

**INDONESIA-YEMEN BILATERAL TRADE RELATIONS: A PRODUCT  
COMPETITIVENESS MAPPING ANALYSIS**  
*RELACIONES COMERCIALES BILATERALES INDONESIA-YEMEN: UN ANÁLISIS DE  
MAPEO DE LA COMPETITIVIDAD DEL PRODUCTO*  
*RELAÇÕES COMERCIAIS BILATERAIS DA INDONÉSIA-IÊMEN: UMA ANÁLISE DE  
MAPEAMENTO DA COMPETITIVIDADE DE PRODUTOS*

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## **Resumen**

Este estudio analiza principalmente los esfuerzos para impulsar las exportaciones de Indonesia mediante la formulación de un análisis de mapeo de la competitividad de productos de Indonesia con Yemen como contraparte. Desde el análisis del mapeo de la competitividad del producto, se puede concluir que, en general, los productos de exportación de Indonesia tienen una mayor competitividad que los productos de exportación yemeníes. Al mismo tiempo, sin embargo, se puede decir que los dos países aún tienen un bajo nivel de competitividad de sus respectivos productos de exportación. El estudio sugiere que ambos países deberían buscar un TLC bilateral. Hay fundamentos razones para realizar TLC bilaterales, incluidos entre otros: donde productos exportados de Indonesia puedan satisfacer parcialmente las necesidades de Yemen; Yemen es un importador neto que depende en gran medida de las importaciones de productos básicos para satisfacer su demanda interna; el esfuerzo de diversificación económica de los países; y la cooperación Sur-Sur.

## **Palabras clave**

Diplomacia económica, Mapeo de productos, Competitividad, Índice de complementariedad comercial, Indonesia, Yemen

## **Abstract**

This study mainly discusses efforts to boost Indonesian exports by formulating Indonesian product competitiveness mapping analysis with Yemen as the counterpart. Based on the product competitiveness mapping analysis, it could be concluded that in general the Indonesian export products has higher competitiveness than the Yemeni

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export products. At the same time, however, the two countries can be said still have a low level of competitiveness of their respective export products. The study suggests both countries should pursue a bilateral FTA. There are rationales for pursuing bilateral FTA including in which Indonesian exported products could partially meet the needs of Yemen, Yemen is a net importer relying heavily on commodity imports to meet its domestic demand, countries' economic diversification effort, and South-South Cooperation.

### Keywords

Economic Diplomacy, Product Mapping, Competitiveness, Trade Complementarity Index, Indonesia, Yemen.

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Indonesian diplomatic relations with the Republic of Yemen have been cordial and positive over the years. In fact, the two nations have historically closed emotional connection. It started in the 9th Century, in which Sayyid Ali bin Muhammad Dibaj bin Ja'far Shadiq, a Hadhrami people from Yemen migrated to East Aceh, Indonesia and married with a younger sister from the King Perlak Syahir Nuwi. Several centuries after, Syekh Jamaluddin Akbar and his families, from Gujarat, India but descendant from Hadhramaut region migrated to Southeast Asia to spread the religion of Islam. In Indonesia, he went to East Java and he actively perform Islamic missionary endeavour to the Indonesian society in Java, and thus, he was known as Walisongo.

The third waves was in the 17th-19th centuries in which many Hadhrami people (particularly the Alawiyyin Hadhrami) to spread Islamic religion and do trade for living in Indonesia. Further, in the period 1870-1888, there were significant number of Hadhrami people migrated to Indonesia. Apart from performing Islamic missionary endeavour and conduct trade activities, the Hadhrami people in Indonesia also played an important role in supporting the Indonesian struggle for independence and post Indonesian independence, many Indonesian Hadhrami become important figures and play important role in the Indonesian government and communities.

This attaching emotional relations should become a strong asset foundation, for Indonesia and Yemen to strengthen their brotherhood diplomatic relations. In addition, it is estimated there are around 9 million Indonesian people which are Yemeni descendant in Indonesia. These certainly are valuable and indispensable strategic assets for Indonesia and Yemen to further strengthen the bilateral relations in all fields.

Mr. Al-Junaidi (2016) stated that in Yemen there is a metaphor “if you want to be blessed in this dunia (world), then, the Yemenis should adhere your elder brother, which is Indonesia”. In the context of the diplomatic relations, the Government of the Republic of Yemen has always considered Indonesia as a brotherly country. During the Indonesian struggle for independence, Yemen was one of the first countries (on 3rd May 1948) which supported the recognition of Indonesia as an independent and sovereign state, and over the years (post Indonesian independence) Yemen has always supported the integrity of Indonesia as an independent state.

