through

⁸ Yoga Sukmana, "Ini Dampak Wabah Korona Ke Industri Kopi," *Kompas* (Jakarta, April 3, 2020), <https://money.kompas.com/read/2020/04/03/200100426/ini-dampak-wabah-corona-ke-industri-kopi?page=all>.

⁹ M.Shahbandeh, "Coffee Consumption in the U.S 2013/14-2020/2021," *Statista*, last modified 2022, <https://www.statista.com/statistics/804271/domestic-coffee-consumption-in-the-us/#:~:text=Coffee consumption in the U.S. 2013%2F14-2020%2F2021&text=Coffee consumption in the United,in the previous fiscal year.>

market development and promotion of trade abroad which includes market penetration, market information services, promotion, market intelligence, and services to the business world.¹⁰

The potential of coffee as Indonesia's leading export commodity is utilized by the government to create export opportunities to the United States through ITPC which plays an active role in business activities abroad. So it is important to looking at the diplomatic efforts of the Indonesian Trade Promotion Center (ITPC) to encourage coffee exports to the United States as the economic recovery due to the impact of Covid-19.

II. RESEARCH METHODS

Research Design

The research design is design related to the formulation of the object to be studied. The method used in this study used qualitative method that are exploratory in nature to ensure that the evidence to be sought makes it possible to answer the formulation of the problem as clearly as possible. In conducting exploration, mature concept become goals in research and wider conceptual reach.¹¹ Qualitative researchers essentially borrow ideas and points of view from the person being studied. They research motives, themes, differences and perspectives.¹²

In this study researchers highlight the effort of the country's government to encourage the export of certain commodities. This research seeking to explain the role of an object in the state or situation. The purpose of qualitative research are to making systematic and accurate descriptions of fact, properties and relationship between variable.

¹⁰ Sanny Sunaryo, "Perdangan Di Luar Negeri Terhadap Kinerja Ekspor," *Jurnal Kebijakan Ekonomi* 15, no. 2 (2020): 2.

¹¹ "Penelitian Eksploratif," *Penalaran Lembaga Penelitian Mahasiswa Universitas Negeri Makassar*, last modified 2018, <https://penalaran-unm.org/penelitian-eksploratif/>.

¹² Umar Suryadi Bakry, *Metode Penelitian Hubungan Internasional* (Yogyakarta: Pustaka Pelajar, 2015).

Object of Research

The object of research in this study is the efforts of *Indonesian Trade Promotion Center* (ITPC) which is located in Los Angeles and Chicago, United States.

Data Collection Techniques

In this study, researchers used sequential data obtained from literature studies. Data collection techniques include reviewing data obtained from books obtained from the Darussalam University library as well as e-books accessed via the internet, official websites of the Indonesian government which include ITPC, Minister of Trade, Minister of Foreign Affairs, Central Statistics Agency and also websites of non-governmental organizations such as the *Indonesian Coffee Exporters Association* (AEKI), scientific papers in the form of theses, scientific journals and news articles and magazines related to the theme research. The various data are collected, grouped and then analyzed using concepts to explain the research problem under study.

Data Analysis Techniques

Qualitative data analysis is done by collecting data obtained from various reference sources, processing data on research-related topics, classifying them into several units and integrating data with problem topics. According to Sugiyono, qualitative data analysis is divided into three ways, namely:

1. Data Reduction

Data reduction are summarizing the main things in accordance with the research topic, looking for themes and pattern that will later provide clearing picture and make it easier to collect further data.¹³ In this research, the reduced data consist of data related

¹³ Dr.Prof. Sugiyono, *Metode Penelitian Kualitatif Dan R&D* (Bandung: Alfabeta, 2015).

to the dynamics of Indonesian coffee trade diplomacy to the United States as well as the role of ITPC in promoting coffee exports as economic recovery.

2. Data Display

The next step are to present data that can be done in the forming of tables, graphics, flowcharts and the like. In addition, data presentation can also be done in the form of a short description, chart, relationship between categories or can also be a narrative text. In this research, data presentation is done in the forming of a narrative description. Through the presentation of the data, the data are organized so that it is easy to understand.

3. Conclusion

The last step in qualitative data analysis are the drawing of conclusions that may be able to answer the formulation of the problem that has been formulated from the beginning. In this research, the data that has been collected and analyzed using the concept can be concluded from the research as brief description of the answer to the formulation of the problem in the research.

III. RESULT AND DISCUSSION

Indonesia is a country that adheres to an open economic system. The role of exports is important because it is one of the drivers of the country's economy. Most of Indonesia's potential export products are agricultural commodities which are superior products and have been exported abroad. Coffee is one of Indonesia's mainstay export commodities after palm oil, rubber and cocoa.¹⁴ Coffee has an important role for the Indonesian economy, including as

¹⁴ "Empat Dari Sepuluh Produk Ekspor Andalan Indonesia Adalah Komoditas Pertanian," *Kementerian Pertanian Republik Indonesia* (Jakarta, n.d.), accessed February 10, 2023, <https://www.pertanian.go.id/home/?show=news&act=view&id=3813>.

a source of foreign exchange for the country, producer of industrial raw materials and provider of employment.

