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## ANALYSIS OF THE DEVELOPMENT OF ECONOMIC COOPERATION BETWEEN INDONESIA AND PAPUA NEW GUINEA AFTER THE COVID-19 PANDEMIC

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### ABSTRACT

Papua New Guinea is one of the main partners of the Government of Indonesia in establishing international economic cooperation for the Pacific and Oceania regions. Papua New Guinea sees Indonesia as an example of how to improve economic development and improve partnerships in the Pacific region. *This study uses a qualitative approach through interviews and literature studies.* The research method used is a qualitative phenomenological approach where qualitative phenomenology is a research method that seeks to identify the universal essence of phenomena that are felt personally by a group of people. The approach to bilateral relations between Indonesia and Papua New Guinea has existed since before the independence of Papua New Guinea. The geographical proximity of the two countries makes the two countries an advantage in establishing economic cooperation. The two countries agreed on various points of cooperation in improving relations and the economy between countries and this is projected to increase after the Covid-19 pandemic is over

### KEYWORDS

Economy, Cooperation, Covid 19, Indonesia, Papua new guinea



## I. Introduction.

Along with the dynamic development of the times, there are various problems that hit various countries, especially in the economic sector. Each country does various ways to secure the country's economy. The limited resources owned by each country trigger the occurrence of cooperative relations between countries in meeting the needs of the people in their country. Therefore, international cooperation is important in improving the economy of a country. According to Holsti (1988) states that international cooperation is a view of the interests, values, or goals between two parties that provide outputs that can be met by all parties involved (Holsti, 1988)

Indonesia as a country located in a strategic location where there are the Indian Ocean and the Pacific Ocean, followed by the Asian continent and the Australian continent, makes the layout of Indonesia's location one of the strategic locations. From an economic point of view, Indonesia is a crossroads for the world economy that connects trade between industrialized countries and developing countries such as countries in East Asia and countries in Asia, Africa, and Europe (KBRI Kazakhstan, 2020). With Indonesia's strategic location, currently Indonesia must face geopolitical conditions which are currently experiencing very high shocks due to the Covid-19 pandemic and conflicts between other countries that have a direct impact on the country's economy. Indonesia is directly adjacent to several countries such as Malaysia which is in the north of the island of Borneo, Timor Leste on the island of East Nusa Tenggara, and Papua New Guinea on the island of Papua. Therefore, Indonesia takes an approach and maintains relations between countries that are direct neighbors with Indonesia.

Papua New Guinea is one of the main partners of the Government of Indonesia in establishing international economic cooperation for the Pacific and Oceania regions. Papua New Guinea sees Indonesia as an example of how to improve economic development and increase partnerships in the Pacific region (Azizah & Haliza, 2019). Trade cooperation between Indonesia and Papua New Guinea will increase to USD 322 million in 2021 compared to 2020 which was USD 212 million. The closeness between the two countries is not only in economic relations, but also increases the commitment to political relations between the two countries (Wangge, 2022).

Over time, the Covid-19 pandemic hit the world and created new problems, especially problems in the economic field. Especially in Indonesia, which experienced losses on a national scale reaching IDR 517.5 trillion in 2020, this made Indonesia have to look for tactics in solving economic problems that occurred (Hadiwardoyo, 2020). As one of the neighboring countries, Indonesia establishes bilateral cooperation with Papua New Guinea to expand opportunities and partnerships between countries.

After the Covid-19 pandemic was declared endemic by the Indonesian government, the cooperative relationship with Papua New Guinea is still ongoing. Therefore, in this article, an analysis of the development of economic cooperation between Indonesia and Papua New Guinea will be discussed after the Covid-19 pandemic.

## II. Research Method

The research method used is a qualitative approach to phenomenology where qualitative phenomenology is a research method that seeks to identify the universal essence of phenomena that are felt personally by a group of people (Cresswell, 1998). The data collection technique was sourced from interviews quoted from the media, which focused on economic cooperation between Indonesia and Papua New Guinea after the Covid-19 pandemic. Other data used are sourced from literature studies that focus on books, articles, and other media to support the discussion in this paper. The author tries to analyze the development of cooperation between Indonesia and Papua New Guinea to see the output obtained by the two countries in the economic field.