After the unification of the Republic of Yemen in 1990, soon after, the Embassy of the Republic of Yemen in Jakarta was established from previously as the Consulate General of the South Yemen. Meanwhile, Indonesia established its Embassy in 16th November 1992 (Ministry of Foreign Affairs of the Republic of Indonesia, 2016). In the diplomatic sphere, the close bilateral diplomatic relations could be seen by the frequency of the reciprocal high official visits by both countries. It is noted the Indonesian President, Mr. Abdurrahman Wahid made an official visit to Yemen in 2001, while the Yemeni President made working visits to Indonesia in 1998, 2009, 2016 and 2017. In addition, the Indonesian Vice President, Mr. Hamzah Haz paid an official visit to Yemen in 2003. Meanwhile, Yemeni Vice President Abdu Rabbu Mansour Hadi visited Indonesia in 2002.

Within the economic realm, both countries have signed number of MoUs in economic cooperation, and bilateral economic relations have enhanced over the years. Both countries have expanded their trade and investment relationships. The socio-cultural cooperation has also expanded over the years, including education.

In 1990, the bilateral trade was only US\$10.46 million and in 2015, the bilateral trade volume reached US\$89.30 million. The bilateral trade reached its peak in 2013 amounted US\$159.38 million, prior to the Yemeni armed conflict in 2014 (the Al-Houthi seized control of the Capital Sana'a in 2014) and culminated in 2015 when a Saudi-led coalition launched airstrikes in Yemen.

Based on the trade structure, in 1990, Indonesian export amounted US\$9.85 million consisting of intermediate goods (85.98%), consumer goods (11.77%), and capital goods (2.23%). Meanwhile, in 2015, Indonesian export reaches US\$88.2 million comprising of consumer goods (78.88%), intermediate goods (15.47%), capital goods (5.26%), and raw materials (0.37%). Thus, there is a significant change on the composition of the Indonesian export commodities to Yemen, from mainly intermediate goods to consumer goods.

Meanwhile, for the Indonesian imports from Yemen, in 1990 were raw materials (63.39%), intermediate goods (28.47%), consumer goods (7.49%), and capital goods (0.64%) with a total of US\$605929. And in 2015, the Yemeni exports were mainly raw materials (98.38%), consumer goods (1.21%), and capital goods (0.4%) valued US\$573182. This shows that over the years, Yemen still strong relies on raw materials export to Indonesia with a very little amount. In fact, in 2015 Indonesian imports from Yemen were mainly frozen fish accounted for 98.38% of the total Indonesian import.

Economic cooperation is one of the current emphasis in the Indonesia-Yemen bilateral relations. Over the years, the economic cooperation has enhanced but due to the internal conflicts in Yemen particularly in 2014/2015, then, the economic relations have deteriorated afterwards. The Yemeni revolution which is also known as the Yemen uprising (Intifada) took place back in 2011 after the series of Arab Spring protests in the Middle East and North African region (MENA).

Indonesia views Yemen as a potential non-traditional market. The population has almost tripled since 1980 from 8.4 million to 25 million people in 2015. Prior the war conflict 2014/2015, the economic relations were in general positive. Within the trade sphere, bilateral trade have been increasing and reached its peak in 2013 amounted US\$159.38 million. But post war conflict,

bilateral trade has deteriorated and in 2015 only reached US\$89.3 million. Further, bilateral investment relations have also faced challenges. Indonesian companies such as Medco (oil and gas exploration firm) and Indofood (food producing company) have closed their operation in 2015. The current Yemen's foreign policy highest priority is to end the war conflict in Yemen.

Yemen is one of the least developed countries in the world. In 2015, Yemen ranks 4th lowest Human Development Index (HDI) in Middle East Northern African (MENA) region. The war conflict causes Yemen continues to suffer from the structural developmental problems that necessarily exacerbate the political crisis. Further, the weakness of the Yemeni state is also a huge concern. The government does not able to effectively provide adequate basic services to the Yemeni people including electric power and water supply shortages. In 2015, Kusuma (2016) mentioned that Yemen's economy contracted by 28 percent, making as the country with the worst economic performance in the world for the year 2015.

One of the emphasis of the Indonesian diplomatic relations with Yemen is to enhance economic cooperation. Economic cooperation among others cover: trade, investment, finance, tourism, technical cooperation, food security, and energy security. Economic diplomacy is one of the priority agenda in the current era of Jokowi Government for the period 2014-2019. In general, Indonesia's economic diplomacy efforts are aimed at boosting exports, encouraging foreign investment to Indonesia, and attracting foreign tourists to Indonesia.