Every company that will enter foreign markets must have complete information regarding market conditions in export destination countries. Many countries make export promotion policies in response to market failures by seeking complete information regarding opportunities and challenges in foreign markets.¹⁵ In 1982, the Indonesian Minister of Trade and the Indonesian Minister of Foreign Affairs agreed on a decree number SKB 1016/OR/VII/82/01 concerning "Organization and Management of the Indonesian Trade Promotion Center on Indonesian representatives abroad" by establishing the Indonesian Trade Promotion Center called the Indonesian Trade Promotion Center (ITPC). The agency is an instrument of commercial diplomacy (CDC) that functions as Export Promotion Agencies (EPAs) in order to support export activities and reduce incomplete information (asymmetry).

Indonesia is the largest coffee producer in the world after Brazil, Vietnam and Colombia. About 67% of Indonesia's coffee production is exported to foreign countries. For Indonesia, the United States is a strategic trading partner because the United States is the third largest non-oil and gas export destination after China and Japan. The United States is also the largest coffee importing country for Indonesia. The high level of coffee consumption in the United States triggers an increase in coffee imports every year.

The volume of Indonesian coffee exports to the United States fluctuates every year with an average of 50-70 thousand tons per year. Indonesian coffee products imported by the United States include raw coffee beans or green beans, roasted coffee beans (roasted coffee) and

¹⁵ Christian Volpe Martincus and Jessica Luna, "Information Barriers , Export Promotion Institutions , and the Extensive Margin of Trade," *Inter American Development Bank (IDB)* 65, no. August (2010): 2.

processed coffee.¹⁶ Indonesian coffee commodities exported to the United States are mostly in the form of robusta and arabica green beans which will be reprocessed in the United States to be used as ground coffee available at coffee outlets.¹⁷ United States consumers love Indonesian coffee because of its diverse varieties and unique aroma and distinctive taste. Some of them that are in demand in the United States market are, Aceh Gayo coffee, Sumatra Mandheling, Java Estate, Sulawesi Toraja, Bali Kintamani, Flores Bajawa and Papua Wamena.¹⁸

On March 11, 2020, the World Health Organization (WHO) officially declared the Covid-19 virus a global pandemic. The Indonesian government's strategy in suppressing the spread of the virus is stated in Government Regulation No. 21 of 2020, namely by imposing a *Large-Scale Social Restrictions* (PSBB) system throughout Indonesia¹⁹. This means that all social activities outside the home including activities in the fields of industry, offices, education, public service centers and also tourism must stop operating for some time as determined by the government.²⁰

In the long run, this causes a domino effect for Indonesia's economic stability. Most trade sectors consisting of business actors such as MSMEs experienced a decline during the pandemic due to difficulties in obtaining raw materials, capital, declining customers, distribution and production slowdown.²¹ In general, Indonesia's export performance during the

¹⁶ "Peran Komoditas Kopi Bagi Perekonomian Indonesia," *Direktorat Kajian Strategis dan Kajian Pemerintah*, no. 13 (2017).

¹⁷ Ibid.

¹⁸ Ministry of Foreign Affairs of the Republic of Indonesia, "Welcome to The Heaven of Specialty Coffee," *Indonesia Invites* (Jakarta, 2013).

¹⁹ Fakhrol Rozi Yamali and Ririn Noviyanti Putri, "Dampak Covid-19 Terhadap Ekonomi Indonesia," *Journal of Economics and Business Universitas Batanghari Jambi* 4, no. 2 (2020).

²⁰ Zulkipli, "Dampak COVID 19 Terhadap Perekonomian Indonesia," *Jimesha: Jurnal Ilmiah Mahasiswa Ekonomi Syariah* 1, no. 1 (2021): 10.

²¹ "Dukungan Pemerintah Bagi UMKM Agar Pulih Di Masa Pandemi," *Kementerian Koordinator Bidang Perekonomian Republik Indonesia* (Jakarta, April 28, 2021), <https://www.ekon.go.id/publikasi/detail/2939/dukungan-pemerintah-bagi-umkm-agar-pulih-di-masa-pandemi>.

Covid-19 pandemic decreased by around 11.43%. Coffee is one of the plantation sectors affected during the Covid-19 pandemic due to supply chain slowdowns. In addition, coffee shipments to export destination countries are also hampered due to export quota restrictions during the pandemic and also the lockdown system implemented by export destination countries.

The volume of Indonesian coffee exports to the United States in 2020 only reached 54,473.7 million tons which showed a decrease compared to 2019. This shows a decrease in coffee prices in the international market in 2020, from IDR 68 thousand / kg before the pandemic to IDR 32 thousand / kg during the pandemic.²² In addition, domestic coffee consumption in the United States has decreased because Americans do not drink much coffee during the pandemic. In this case, the government sets an agenda in realizing economic recovery. Namely a series of activities to encourage economic recovery that was slumped due to the Covid-19 pandemic. Coffee commodities has become mainstay product during the economic crisis during the Covid-19 pandemic. Although Indonesia's coffee trade to the United States declined during the pandemic, coffee exports are still reliable because the United States needs coffee imports to meet its domestic consumption needs.

