

# Indonesia's Trade Policy Strategy through the Rail Industry for the Train Market in Africa

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## Indonesia's Trade Policy Strategy through the Rail Industry for The Train Market in Africa

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### ABSTRACT

*The Indonesian Railway Industry (INKA) has increased its export production, especially to other developing countries such as Bangladesh, the Philippines, and others. Since 2018, Indonesia has explored the railway industry market in Africa. However, several challenges such as market competition with China and Europe, the distance between Indonesia and Africa, as well as the purchasing power of the African region with the majority of developing and less developed countries are important notes for Indonesia's strategy. This research will discuss the opportunities, challenges, and strategies of INKA in exporting trains in the African region. The analysis of this research uses international trade politics through the Pure Exchange Model of Trade and Strategic Trade Policy. The Pure Exchange Model of Trade is used to explain INKA's position in international trade to understand INKA's opportunities and challenges in Africa. Meanwhile, Strategic Trade Policy is used to describe Indonesia's strategy in advancing the Indonesian Railway Industry in Africa. The results of the study show that Indonesia provides support through a series of policies such as subsidies and diplomacy to obtain projects in Africa. In the process, INKA experienced challenges such as intense competition. However, many opportunities are presented by INKA in terms of the quality factor and the government's persuasive ability.*

**Keywords:** Africa, INKA, International Trade Politics, Railways, Trade Policy.

**JEL Classification Code:** F10, F50, F60

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## INTRODUCTION

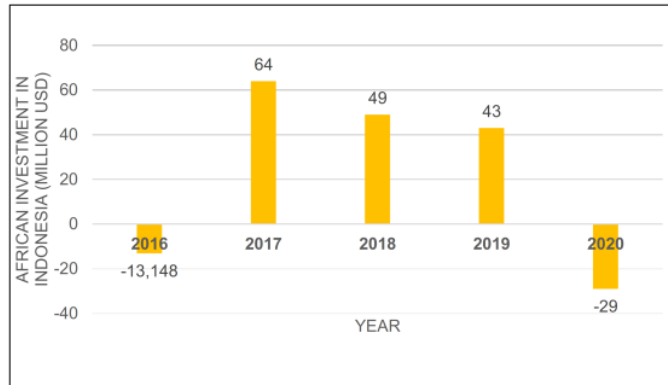
Indonesia-Africa relations have existed since the cold war, wherein in 1955, Indonesia together with Africa held the first Asia-Africa Conference. The conference was an effort of Asian and African countries in building common solidarity at the global level to oppose the colonialism of the industrialized countries. Together with Africa, Indonesia held the first major meeting between Asian and African countries in Bandung to voice a movement that puts forward human rights and fights all forms of colonialism and enhances world peace through economic, cultural, and international cooperation. On 22-23 April 2005, Asian and African countries held a commemoration of the Asia-Africa Summit in Jakarta. The meeting was attended by 106 representatives from Asia and Africa consisting of 54 Asian countries and 52 African countries. During the meeting, all delegations from Asia-Africa countries issued a statement regarding the strategic partnership action plan concerning the important agreement in a declaration of the New Asian Africa Strategic Partnership (NAASP). NAASP is a cooperation platform between Asian and African countries with three main pillars, namely political solidarity, economic cooperation, and socio-culture. The manifestation of its implementation is the existence of an interaction mechanism between governments, both regional and sub-regional organizations, as well as the interaction between communities or what is known as people to people contact between Asia and Africa (Ministry of Foreign Affairs of The Republic Indonesia, 2019). On 22-23 April 2015, the 60th Asia-Africa Summit (KTT) was held in Jakarta, and on 24 April 2015, the event was continued in Bandung. The theme raised at the summit was "Strengthening Asia Africa Strategic Partnership and South-South Cooperation to Promote Peace, Progress and Prosperity". The meeting resulted in what is called the "Bandung

Message" which contains a visionary message that aims of strengthening new collaborations in real terms and revitalizing in order to strengthen the Asian and African partnerships through three main pillars, namely political solidarity, economic cooperation, and socio-cultural relations (Setneg, 2015).

Both Indonesia and countries in Africa could be regarded as developing countries that are trying to push their various potentials to become one of the largest economies in the world. Both Indonesia and Africa are actively taking advantage of potential non-traditional markets and developing stronger relations between the two. Therefore, various forms of meetings were held by both Indonesia and Africa with a common goal, to explore economic opportunities and strengthen partnerships between the two parties that have been built since the cold war (Sheany, 2018). There is an increase in trade between Indonesia and Africa every year. Africa has undergone changes in recent decades and has made the continent a potential market for investment and trade. Although large industrialized countries such as the United States, China, United Kingdom, and France are still the main motors for foreign direct investment in Africa, Indonesia through INKA and together with a consortium of other SOEs (BUMN) is trying to enter and compete in Africa like other large industrial countries. On 10-11 April 2018, a historic event between Indonesia and Africa was held at the Bali Nusa Dua Conference Center. It was an event within the Indonesia-Africa Forum (IAF) that presents delegates from both the government and business sectors, 54 countries from Africa, as well as several panellists from international organizations. The IAF aims to bridge between Indonesia and Africa, by exploring various kinds of potential cooperation in the strategic sector. The forum is also a liaison for stakeholders, governments, and business people both in Indonesia and in

Africa (Kementerian Keuangan Republik Indonesia, 2018). This forum could boost both countries investment, because it has

been very low in investment average as shown in Figure 1.