This study attempts to discuss ways boosting Indonesia-Yemen bilateral trade relations through formulating Indonesian product competitiveness mapping with one of the friendly countries, the Republic of Yemen which is considered as one of the countries in the non-traditional market classification for Indonesia's economic diplomacy mission (Sjahril, 2016). This study could also become an anticipation study for both countries' policymakers to increase bilateral trade relations in the future.

## DATA AND RESEARCH METHODOLOGY

This paper uses the product mapping analysis as outlined by Tri Widodo (2008). To create product mapping analysis, two analytical tools are needed, namely Revealed Symmetric Comparative Advantage (RSCA) and Trade Balance Index (TBI). RSCA is an indicator of comparative advantage, whereas TBI is an indicator of export-import activity. The RSCA index is a simple transformation of the Revealed Comparative Advantage (RCA). RCA is also an indicator of comparative advantage (or product competitiveness). The RSCA index is formulated as follows:

$$RSCA_{ij} = (RCA_{ij} - 1) / (RCA_{ij} + 1)$$

Where the  $RSCA_{ij}$  index value varies from -1 to 1 ( $-1 \leq RSCA_{ij} \leq +1$ ). If  $RSCA_{ij}$  more than 0 means country  $i$  has a comparative advantage in product group  $j$ . Conversely, if  $RSCA_{ij}$  is less than 0 then country  $i$  has no comparative advantage in product group  $j$ .

Meanwhile, TBI is used to analyze whether a country has specialized in export (as a net-exporter) or in import (as a net-importer) for a particular product group (SITC). TBI is simply formulated as follows:

$$TBI_{ij} = (X_{ij} - M_{ij}) / (X_{ij} + M_{ij})$$

$TBI_{ij}$  symbolizes the country's trade balance index  $i$  for product group (SITC)  $j$ ; The index values vary from -1 to +1. Extreme, TBI equals -1 if a country imports only, and vice versa, TBI equals +1 if a country only exports it.

The value of the TBI index cannot be determined if a country is not exporting or not importing at all. In this case, a value of 0 is given to potential product groups for export or import. The value between -1 and +1 indicates that the country exports and imports the commodities simultaneously. A country includes a net-importer on a particular product if the value of TBI is negative, and as a net-exporter if the value of TBI is positive.

Using the RSCA index and the TBI index, product mapping can be performed. The product (SITC) can be categorized into four groups, namely A, B, C and D as shown in the figure above. Group A contains products that have comparative advantages as well as export specialization. Group B consists of products that have comparative advantages but do not have export specialization. Group C contains export-oriented products but does not have a comparative advantage. Group D consists of products that do not have a comparative advantage nor do they have export specialization.

Picture 1: Product Mapping Analysis

Revealed Symmetric Comparative Advantage Index (RSCA)	RSCA > 0	<b>Group B:</b> Have Comparative Advantage No Export-Specialization (net-importer) (RSCA > 0 and TBI < 0)	<b>Group A:</b> Have Comparative Advantage Have Export-Specialization (net-exporter) (RSCA > 0 and TBI > 0)
	RSCA < 0	<b>Group D:</b> No Comparative Advantage No Export-Specialization (net-importer) (RSCA < 0 and TBI < 0)	<b>Group C:</b> No Comparative Advantage Have Export-Specialization (net-exporter) (RSCA < 0 and TBI > 0)
		TBI < 0	TBI > 0
		Trade Balance Index (TBI)	

Source: Tri Widodo (2010)

This study will examine the product competitiveness mapping between Indonesia and Yemen by using trade data 2014, a year before the armed conflict in Yemen and in the same year Indonesia has no political and security problems. Furthermore, for product data, this paper uses SITC 3 Digit code. Given the wide range of export products, only selected products will be analysed.

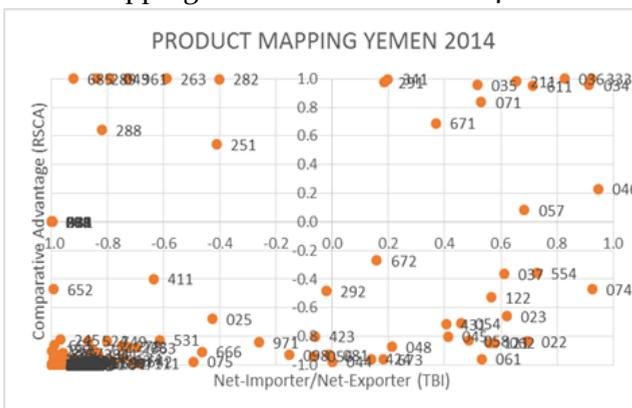
## PRODUCT COMPETITIVENESS MAPPING ANALYSIS