The theory used by the author to strengthen the discussion is the theory of economic cooperation. Caraiani and Georgescu (2013) in the paper Andruseac and Hertug (2015) argue that economic cooperation is a form of international cooperation with the aim of obtaining mutual benefits through the shared use of financial, material and technological resources of all partners (Andruseac & Hertug, 2015). Cariaini and Georgescu divide into 3 stages regarding the process of international economic cooperation, namely (Andruseac & Hertug, 2015):

1. The first stage explains that economic cooperation is about the relationship between the colonies and the cooperative relationship that is established, it requires a different approach than the economic cooperation carried out in general.

2. The second stage refers to the conceptualization of economic cooperation as a solution to inconsistencies in the international economy

3. The third stage, international economic cooperation is identified as functional and pragmatic cooperation.

From the theory of international economic cooperation used, the author tries to examine the developments that occurred between Indonesia and Papua New Guinea in the aftermath of the Covid-19 pandemic. This is examined from various sides, namely from the general description of economic cooperation between Indonesia and Papua New Guinea and the economic cooperation carried out after the Covid-19 pandemic.

### **III. Result and Discussion**

#### **A. Overview of Economic Cooperation between Indonesia and Papua New Guinea**

Bilateral relations between Indonesia and Papua New Guinea began in 1973 before Papua New Guinea gained independence from Australia 2 years earlier, the cooperation was focused on the defense and security sector. Cooperation in other fields began to be deepened over time, such as in the fields of politics, economy, socio-culture, and education.

Bilateral relations between Indonesia and Papua New Guinea are seen from the benefits that will be obtained by both countries. Indonesia is the fourth most populous country in the world and the 10th largest economy in terms of purchasing power. Indonesia's achievements are reducing the poverty rate by more than half since 1999 to below 10% in 2019 before the Covid-19 pandemic hit. In 2022, Indonesia will become the G20 presidency which has the potential to increase cooperation in post-pandemic recovery, both geopolitically and economically. The Covid-19 pandemic has made the Indonesian economy a low-middle income country. With good management, the Indonesian economy is projected to grow by 5.1% in 2022 (The World Bank, 2022). With massive infrastructure and economic development, Indonesia is a potential partner for Papua New Guinea in enhancing economic cooperation.

Papua New Guinea is a developing country in the Pacific region with a total population of 8 million people. The potential of natural resources is large and has the potential to establish economic cooperation with countries in Asia and its surroundings. Papua New Guinea's economy is dominated by two sectors, the first in agriculture, forestry and fisheries and the second in mining and energy. With an economic contraction of 3.8% in 2020 (The World Bank, 2021). With the contraction going on, Papua New Guinea needs a partner country that can benefit the country and can improve the country's economy.

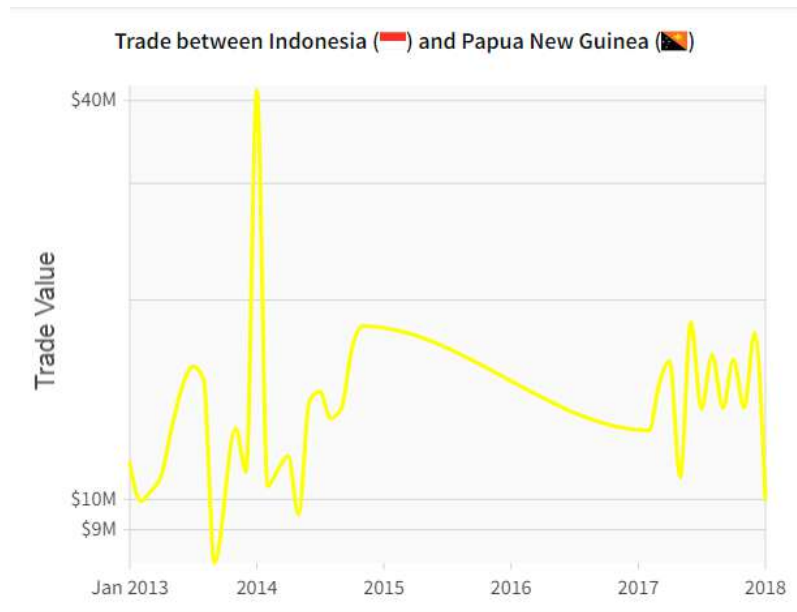
The projection of bilateral relations between Indonesia and Papua New Guinea will be better with a focus on increasing economic cooperation. Moreover, the Covid-19 pandemic has made the economies of two countries to decline. After the Covid-19 pandemic was declared endemic, each country deepened economic cooperation.