As an economic recovery effort due to the Covid-19 pandemic, the Indonesian Ministry of Foreign Affairs has strengthened the role of diplomacy to encourage economic activity through exports that focus on Indonesia's superior products needed by trading partners and have high competitiveness. Based on the mandate of Law Number 37 of 1999 concerning foreign relations, it emphasizes the role of diplomacy and the implementation of the duties of

²² Tri Kurnia Yuniarto, "Dampak Pandemi, Pemerintah Prediksi Produksi Kopi RI Anjlok 35%," *Katadata.Co.Id* (Jakarta, 2020), <https://katadata.co.id/ameidyonasution/berita/5f2a902f29d51/dampak-pandemi-pemerintah-prediksi-produksi-kopi-ri-anjlok-35>.

Indonesian representatives, namely the Trade Attaché, the Indonesian Trade Promotion Center (ITPC), the Indonesian Investment Promotion Center (IIPC) and the Indonesian School Abroad (SILN).²³

ITPC as a promotional diplomat provides services to the business world as an effort to encourage exports. This is in line with the economic recovery program launched by the government in terms of providing support to MSMEs. Judging from the amount of budget in the components of the National Economic Recovery Program (PEN), support for MSMEs is the most in the economic recovery agenda with a total budget of Rp. 121.90 trillion. This is the government's commitment to prioritize MSMEs as the driving force of the Indonesian economy.

The research concept used in analyzing ITPC's efforts in encouraging coffee exports uses the concept of commercial diplomacy according to Michel Kostecky and Ollivier Naray who concentrate on the role of commercial diplomacy in international business. In general, the term commercial diplomacy refers to the range of foreign service activities in support of business conducted by members of diplomatic missions. This concept emphasizes on the value chain management of business support activities consisting of the main activity and the support activity. The main activities are the main tasks in business activities that include the following activities: trade promotion, promotion of FDIs, cooperation in science and technology, promotion of tourism, and advocacy of national business community. Meanwhile, The commercial diplomat support activities that are the government's targets are related to supporting activities to carry out the main activities. Among the commercial diplomacy support

²³ *Rencana Strategis Kementerian Luar Negeri Indonesia Tahun 2020-2024*, 2020, <https://kemlu.go.id/download/L3NpdGVzL3B1c2F0L0RvY3VtZW50cy9BS0lQL0tlbWVudGVyaWFuJTIwTHVhciUyME5lZ2VyaS9UYWwh1biUyMDIwMjAvUmVuc3RyYSUyMETlbWVubHUIIMjAyMDIwLTIwMjQucGRm>.

activities are: intelligence, networking and public relation, contact negotiations, and prblrm solving.

In this case, ITPC is a type of Indonesian trade promotion commercial diplomat who carries out a strategy in encouraging coffee exports to the United States in terms of strategic activities to create a value chain that includes main activities and support activities.

Main Activities

The main activities of commercial diplomacy are the series of main activities related to trade, tourism and business advocacy abroad. In this case, ITPC, which is a type of commercial diplomat for business promotion, carries out its main activities in order to encourage coffee exports to the United States through several efforts, namely:

Trade Promotion

The main task of commercial diplomacy relates to marketing in the host country. ITPC as Indonesia's trade representative has main duties related to marketing abroad. Efforts in the promotion of the export of coffee products are carried out through involvement in trade fairs held in the host country. In order to encourage coffee exports to the United States, ITPC participated in coffee exhibitions, such as:

Specialty Coffee Expo (SCE) 2021

On October 1-3, 2021, Indonesia participated in the largest coffee exhibition in the United States, namely the *Specialty Coffee Expo* (SCE) in New Orleans, United States. Indonesia's participation was supported by ITPC Los Angeles and ITPC Chicago, Trade Attaché, Indonesian Embassy in Washington DC, and KJRI Houston. The Indonesian pavilion in this event carries the theme "*Remarkable Indonesia Coffee: Home of World's Finest Coffee*" which is filled by six exporters and MSMEs. The presence of the Indonesian

pavilion supported by ITPC was able to become an event in promoting Indonesia's superior coffee products to the visitors of the SCE exhibition in New Orleans.

Specialty Coffee Expo (SCE) 2022

On April 8-10, 2022, the SCE exhibition will again be held at the Boston Convention and Exhibition Center, United States. The exhibitor of around 406 booth consisted of green beans suppliers, roasters, processed coffee production and coffee brewing equipment manufacturers from various countries. The Indonesian Pavilion, namely Remarkable Indonesia Coffee, are supported by the Indonesian Embassy in New York, the Indonesian Embassy in Washington DC, ITPC Los Angeles and ITPC Chicago. In addition, Indonesian banking institutions such as BRI, BNI and Mandiri also participated in business facilitation by including SME Muniru Coffee Gayo in the exhibition.

Among the 6 business actors who received business facilitation from the government are *Java Halu Coffee, PT Sanika Indonesia Sukses, Caldera Coffee, Cokelatin Indonesia, Hiro and Coconuttree, and PT Delifru Utama Indonesia*.²⁴ The specialty coffee variants on display include Gayo coffee, Lintong, Solok, Toraja, Java Preanger, Flores and Kintamani. On the first day, the number of coffee trade transaction in the Indonesian pavilion was valued at Rp.17.2 billion. This showing that Indonesian coffee product are quite in demand in the United States. ITPC's contribution in business facilitation in the coffee exhibition has implications for the supply chain of coffee exports to the United States

²⁴ "Specialty Coffee Di Boston, Kopi Unggulan Indonesia Raup Potensi Transaksi Sebesar Rp 283 Miliar," *Kementerian Koperasi Dan UKM Republik Indonesia* (Boston, April 13, 2022), <https://kemenkopukm.go.id/read/specialty-coffee-di-boston-kopi-unggulan-indonesia-raup-potensi-transaksi-sebesar-rp283-miliar>.