### Product Competitiveness Mapping Analysis for the Republic of Yemen

In mapping the competitiveness of Yemeni products, it is depicted that Yemeni export products included in Group A are very few as many as 12 products alone or 5 percent of all Yemeni export products. Most Yemeni export products (84.5 percent of Yemen's total export products) have low competitiveness and as net importers or belong to group D. Yemen relies heavily on imports of products from abroad due to the limited availability of domestic products as well as the result of Yemen's own product competitiveness which is indeed low. In addition, Yemen appears to have not diversified its export products and rely solely on exports of oil and gas products such as crude oil and natural gas.

In detail, it is depicted that there are 12 (twelve) Yemeni export products that have very high competitiveness with the highest TBI, among others are: petroleum (SITC 333), fishery products (SITC 034, SITC 035 and SITC 036), leather products (SITC 046), gas, natural & manufactured (SITC 341) crude animal materials (SITC 291), iron (SITC 671), coffee and coffee substitutes (SITC 071) fruits & nuts (SITC 057). All of the export products are included in Yaman's product A group mapping.

Graph 1: Product Mapping for Yemen State of 2014



Source: Author's Computation from World Integrated Trade Solutions (2017)

The two main commodities exported by Yemen by 2014 are: petroleum (SITC 333) reached US\$1.27 billion followed by natural gas (SITC 341) of US\$68.77 million. Although Yemen is not the main crude producer compared to other countries in the Arabian Peninsula region, Yemen's government relies heavily on export earnings from the energy sector to finance Government programs primarily in financing infrastructure development, imports of capital goods and imports of food from abroad.

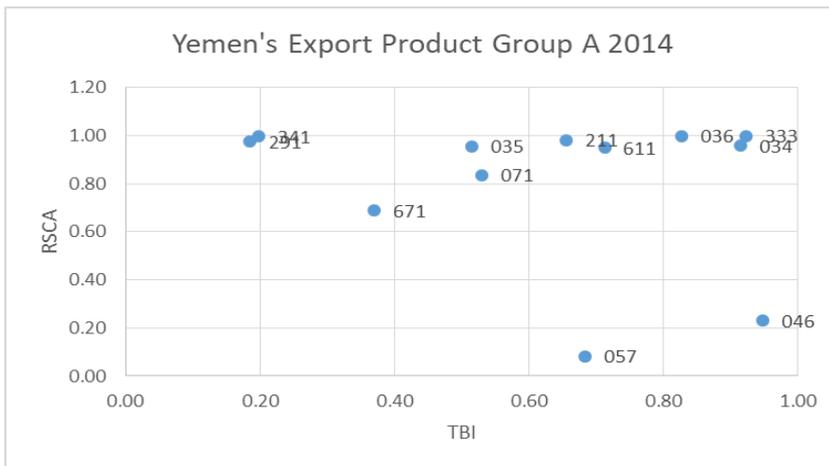
Table 1: RSCA and TBI Results for the Republic of Yemen 2014 (Top 12)

Rank	SITC	Description	RSCA	TBI	Rank Average
1	333	Petrol.oils,crude,& c.o.obtain.from	0.92	1.00	0.96
2	034	Fish,fresh (live or dead),chilled o	0.91	0.96	0.94
3	036	Crustaceans and molluscs,fresh,chil	0.83	1.00	0.91
4	611	Leather	0.71	0.95	0.83
5	211	Hides and skins (except furskins),	0.66	0.98	0.82
6	035	Fish,dried,salted or in brine ; smo	0.52	0.96	0.74
7	071	Coffee and coffee substitutes	0.53	0.84	0.68
8	341	Gas,natural and manufactured	0.20	1.00	0.60
9	046	Meal and flour of wheat and flour o	0.95	0.23	0.59
10	291	Crude animal materials,n.e.s.	0.18	0.98	0.58
11	671	Pig iron,spiegeleisen,sponge iron,i	0.37	0.69	0.53
12	057	Fruit & nuts(not includ. oil nuts),	0.68	0.08	0.38

Source: Author's Computation from World Integrated Trade Solutions (2017)

In 2014, production and oil prices fell but Yemen was still able to export petroleum, even the export of crude oil reached 83.3 percent of Yemen's total exports. By 2015, due to the war in Yemen especially since April 2015, many foreign oil and gas companies leave the country. Thus, most domestic crude oil and LNG production ceases operations, so practically no exports exist, meaning, the RSCA index practically decreases to none.