Source: (Bank Indonesia, 2023)

**Figure 1.**  
**African Investment in Indonesia (Million USD)**

One of the important potentials of Indonesia's investment sector in Africa is the rail-based transportation network development project. Therefore, Indonesia through the Ministry of SOEs appointed INKA, as one of the SOEs engaged in the railways' industry in Indonesia, to be able to explore cooperation with countries in Africa. The first step taken by the Indonesian government was to provide an opportunity for PT INKA (Persero) to introduce railway products to the delegations of African countries that attended the IAF in 2018. This is important because the investment opportunities for railway network projects and the procurement of trains in Africa are still wide open.

Several countries in Africa demand the transportation system but are constrained in financing. In the same year, precisely on 11-24 July 2018, PT INKA President Director Budi Novianto, visited Dakar, Senegal to complete the plan to purchase 10 locomotives made by INKA. Even during the Indonesia-Africa Forum held in 2018, INKA was appointed to be

an investor and operator of the railway infrastructure in the Dakar-Bamako area in Senegal (Antara News, 2018). One year later in 2019, PT INKA had the opportunity to take part in the Africa Rail exhibition in Johannesburg, South Africa which was held from 19-20 June 2019. Africa Rail is the largest railway exhibition in Africa which was attended by 130 exhibitors and 6,000 visitors including the decision-makers, operators, regulators, and procurement officials of the railway sector from various countries, which was also attended by several other train companies such as CRR Corporation Limited, Oracle Construction and Engineering, Voith Transnet, GE, Progress Rail, KNORR, and Luchini. Meanwhile, operators including the Procurement Team that attended the event included Botswana Railways, DRC, Ghana Railways, TransNamib, and Uganda Railways (Kementerian Luar Negeri Republik Indonesia, 2019).

Pricewater Copper projected in 2017 the potential strength of the world economy in 2050, wherein 32 countries

will become the world economy in 2050. In the report of the projection, it is noted that Asia and Africa can be the driving force of the global economy, in which in this context Indonesia is projected to be a country that ranks fourth and following several countries in the African region such as Nigeria, Egypt and South Africa (Sulistyo, 2018). Technology has become an important role in the relation to the economic, political and social life of a country. Whereby mastering certain technologies, a country would be able into giving influence to certain countries.

In this case, INKA as one of the strategic industries under the auspices of the SEOs of the Republic of Indonesia has experienced developments in the implementation of the technology used to make a railroad product and has developed into an industry that has international competitiveness. INKA's efforts to play on an international scale in the African region are important to be studied. Where INKA is trying to penetrate the market with different characteristics from previous markets in Asia, and how INKA must be able to compete with other world railway industry companies. INKA's activities are in line with the economic diplomacy carried out by the Indonesian government in the Jokowi era from 2014-to 2019. This study seeks to see the opportunities and challenges that will be faced by INKA in entering the market in Africa, where the obstacles do not only come from the internal of the region, but also the external factors such as economic, political, and social contexts.

INKA as a part of Indonesian commercial diplomacy was comprehensively developed. Not only Africa, but there were other regions that became Indonesia's partners in exporting railways. New Zealand is one of countries that assigned railways project to Indonesia. As explained in previous research by Mohamad Latief, Yulia Rimapradesi, and Farhan Riswandha Jhuswanto, New

Zealand needed supply container flat top wagon from INKA in 2021. This wagons are used to carry multi-function items (Mohammad, Yulia, & Farhan, 2022). Before New Zealand, Indonesia already exported its railway coach to Bangladesh in 2017. Based on research by Jihan Salsabilla Denura and Viani Puspita Sari Indonesia won tenders in Bangladesh. Supported by Indonesian Eximbank, Indonesia could send 250 carriages (Denura & Sari, 2021). Apart from New Zealand and Bangladesh, Indonesia was successfully shipping its wagon to other countries including Malaysia, Philippine, Thailand, Singapore, and Australia. Based on those researches, authors concerns in other region of INKA's internationalization. There are barely publications that discuss about Indonesia-Africa relations in infrastructures notable Railways.