Business facilitation services run by ITPC in trade exhibitions are economic recovery efforts, where ITPC provides support services to MSMEs through export financing by including SMEs Muniru Coffee Gayo in the Specialty Coffee Expo exhibition. The coffee promotion event can attract potential buyers while improving the image of Indonesia's competitiveness as a leading coffee producer in the world.

Advocacy of National Business Community

In general, commercial diplomacy provides business services in the form of business consulting to the business community. ITPC plays role in business advocacy through business consulting and negotiation assistance. As an effort to encourage coffee exports, ITPC plays a role in protecting Indonesia's business interests to encourage coffee exports through the support of consulting services in the legislative process in force in the United States. Some of the efforts made are:

Webinar Tips for Exporting Indonesian Food and Beverage Products to the West Coast of the United States

On March 10, 2021, the *Indonesian Export Education and Training Center* (BBPPEI), KJRI San Francisco and ITPC Los Angeles collaborated in holding a webinar "Tips for Exporting Indonesian Food and Beverage Products to the West Coast of the United States". This activity is an effort to increase export of food and beverage products in the San Francisco area, especially Indonesia's leading coffee products which need to be increased in export value. The webinar event was attended by 390 participants consisting of SMEs and Indonesia`s Coffee diaspora in the United States and guided by the Head of ITPC Los Angeles, Bayu Nugroho who provided knowledge and information about the requirements and regulations applied to enter the United States market. Indonesia as a country that gets

GSP facilities in the form of import duty waivers for coffee products has the opportunity to create added value to Indonesia's national exports.

In this case, ITPC is involved in business advocacy efforts that act as advisors by providing some product information in the United States market for webinar participants consisting of SMEs. Business advocacy services by ITPC in the webinar event can be utilized by SMEs in the Indonesian coffee sector to provide information about export procedure as well as conselling product packaging and labelling standards in accordance with standard applied in the United States. In this case, ITPC acts as consulting service provider for Indonesian business actors as the effort to encourage coffee exports to create competitiveness in the United States market.

Support Activities

The value chain strategy in commercial diplomacy in addition to the main activity are support activities, which are an attack of supporting activities in carrying out the main activities. In this case, commercial diplomacy carries out support activities on the basis of government interests. ITPC as a trade representative carries out support activities to encourage the success of key activities in order to encourage coffee exports to the United States. The ITPC's effort for support activities are:

Intelligence

The first activity supporting commercial diplomacy are intelligence that inspired by market information seeking activities and tackling business questions from home and homeless companies. ITPC carries out obligations in market intelligence as a form of service in providing market information in the form of market intelligence, market briefs

and market surveys. In order to encourage coffee exports to the United States, ITPC conducts market research in the form of a coffee market brief report as follows:

ITPC Los Angeles Coffee Market Brief

In the publication of the coffee market brief, ITPC Los Angeles collects and analyzes data related to the condition of the coffee market in the United States which includes trade policy data related to coffee export-import and coffee consumption, especially in the Los Angeles, San Francisco and Houston areas. The United States coffee imports reach 24 million bags or about 60 kg or even more every year. Most local coffee entrepreneurs rely on coffee supplies from foreign markets because the price is more affordable.²⁵ This is an opportunity for Indonesia to take part in supplying more coffee to the United States.

ITPC Chicago Coffee Market Brief

ITPC Chicago also publishes a coffee market brief as a form of coffee market information service in the United States, especially in the Chicago section. The data presented is in the form of United States market conditions for coffee products from Indonesia. Chicago is a strategic area for the Indonesian coffee trade because the region has high level of coffee consumption.²⁶ Most of the consumption of United States coffee is of high quality arabica type to specialty type. Indonesia's position as a specialty coffee producer has the opportunity to increase export competitiveness in the United States coffee market because Indonesia is known as the leading specialty coffee producer in the world.

ITPC's efforts in issuing coffee brief mock up report aim to provide macro overview of the coffee market in the United States. Information is presented in the form of a confidential

²⁵Market Brief Kopi, ITPC Los Angeles (Los Angeles, n.d.), http://djpen.kemendag.go.id/app_frontend/admin/docs/researchcorner/5281376297807.pdf.

²⁶Market Brief Kopi ITPC Chicago (Chicago, n.d.), http://djpen.kemendag.go.id/app_frontend/admin/docs/researchcorner/5281376297807.pdf.

report under the control of the Ambassador who decides with whom to share it.²⁷ The coffee market brief report can be used by the government as a reference in policy formulation in optimizing coffee exports to the United States. The coffee market brief report can be used by the government as a reference in formulating policies to optimize coffee exports to the United States.