Graph 2: Yemen's Export Product Group A 2014 (Top 12)



Source: Author's Computation from World Integrated Trade Solutions (2017)

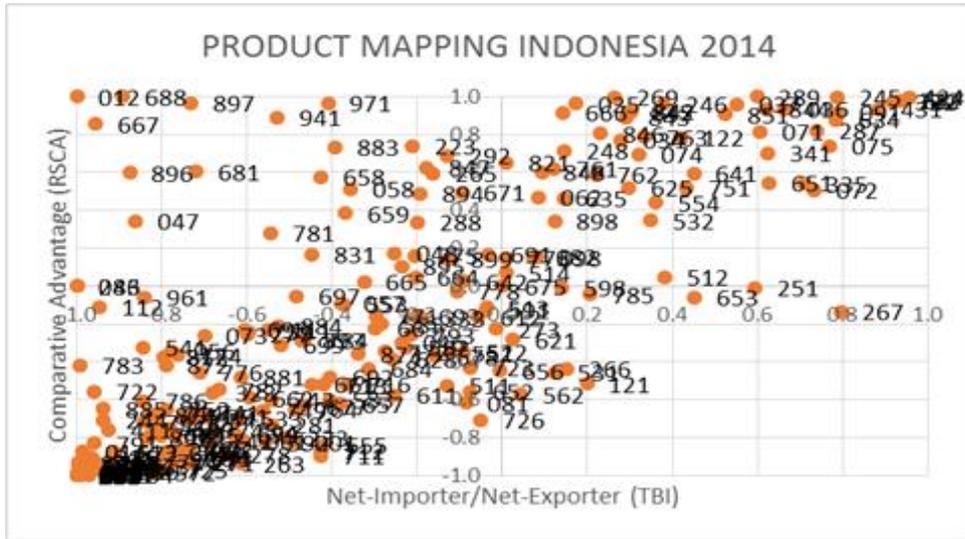
### Product Competitiveness Mapping Analysis for the Republic of Indonesia

In mapping the competitiveness of Indonesian products, it is illustrated that Indonesian export products that fall into Group A are relatively few as many as 56 products, and about 61.3 percent of the total Indonesian export products (or as many as 146 export products) still have low competitiveness and as net importers, entered in group D. It is illustrated that in 2014, the Government of Indonesia has not been able to diversify its export products abroad. Indonesia still relies heavily on imports of products from abroad to meet domestic demand due to limited availability of domestic products or due to the competitiveness of Indonesia's own products which are still weak overall.

In detail, there are 56 (fifty six) Indonesian export products that have very high competitiveness with the highest TBI and the top ten are: vegetable oil

(SITC 424), natural rubber (SITC 232 ), tin (SITC 687), wood and charcoal wood (SITC 245), coal (SITC 322), animal and vegetable oils and fats (SITC 431), ore & concentrates of precious metal (SITC 289), margarine and butter SITC 091), crustaceans and molluscs (SITC 036), and textile clothing (SITC 844).

Graph 3: Product Mapping for Indonesia 2014



Source: Author’s Computation from World Integrated Trade Solutions (2017)

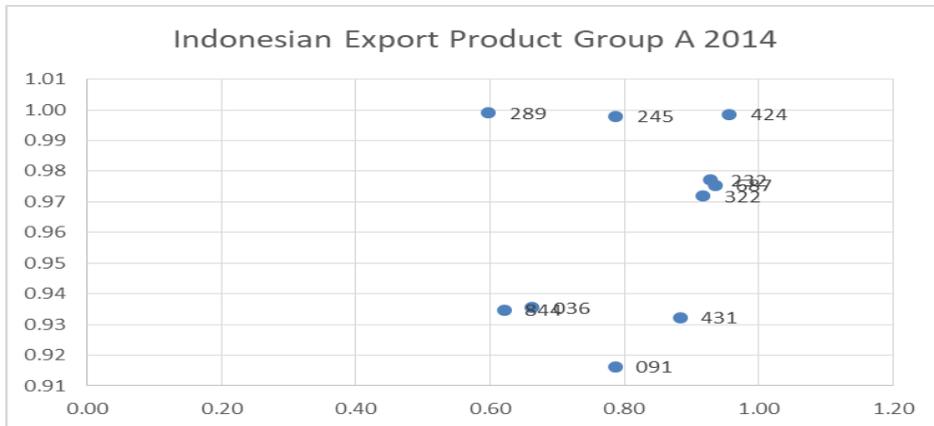
Table 2: Results of RSCA and TBI for Indonesia 2014 (Top 10)