#### **B. Economic Cooperation between Indonesia and Papua New Guinea after the Covid-19 Pandemic**

The Covid-19 pandemic is a challenge for all countries in the world in improving their economy, especially the impact of the Covid-19 pandemic on the economic sector is felt by almost all circles. Economic conditions between Indonesia and Papua New Guinea have decreased and have forced Indonesia and Papua New Guinea to approach bilateral relations between countries economically. Bilateral relations between Indonesia and Papua New Guinea will increase in 2021 in terms of the amount of trade. From OEC World data (2020) it is explained that exports from Indonesia to Papua New Guinea amounted to USD 139 million, while exports from Papua New Guinea to Indonesia amounted to USD 32.9 million. The main commodities in exports from Indonesia to Papua New Guinea are wheat and meslin flour amounting to USD 11 million; Pasta and cuscus totaling USD 10.6 Million; and Fertilizer amounted to USD 9.26 Million. In Papua New Guinea's exports to Indonesia, the main commodities sold are vanilla, amounting to USD 20.1 million and cocoa beans, amounting to USD 7.99 million (OEC, 2020).

During the working visit of the Prime Minister of Papua New Guinea James Marape to Indonesia in March 2022, which was intended to deepen economic cooperation between the two countries. The result of the meeting was the reopening of borders between countries that had been closed due to the Covid-19 pandemic, this was done to revive cross-border trade so that people could carry out economic recovery between the two countries (Rahadi, 2022). Another thing that was discussed in the cooperation was the construction of distribution lines between the two countries from land, sea and air (Shofa, 2022).

**Figure 1. Trade Value Indonesia – Papua New Guinea 2013-2018**



Sumber: (OEC, 2020)

It can be seen that the trade figures between Indonesia and Papua New Guinea were not very significant before the Covid-19 pandemic, bilateral cooperation between the two countries has not focused on the economic sector. When the pandemic hit the two countries, the value of trade between the two countries increased dramatically, starting in 2021 the trade figure between Indonesia and Papua New Guinea increased to USD 322 million. And it is projected that this number will increase in 2022 seen from cooperation in other sectors that are being developed. From the meeting between the two heads of state in Indonesia in March 2022, other agreed collaborations were energy cooperation between PLN and PNG Power in helping supply electricity from Jayapura to Panimo, then opening flight routes from Jayapura to Port Moresby and Merauke to Port Moresby, customs and excise cooperation, as well as cooperation in the maritime sector (Rahadi, 2022).

The relationship that has been built between the two countries since 1973 has become an important point for Indonesia in establishing cooperation with its neighboring country, Papua New Guinea. Future projections in economic cooperation are also an important potential between the two countries in deepening bilateral cooperation.

#### IV. Conclusion

The approach to bilateral relations between Indonesia and Papua New Guinea has existed since before the independence of Papua New Guinea. The geographical proximity of the two countries makes the two countries advantage in establishing economic cooperation. When the Covid-19 pandemic hit the world, Indonesia and Papua New Guinea tried to take an approach to deepen economic cooperation. The declining economy between the two countries caused the two countries to have to find a solution in dealing with the impact of Covid-19 on the economy. After Indonesia and Papua New Guinea held a bilateral meeting, the two countries agreed on various points of cooperation in improving relations and the economy between countries

and this is projected to increase after the Covid-19 pandemic is over. Export commodities between the two countries that focus on agricultural products are an important requirement in meeting the needs of the community. Therefore, it is hoped that economic cooperation between Indonesia and Papua New Guinea can increase and obtain new opportunities and potential to advance the economy between the two countries.

#### **V. Recommendations**

This paper is limited to the discussion between the economic cooperation agreement between the two countries in 2020 when Indonesia declared the Covid-19 pandemic as endemic. Further research is needed on economic cooperation between Indonesia and Papua New Guinea after the global Covid-19 pandemic is declared over. The potential for bilateral relations between the two countries deserves to be studied as an illustration of the projected economic cooperation strategy of the two countries.

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