Networking and Public Relations

Networking activities are an effort in the search for trading partners, where diplomats playing a role in business matching by initiating contacts between the entrepreneurs of the home country and the trading partners of the host country. In this case, ITPC plays a role in maintaining a good partnership relationship for a long period of time. The efforts made in encouraging coffee exports are:

Hybrid Coffee Business Matching and Cupping

On April 8, 2021, ITPC Los Angeles in collaboration with KJRI Los Angeles held a Hybrid Coffee Business Matching and Cupping with the theme "*A Cup Of Java: The Original Taste of Indonesian Coffee*" at the Outdoor Rooftop of the KJRI Los Angeles Building. This hybrid event aims to promote Indonesian coffee beans, especially Javanese coffee dubbed A Cup Of Java to coffee shop owners and roasteries in the Los Angeles area.

ITPC Los Angeles plays a role in business networking by presenting five Indonesian SMEs that participate directly, namely Opal Coffee and Red Goni as well as virtually such as PT Dua Harimau, Ephraim Kopi and Kopi Kalyan. Then the event continued with a cupping coffee session by including coffee samples from Java such as Java Pineapple, Bondowoso and Wahana Longberry Washed which were served directly to prospective

²⁷ KostECKI and Naray, *Commercial Diplomacy and International Business*.

buyers. Cupping coffee or coffee tasting sessions. At the end of the activity, the commitment to purchase coffee with a transaction of around USD 10 thousand has been obtained.²⁸

Indonesia Coffee Diaspora

To build cooperative relations between Indonesian business actor and trading partner in the United States, good communication is needed to maintain trust between the two parties. In this case, ITPC Chicago strengthens the existence of Indonesian coffee through a dialogue approach in the Indonesia Coffee Diaspora event which will be held on July 15, 2021.²⁹ The event was a collaboration with Indonesian diaspora coffee located in Chicago, United States to strengthen the presence of Indonesian coffee products in the United States. During the event, there were 27 participants consisting of importers of large quantities of coffee (commercial), coffee shop managers and roasters, traders for distribution and other actors interested in the coffee business.³⁰

ITPC's efforts in business networks and public relations in the Indonesia Coffee Diaspora event rely on diaspora coffee of the Republic of Indonesia in the United States such as Cafe Dangdut and Café Collectivo which are involved in cupping coffee products of Indonesian coffee. The diaspora coffee shop established a partnership with ITPC Chicago in supplying Indonesian coffee products to the United States. So that the coffee supply are able to contribute to encouraging coffee exports to the United States.

²⁸ "Gelar Business Matching, Kopi Indonesia Raih Potensi Transaksi USD 100 Ribu Di Los Angeles," *Kementerian Perdagangan Republik Indonesia* (Los Angeles, April 13, 2019), <https://www.kemendag.go.id/berita/perdagangan/gelar-business-matching-kopi-indonesia-raih-potensi-transaksi-usd100-ribu-di-los-angeles>.

²⁹ "Kemendag Perkuat Eksistensi Kopi Indonesia Dengan Pendekatan Dialog," *Kementerian Perdagangan Republik Indonesia* (Chicago, 2021), <https://www.kemendag.go.id/berita/perdagangan/kemendag-perkuat-eksistensi-kopi-indonesia-di-chicago-dengan-pendekatan-dialog>.

³⁰ "Indonesia Coffee Diaspora from Origin to Global Market: From Farmer to Cup," *ITPC Chicago-Promoting Sustainable Coffee Diaspora* (2021): 4.

2021 is the transition year of the pandemic, where world economic performance is slowly starting to return to normal. The coffee sector in Indonesia began to show improvement because social restrictions due to the Covid-19 pandemic began to be relaxed so that industrial activities, coffee outlets and export activities began to return to normal. Indonesia's coffee production in 2022 reached 786.19%, which showed an increase of 1.31% from the previous year. In terms of coffee exports, Indonesia increased by 40% with the United States as the main destination for coffee exports. The total volume and value of coffee exports to the United States in 2021-2022 are presented in the following graph:



Figure 1 Indonesian Coffee Exports To The United State 2020-2022

In 2021, Indonesia's coffee exports to the United States scored a volume of 57,694 tons with an export value of 194,769 USD. Even though the transaction value decreased by around 3.75% compared to 2020, the increase in Indonesian coffee production was able to support the volume of coffee exports. The growth in coffee export volume was triggered by an increase in US demand for Indonesian coffee, because coffee production in large countries such as Brazil and Colombia, which are the largest suppliers of coffee to the United States, experienced a decline in

production due to bad weather.³¹ The scarcity of coffee due to decreased production in that country causes world coffee prices to be high during 2021. In 2022, coffee exports to the United States show a decrease in volume compared to 2021. This is due to a decrease in demand for coffee by the United States from world coffee supplying countries, one of which includes Indonesia. However, in terms of coffee export value, it showed an increase of 37.62% with an acquisition value of USD 268.46.

The increase in coffee exports to the United States which scored a number of potential transactions is inseparable from the results of the performance of ITPC Los Angeles and ITPC Chicago in encouraging national exports. ITPC contributes to driving the coffee export chain to the United States through export promotion strategies in coffee exhibition events, increasing business networks between exporters and importers in the United States and providing market information services in the form of coffee market briefs.