SITC	Description	RSCA	TBI
424	Other fixed vegetable oils,fluid or	0.96	1.00
232	Natural rubber latex; nat.rubber &	0.93	0.98
687	Tin	0.94	0.98
245	Fuel wood (excluding wood waste) and wood charcoal	0.79	1.00
322	Coal,lignite and peat	0.92	0.97
431	Animal & vegetable oils and fats,pr	0.88	0.93
289	Ores & concentrates of precious metal	0.60	1.00
091	Margarine and shortening	0.79	0.92
036	Crustaceans and molluscs,fresh,chil	0.66	0.94
844	Under garments of textile fabrics	0.62	0.93

Source: Author’s Computation from World Integrated Trade Solutions (2017)

Based on the value of export volume, some of the main commodities exported by Indonesia in 2014 are: coal (SITC 322) reached US\$20.82 billion followed by vegetable oil especially palm oil (SITC 424) of US\$19.95 billion, natural gas (SITC 341 ) of US\$17.18 billion, petroleum (SITC 333) of US \$9.27 billion, natural rubber (SITC 232) of US\$4.74 billion, footwear (SITC 851) of US\$3.97 billion, and paper products (SITC 641) of US\$3.32 billion. It is illustrated that Indonesia's export mainstay products still rely heavily on the oil and gas sector, although the Government of Indonesia has continued to diversify its export products from other sectors such as agriculture and manufacturing sectors.

Graph 4: Indonesia's Export Product Group A Year 2014 (Top 12)



**Source:** Author's Computation from World Integrated Trade Solutions (2017)

### Product Competitiveness Analysis: Indonesia vs Yemen

Based on the analysis of product competitiveness mapping analysis from each country, it can be described that in general Indonesian export products has higher competitiveness than the Yemeni export products. There are 56 Indonesian export products that have superior competitiveness with net exporters (Group A), while Yemeni export products in the same group are only 12 products.

But at the same time, in overall the two countries can be said still not able to boost the competitiveness of their export products. About 61.3 percent of

Indonesia's total export products are in the category of Group D, which is weak competitive and net importers. While Yemen, there are about 84.5 percent of the total export products are in group D.

Table 3: Product Mapping Analysis, Indonesia vs Yemen 2014

2014			
<b>Group B</b>			
Indonesia	12	5.0%	
Yemen	17	7.1%	
Both Countries		6.1%	
<b>Group D</b>			
Indonesia	146	61.3%	
Yemen	201	84.5%	
Both Countries		72.9%	
<b>Group A</b>			
Indonesia	56	23.5%	
Yemen	12	5.0%	
Both Countries		14.3%	
<b>Group C</b>			
Indonesia	24	10.1%	
Yemen	8	3.4%	
Both Countries		6.7%	

Source: Author's Computation from World Integrated Trade Solutions (2017)

## FURTHER DISCUSSION

Indonesia and Yemen have close emotional and historical relations and both states have signed a number of MoUs to strengthen economic relations but however the bilateral trade volume is still below its potentialities. Both countries should find ways to further enhance the bilateral trade relations.

In one of the economic and business fora held by the Embassy of the Republic of Indonesia in Sana'a, many Yemeni businessmen asked about the high taxes imposed on Yemeni honey by the Indonesian government and the high taxes imposed on Indonesian Crude Palm Oil (CPO) by the Yemeni government (Embassy of the Republic of Indonesia in Sana'a, 2017). It was raised that one way to solve this matter is by establishing Indonesia-Yemen FTA.

It can be concluded that if Indonesia and Yemen cooperate in free trade, then by referring to the results of the product competitiveness mapping analysis of the two countries, it is predicted that Indonesia will be quite superior in so called 'open trade competition' with Yemen. But however, a bilateral FTA is not always about who wins the trade competition, there are many other rationales need to be considered for establishing FTAs.

Using the Trade Complementarity Index (TCI), both countries, in fact have a partial match between Indonesia's exports supply and the Yemen's imports demand as the indices stay between 0 and 100. TCI measures how well the export profile of one country matches with the import profile of another country (World Bank, 2008). In other words, it gives the measurement of the scope for trade cooperation through inter-industry trade. Furthermore, changes in the index over time can help to determine whether trade profiles are becoming more or less compatible.

Graph 5: Indonesia's TCI with Yemen for the Period 2006-2015



**Source:** Calculated from UN Commodity Trade Statistics, United Nations (2017)

In the above graph, throughout the whole period 2006-2015, the index lies between 29.35 and 57.85, with an average of 48.581. This shows that the complementarity of Indonesia-Yemen trade remained partially match. The higher the value of the index, the higher the adequacy of Indonesia's exports

supply in meeting Yemen's imports demand. The result of the TCI illustrates that Indonesia can only meet part of what Yemen requires from its available export supply.

In 2006, the TCI was 51.46 implying that Indonesia was capable of meeting 51.46 percent of Yemen's import demand toward Indonesia. Now in 2015, the TCI has decreased to 45.51 implying that in comparison to 2006, Indonesian export supply is becoming less compatible to Yemen's import demand. But despite this decreasing trend, Indonesia-Yemen trade remain partially match, and Indonesian exported products can partially meet the needs of Yemen.

In 2014, the total trade volume of Yemen reached US\$14.4 billion. The country is a net importer reaching US\$9.6 billion relying heavily on commodity imports to meet its domestic demand, which is at least about 80 percent of domestic needs are fulfilled from abroad. The recent Yemeni armed conflict starting from the Al-Houthi seized control of the Capital Sana'a in 2014 and followed by Saudi-led coalition launched airstrikes in Yemen in 2015 have caused the Yemeni economy deteriorating in which many domestic production halted and shut down their businesses, thus, making the country increasingly relying import goods from overseas to fulfill the domestic demand. For this, Indonesia could become one of the potential countries to help the Yemeni people fulfill their domestic needs particularly the basic needs.

Table 4: Indonesia's TCI with Yemen for the Period 2006-2015

Year	Indonesia's TCI with Yemen
2006	51.46
2007	52.5
2008	57.85
2009	48.89
2010	50.46
2011	55.49
2012	54.63
2013	29.35
2014	39.67
2015	45.51

Source: Calculated from UN Commodity Trade Statistics, United Nations (2017)

Therefore, taking into account the above facts, this study suggests Indonesia and Yemen should establish a bilateral Free Trade Agreement (FTA), or at least a Preferential Trade Agreement (PTA). The Republic of Yemen has become the 160th member of the WTO during the 9th WTO Ministerial Conference in Bali which was held last 4th December 2013 and the Yemeni Parliament has ratified the WTO accession protocol on 28th April 2014. Meanwhile Indonesia has become a member of WTO since 1st January 1995 and has experience dealing with a number of PTAs, FTAs, and Comprehensive Economic Partnership Agreements (CEPAs) with many friendly countries throughout the globe.

Further, to smoothen the trade and business relations between both states, both government should provide Visa on Arrival (VoAs) to each other states. With no VoAs, for instance, Malaysia seems to take advantage by providing VoAs to the Yemeni people who visit to Malaysia. As a result, this encouraged many Yemeni businessmen, tourists, and students visiting Malaysia. For instance, according to Free Malaysia Today News (2014), there are about 9,000 Yemeni students studying in Malaysia. Meanwhile Indonesia only hosted less than 20 Yemeni students. Mr. Al-Junaidi (2016) stated that with the current political and security development in Yemen, about 2/3 of the Yemeni businessmen leave the country to secure their businesses. They mainly go to UAE, Turkey, Oman, Sudan, and Malaysia. This shows how the Yemeni businessmen were attracted to invest in Malaysia.

Indonesia hosts the largest Yemeni diaspora in the world reaching 9 million people, meanwhile the Hadhramis in Yemen only 2 million people. The Hadhramis have strong entrepreneurial skills and both governments should be able to fully maximize their potentials to strengthen Indonesia-Yemen economic relations.

There are also several rationale and cooperation possibilities behind to expand bilateral economic cooperation including: 1) Countries' economic diversification effort. Currently the economic structures in Indonesia and Yemen are still highly concentrated on the primary sectors; 2) South-South Cooperation, in which there are opportunities to expand bilateral cooperation including technical cooperation.

For the economic diversification effort, all parties involved have strong interest to diversify their economic structures. Over the years, Indonesian economy and export structures have strongly relied on the primary sectors such as agricultural and mining sectors. Indonesia still mainly dependent on primary commodities exports such as coal, natural rubbers, mineral commodities (tin, copper, gold), and palm oil commodities.

Meanwhile Yemen is still largely dependent on oil and gas sectors. The current economic structure is also a significant matter. Oil revenues represent 70 percent of the government's total revenues and oil constitutes 90 percent of the total country's exports, which will be depleted within a decade if new oil reserves are not explored and discovered. Further, the agricultural sector faces huge challenges. The agricultural sector in Yemen takes up around 90 percent of water in Yemen and it only generates 6 percent of GDP - with majority of Yemenis are dependent on small-scale subsistence agriculture. Thus, depleting oil resources combined with wasted resources are huge challenges in Yemen. By establishing bilateral Indonesia-Yemen FTA, then, both countries would have opportunities to enhance their non oil and gas commodities exports to one another.