In 2022, Indonesia's overall coffee export performance increased quite significantly with an increase of 12.92% from the previous year with the acquisition of Indonesia's coffee export value reaching USD 1,136,296.3 which increased by 33.78% from 2021.³² The first destination country for coffee exports for Indonesia is the United States. In this case, the United States as the largest coffee importing country, Indonesia contributes the largest non-oil and gas commodity trade surplus which contributes 9.14% of the total trade between the two countries. In this case, the efforts made by ITPC in encouraging coffee exports to the United States show a positive trend as seen from the increase in coffee exports to the United States in 2021-2022.

³¹ Suhendra, "Vietnam Lockdown, Harga Kopi Dunia Melesat, Kok Bisa?," *CNBC Indonesia* (Jakarta, September 16, 2021), <https://www.cnbcindonesia.com/news/20210916124628-4-276792/vietnam-lockdown-harga-kopi-dunia-melesat-kok-bisa#:~:text=Proyeksi harga kopi dunia di,%24 1%2C5 per pound.>

³² Pusat Pengkajian Perdagangan Luar Negeri, *Kinerja Ekspor Impor Indonesia Tahun 2021* (Jakarta, 2022), <https://bkperdag.kemendag.go.id/referensi/infografis/view/NzM2>.

From the Islamic perspective, ITPC's role in encouraging coffee export to the United States was related with the concept of foreign trade diplomacy for developing the economic internationally. Allah Almighty has made cooperation one of the blessings for humans.³³ The Qur'an verse that mentions diplomacy about foreign trade relations is:

هُوَ الَّذِي جَعَلَ لَكُمُ الْأَرْضَ ذَلُولًا فَامْشُوا فِي مَنَاكِبِهَا وَكُلُوا مِن رِّزْقِهِ وَإِلَيْهِ النُّشُورُ

The Meaning: He is the One who makes the earth easy for you, so walk in all its directions and eat part of His sustenance. And it is only to Him that you are (again after) being resurrected. (QS Al Mulk: 15)

According to Quraish Shihab's interpretation, Allah has subdued the earth with the natural wealth produced so as to facilitate the survival of humans on earth. So man is commanded to explore all corners of the earth for the purposes of livelihood and commerce until it crosses national borders.³⁴ Each country has its own privileges including their ability to open the doors of sustenance widely with guarantees of security, safety and peace of mind for them in conducting business with other countries.

Commercial diplomacy is an instrument that became soft power for the country. Where the production of certain goods in one country can meet the needs of demand in other countries. Indonesia as a country that is blessed with fertile and wide-ranging agricultural land has the potential to utilize agricultural products as a leading export commodity. Indonesia's abundant coffee production is able to open trade with various countries in the world which will provide benefits in encouraging domestic economic growth.

³³ MA. Dr. Lukman Arake LC, *FIQH Diplomati: Konsep Dan Realita* (Yogyakarta: Lembaga Ladang Kata, 2019).

³⁴ Norma Azmi Farida, "Tafsir Surat Al Mulk Ayat 15: Berkelanalah! Hingga Sadar Kefanaan Dunia Dan Kekekalan Allah," *Tafsir Al-Qur'an.id*, last modified 2020, accessed March 12, 2023, <https://tafsiralquran.id/tafsir-surat-al-mulk-ayat-15-berkelanalah-hingga-sadar-kefanaan-dunia-dan-kekekalan-allah/>.

Indonesian coffee trade diplomacy through trade representative institutions, such as ITPC which is domiciled abroad, contributes to cooperation in export activities with the aim of meeting mutually beneficial human needs. Allah SWT has made natural resources to meet human needs based on commitment in good and correct way in exploring them. In addition, international trade is also means for economic development as well as in the development of human resources because it is able to increase per capita income for the country. So that trade diplomacy that relies on exports can become a means of human benefit.

IV. CONCLUSION

In order to encourage coffee exports to the United States during the post Covid-19 pandemic, ITPC as a commercial diplomat of trade promotion carries out key activities and support activities. ITPC's efforts in providing support services to MSMEs are in line with Indonesia's economic recovery program. Judging from the main activities, ITPC runs trade promotion by attending the largest coffee exhibition event in the United States, the Specialty Coffee Expo by providing support services for MSMEs in the coffee sector to participate in the exhibition. ITPC is also involved in providing business advocacy services through webinars by providing information related to export and import regulations in the United States.

ITPC also carries out support activities by compiling a United States coffee market analysis report as a useful market information service support for the government and also Indonesian coffee exporters. In addition, ITPC collaborates with the Indonesian Consulate General in Los Angeles in networking and public relations through business matcing. The event became a meeting place between Indonesian coffee exporters and potential trading partners in the United States. So that a match and partnership relationship can be found between the two. ITPC's performance results are able to contribute to the economic recovery process in Indonesia by encouraging coffee

exports to the United States. In 2020-2022, the United States is a country that contributes a surplus of oil and gas commodities to Indonesia of 9.14%. In addition, the United States became the largest coffee importing country in Indonesia in 2022 which increased by 37.62% with a value gain of 268.46 USD. ITPC's performance shows a positive trend in encouraging coffee exports to the United States which has implications for the process of accelerating economic recovery.

V. REFERENCES

Bakry, Umar Suryadi. *Metode Penelitian Hubungan Internasional*. Yogyakarta: Pustaka Pelajar, 2015.

Butterick, Keith. *Pengantar Publik Relation Teori Dan Praktik*. Depok: Rajawali Rajagrafindo Persada, 2018.

Dr. Lukman Arake LC, MA. *FIQH Diplomati: Konsep Dan Realita*. Yogyakarta: Lembaga Ladang Kata, 2019.

Evan H, Potter. "Branding Canada : The Renaissance of Canada ' s Commercial Diplomacy." *International Studies Perspective (ISA)* 5, no. 1 (2004): 55.

Farida, Norma Azmi. "Tafsir Surat Al Mulk Ayat 15: Berkelanalah! Hingga Sadar Kefanaan Dunia Dan Kekekalan Allah." *Tafsir Al -Qur`an.Id*. Last modified 2020. Accessed March 12, 2023. <https://tafsiralquran.id/tafsir-surat-al-mulk-ayat-15-berkelanalah-hingga-sadar-kefanaan-dunia-dan-kekekalan-allah/>.

Fortunika, Sevi Oktafiana, Harianto, and Suharno. "The Effect of Trade Policy on the Position of Indonesian Coffee Market among the Major Importing Countries." *E3S Web of Conferences* 232 (2021): 1–12.

Khoeron, Moh. "PR Kita Adalah Public Relation." *Kementerian Agama Republik Indonesia*, September 1, 2021. <https://kemenag.go.id/read/pr-kita-adalah-public-relations-m8x83>.

Kostecki, Michel, and Olivier Naray. *Commercial Diplomacy and International Business*. Edited by University of Warwick Dominic Kelly. Netherlands: Desiree Davidse, 2017.

M.Shahbandeh. "Coffee Consumption in the U.S 2013/14-2020/2021." *Statista*. Last modified 2022. [https://www.statista.com/statistics/804271/domestic-coffee-consumption-in-the-us/#:~:text=Coffee consumption in the U.S. 2013%2F14-2020%2F2021&text=Coffee consumption in the United,in the previous fiscal year.](https://www.statista.com/statistics/804271/domestic-coffee-consumption-in-the-us/#:~:text=Coffee%20consumption%20in%20the%20U.S.,in%20the%20previous%20fiscal%20year)

Martincus, Christian Volpe, and Jessica Luna. "Information Barriers , Export Promotion Institutions , and the Extensive Margin of Trade." *Inter American Development Bank (IDB)* 65, no. August (2010): 2.

Ministry of Foreign Affairs of the Republic of Indonesia. "Welcome to The Heaven of Specialty Coffee." *Indonesia Invites*. Jakarta, 2013.

Naray, Olivier. "Commercial Diplomacy : A Conceptual Overview." In *7th World Conference of TPOs – Commercial Diplomacy : A Conceptual Overview*, 3. Netherlands: Research Gate, 2014.

Nasution, Bhatara Bharah. *Specialty Kopi Indonesia*. *Warta Ekspor*. Jakarta, 2018.

http://djpen.kemendag.go.id/app_frontend/admin/docs/publication/9321548126511.pdf.

Polontalo, Ivan. "3 Alasan Pengusaha Indonesia Harus Ikut Pameran Internasional." *Kompas*, September 27, 2017. <https://kumparan.com/ivan-polontalo/apa-sih-yang-keuntungan-pengusaha-indonesia-ikut-pameran-internasional-di-negara-lain>.

Pusat Pengkajian Perdagangan Luar Negeri. *Kinerja Ekspor Impor Indonesia Tahun 2021*. Jakarta, 2022. <https://bkperdag.kemendag.go.id/referensi/infografis/view/NzM2>.

Shertina, Rara. "Diplomasi Kopi: Kebijakan Luar Negeri Indonesia Dalam Meningkatkan Kerjasama Ekspor Komoditas Kopi Ke Amerika Serikat." *Global and Policy Journal of*

International Relations 7, no. 02 (2020): 136–145.

Solikatun, Tri Kartono, and Argyo Demartoto. “Perilaku Konsumsi Kopi Sebagai Budaya Masyarakat Konsumsi.” *Jurnal Analisa Sosiologi* 4, no. 1 (2015): 60–74.

Sugiyono, Dr.Prof. *Metode Penelitian Kualitatif Dan R&D*. Bandung: Alfabeta, 2015.

Suhendra. “Vietnam Lockdown, Harga Kopi Dunia Melesat, Kok Bisa?” *CNBC Indonesia*. Jakarta, September 16, 2021. <https://www.cnbcindonesia.com/news/20210916124628-4-276792/vietnam-lockdown-harga-kopi-dunia-melesat-kok-bisa#:~:text=Proyeksi harga kopi dunia di,%24 1%2C5 per pound.>

Sukmana, Yoga. “Ini Dampak Wabah Korona Ke Industri Kopi.” *Kompas*. Jakarta, April 3, 2020. [https://money.kompas.com/read/2020/04/03/200100426/ini-dampak-wabah-corona-ke-industri-kopi?page=all.](https://money.kompas.com/read/2020/04/03/200100426/ini-dampak-wabah-corona-ke-industri-kopi?page=all)

Sunaryo, Sanny. “Perdagangan Di Luar Negeri Terhadap Kinerja Ekspor.” *Jurnal Kebijakan Ekonomi* 15, no. 2 (2020): 2.