For the South-South Cooperation, for the case of Indonesia-Yemen bilateral relations, to some extent Indonesia could actively contribute to help Yemen from being a 'fragile state' to become an 'effective state' in the Arabic region. In accordance to the Indonesia preamble constitution 1945, Indonesia has to actively contribute to build a sustainable world peace. Further, in accordance to the national agenda 2015-2019, Indonesia should play role to become a middle power country (Ministry of Foreign Affairs of the Republic of Indonesia, 2015).

Indonesia would be difficult to become a core player in aiding the Yemeni Crisis. But Indonesia could become the 'right and effective marginal player' in helping cope the Yemeni Crisis. First, Indonesia as a moderate moeslim majority country could become a potential mediator in tackling the Yemeni political crisis. Second, Indonesia could become an alternative economic and technical aid providers to Yemen. Several potential technical capacity building includes: management of public finances, investment in human capital, and provision of infrastructure services.

Indonesia and Yemen should start to take seriously to attempt developing an emerging collaborative partnership based on brotherhood relations bond. Indonesia and Yemen have strong intangible assets to not only enhance, but elevate the bilateral diplomatic relations into so-called an emerging collaborative partnership. But to achieve this goal, both sides should be more creative and proactive in finding the cooperation opportunities by identifying their respective needs, wants, and their given capabilities.

For this, both countries may start to consider establishing Indonesia-Yemen FTA. This FTA initiative could become a stepping stone towards building an emerging collaborative partnership in the future or even to build Indonesia-Yemen comprehensive partnership.

## CONCLUSION

Economic diplomacy is one of the priority agenda in the current era of Jokowi Government. In general, Indonesia's economic diplomacy efforts are aimed at increasing Indonesian exports, encouraging foreign direct investment to Indonesia, and attracting foreign tourists to Indonesia. This study mainly discusses efforts to boost Indonesian exports by formulating Indonesian product competitiveness mapping with friendly countries, the Republic of Yemen which is one of the countries in the non-traditional market classification for Indonesia's economic diplomacy mission. This study could also become an anticipation study for both countries' policymakers to increase bilateral trade relations in the future.

Based on the product competitiveness mapping analysis from each country could be concluded that in general the Indonesian exports products has higher competitiveness than the Yemeni export products. At the same time, however, the two countries can be said still have a low level of competitiveness of their respective export products.

Indonesia and Yemen have close emotional and historical relations and both states have signed a number of MoUs to strengthen economic relations, but the bilateral trade volume is still below its potentialities. Both countries should find ways to further enhance the bilateral trade relations. In one of the economic

and business fora hosted by the Embassy of the Republic of Indonesia in Sana'a, there are many Yemeni businessmen interested to do business in Indonesia and some of them suggested to establish Indonesia-Yemen bilateral FTAs. It can be concluded that if Indonesia and Yemen cooperate in free trade, then by referring to the results of the product competitiveness mapping analysis of the two countries, it is predicted that Indonesia will be quite superior in so called 'open trade competition' with Yemen. But however, a bilateral FTA is not always about who wins the trade competition, there are many other rationales need to be considered for establishing FTAs.

Using the TCI, the study shows that despite the decreasing trend over the given period, Indonesia-Yemen trade remain partially match, and Indonesian exported products can partially meet the needs of Yemen. The country is a net importer relying heavily on commodity imports to meet its domestic demand, which is at least about 80 percent of domestic needs are fulfilled from abroad. For this, Indonesia could become one of the potential countries to help the Yemeni people fulfill their domestic needs particularly the basic needs. Taking into the above facts, the study suggests both countries pursue a bilateral FTA in order to enhance trade relations. Both countries are members of WTO meaning that both countries will be expected to adhere the relevant free trade rules and regulations in their respective countries.

Further, to smoothen the trade and business relations between both states, both government should provide Visa on Arrival (VoAs) to each other states. Indonesia hosts the largest Yemeni diaspora in the world reaching 9 million people. The Hadhramis have strong entrepreneurial skills and both governments should be able to fully maximize their potentials to strengthen Indonesia-Yemen economic relations.

Indonesia itself hosts the largest Yemeni diaspora in the world reaching 9 million people. The Hadhramis have strong entrepreneurial skills and both governments should be able to fully maximize their potentials to strengthen Indonesia-Yemen economic relations. There are also other rationale and cooperation possibilities behind to expand bilateral economic cooperation including: 1) Countries' economic diversification effort. 2) South-South

Cooperation, in which there are opportunities to expand bilateral cooperation including technical cooperation.

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