UNCTAD. *Investment Promotion Handbook for Diplomats*. UNCTAD. 6th ed. New York: United Nations Conference on Trade and Development, 2011.

Widiastutie, Sophiana, and Ari Pradhanawati. “Diplomasi Kopi Indonesia Di Kancan Dunia” 7, no. 2 (2022): 180–204.

Yamali, Fakhru Rozi, and Ririn Noviyanti Putri. “Dampak Covid-19 Terhadap Ekonomi Indonesia.” *Journal of Economics and Business Universitas Batanghari Jambi* 4, no. 2 (2020).

Yoga, A, Mustika. “Secangkir Kopi Dan Gaya Hidup Generasi Z.” *Otten Coffee*, September 2019. [https://ottencoffee.co.id/majalah/secangkir-kopi-dan-gaya-hidup-generasi-z.](https://ottencoffee.co.id/majalah/secangkir-kopi-dan-gaya-hidup-generasi-z)

Yunianto, Tri Kurnia. “Dampak Pandemi, Pemerintah Prediksi Produksi Kopi RI Anjlok 35%.”

Katadata.Co.Id. Jakarta, 2020.

<https://katadata.co.id/ameidyonasution/berita/5f2a902f29d51/dampak-pandemi-pemerintah-prediksi-produksi-kopi-ri-anjlok-35>.

Zulkipli. “Dampak COVID 19 Terhadap Perekonomian Indonesia.” *Jimesha: Jurnal Ilmiah Mahasiswa Eonomi Syariah* 1, no. 1 (2021): 10.

“Dukungan Pemerintah Bagi UMKM Agar Pulih Di Masa Pandemi.” *Kementerian Koordinator Bidang Perekonomian Republik Indonesia*. Jakarta, April 28, 2021.
<https://www.ekon.go.id/publikasi/detail/2939/dukungan-pemerintah-bagi-umkm-agar-pulih-di-masa-pandemi>.

“Empat Dari Sepuluh Produk Ekspor Andalan Indonesia Adalah Komoditas Pertanian.”
Kementerian Pertanian Republik Indonesia. Jakarta, n.d. Accessed February 10, 2023.
<https://www.pertanian.go.id/home/?show=news&act=view&id=3813>.

“Gelar Business Matching, Kopi Indonesia Raih Potensi Transaksi USD 100 Ribu Di Los Angeles.” *Kementerian Perdagangan Republik Indonesia*. Los Angeles, April 13, 2019.
<https://www.kemendag.go.id/berita/perdagangan/gelar-business-matching-kopi-indonesia-raih-potensi-transaksi-usd100-ribu-di-los-angeles>.

“Indonesia Coffee Diaspora from Origin to Global Market: From Farmer to Cup.” *ITPC Chicago- Promoting Sustainable Coffee Diaspora* (2021): 4.

“Kemendag Perkuat Eksistensi Kopi Indonesia Dengan Pendekatan Dialog.” *Kementerian Perdagangan Republik Indonesia*. Chicago, 2021.
<https://www.kemendag.go.id/berita/perdagangan/kemendag-perkuat-eksistensi-kopi-indonesia-di-chicago-dengan-pendekatan-dialog>.

Market Brief Kopi. ITPC Los Angeles. Los Angeles, n.d.

http://djpen.kemendag.go.id/app_frontend/admin/docs/researchcorner/5281376297807.pdf.

Market Brief Kopi ITPC Chicago. Chicago, n.d.

http://djpen.kemendag.go.id/app_frontend/admin/docs/researchcorner/5281376297807.pdf.

“Mengenal Apa Itu Specialty Coffee.” *Coffeland Indonesia*. Last modified 2022.

<https://coffeeland.co.id/mengenal-apa-itu-specialty-coffee/>.

“Penelitian Eksploratif.” *Penalaran Lembaga Penelitian Mahasiswa Universitas Negeri*

Makassar. Last modified 2018. <https://penalaran-unm.org/penelitian-eksploratif/>.

“Peran Komoditas Kopi Bagi Perekonomian Indonesia.” *Direktorat Kajian Strategis dan Kajian*

Pemerintah, no. 13 (2017).

Peraturan Kemendag RI Tentang Uraian Tugas Pusat Promosi Perdagangan Indonesia (ITPC)

Di Luar Negeri. Jakarta, 2010.

Rencana Strategis Kementerian Luar Negeri Indonesia Tahun 2020-2024, 2020.

<https://kemlu.go.id/download/L3NpdGVzL3B1c2F0L0RvY3VtZW50cy9BS0lQL0tlbWVu dGVyaWFuJTlwTHVhciUyME5lZ2VyaS9UYWwh1biUyMDIwMjAvUmVuc3RyYSUyME tlbWVubHUIAjAyMDIwLTIwMjQucGRm>.

“Specialty Coffee Di Boston, Kopi Unggulan Indonesia Raup Potensi Transaksi Sebesar Rp 283 Miliar.” *Kementerian Koperasi Dan UKM Republik Indonesia*. Boston, April 13, 2022.

<https://kemenkopukm.go.id/read/specialty-coffee-di-boston-kopi-unggulan-indonesia-raup-potensi-transaksi-sebesar-rp283-miliar>.