Indonesia is not the only states that focuses in railway industry. China as the leader in railway constructions, already expanded its scope through intercontinental railways. China connected to Europe via Russia to Germany. China also created track in its neighborhood like in Central Asia. This lanes are constructed to enhance China's trade with other continent as describes in research by Yuan Li, Kierstin Bolton, and Theo Westphal (Li, Bolton, & Westphal, 2018). In addition, China as one of leaders in derailing development targeted not only Indonesia but also Malaysia and Philippines. Its is elaborated comprehensively by Alvin Camba on his publication (Camba, 2020). Japan also has such great technology in developing railway industries. Japan also transfers its technology to other developing countries. Japan's high speed railways has been their foreign policy to counter China especially in Asia (Yoshimatsu, 2017). China is one of the leading actors of developing technologies. It is undoubtedly that China expands its influence in Africa. However, Indonesia as new emerging

economy has potential power projection in terms of railway. That's why author consider to choose this topic.

Indonesia railways industry could be enhanced by accepting technology from other countries. Indonesia got rail cars technology sources from Japan, Germany, Korea, Netherlands and Belgium. Indonesian companies which participated in transfer technology model were PT. INKA, PT. KAI, PT. LEN, PT. PINDAD, and Ministry of Communication (Putranto, Stewart, & Moore, 2003). Apart from technology, Indonesia Railway Industry could be successful because of its leader and organization. According to Eva Hotnaidah Saragih on her research, PT. KAI led by Ignatius Jonan had significant improvement. Jonan restructure employees, discipline, and procedure inside company (Saragih, 2015). Those researches explained the supporting system of INKA. It helps author to describe the capacity of Indonesian enterprises.

Looking for African perspectives that development is predominant for that continent, infrastructures are absolutely essential. Railway is one of the vital infrastructures especially for trade and people mobilities. As stated in research by Mouhamed Bayana Bouraima et al, Railway transportation is decisive infrastructures. It connects regions in Africa. However, this type of infrastructures need redevelopment (Bouraima, et al., 2023). African states are mostly developing or even least developed countries. They need assistance to develop and renew their infrastructures. Several projects from other country such as China, Japan, and European countries were contributed to their development. Uwe Wissenbach and Yuan Wang acknowledged that China constructed railway in Kenya and East Africa (Wissenbach & Wang, 2017). What happened in Kenya, was principally crucial for state development. For developing countries, state commitment is critical

actor for project accomplishment. This is shown in research by Yuan Wang that state capacity in Kenya and Ethiopia contribute to effectiveness to the scheme (Wang, 2022). Apart from Eastern Africa, West Africa has been concerning to advance their railway. This type of transportation is critical to west African economic growth. It is claimed by other research by Bouraima railway development in west Africa has been initiated in African Union (Bouraima & Yanjun, 2020).

As mentioned in previous paragraph that Africa demanded to external contributors to build and develop railways, there are several researches about financing and project collaboration. According to Marta Mason, Elena Maggi, and Matteo Scacchi, World Bank and China had been expediting African infrastructures. But in this case, China is favorable then the Bretton wood institution in financing projects (Marson, Maggi, & Matteo, 2021). This paper provides contemporary issue in developing Africa. Knowing that Indonesia-Africa had a long history in politics.

Africa and Indonesia have special relations marked from Asia-Africa Conference. Both countries have been committed to be trading partners. There are several states in Africa which are biggest Indonesia's trading partners such as Nigeria, South Africa, Egypt, Algeria, Angola, Djibouti, Benin, Ghana, and Morocco. In addition, Indonesia and Africa always boost their trade statistic every year (Tarrósy, 2016). Previous researcher who publishes about Indonesia-Africa Relations show that either bilateral relations or regional connections could expand relations of those actors. Dirk Kohnert acknowledged that ASEAN and Africa declared a new partnership called New Asian-African Strategic Partnership (NAASP) in 2005. It was a kind of predominant initiative although the implementation had no major significant in boosting economic (Kohnert, 2021).

Indonesia has been trying to enhance trade with Africa. Africa always be an important projection of Indonesia foreign policy. As stated in previous research by Sekar Wulan Febrianti and Dadan Suryadipura that Indonesia initiated Preferential Trade Agreement (PTA) to reduce tariff between Indonesia and South African countries. Indonesia and Africa also connected through India Ocean Rim Association (IORA), Indonesia-Africa Business Forum, and other bilateral and multilateral frameworks (Febrianti & Suryadipura, 2022).

#### **METHODOLOGY**

This research uses a qualitative approach with a Content Analysis research type. This study describes the challenges, opportunities, and strategies of Indonesia through INKA to enter the African market. According to Moechtar Masoed, a qualitative research with descriptive types of research is used to describe international phenomenon or state relations comprehensively (Mas'oe'd, 1990). Qualitative can be used to virtually analysed or literature review. This research is suitable to qualitative to observe state behavior. As Mohchtar Masoed (Mas'oe'd, 1990) and Gill et al proposed that although interview and focus group discussion are the common method for qualitative research, however observing virtually and using literature review are permitted (Gill, Stewart, Treasure, & Chadwick, 2008). Level of analysis in this research is state.

Author describes the way state and its strategy in promoting investment in other continents. Thus, Indonesia's strategy is the object of this research. The data collection technique used in this research is library research. Where in this data collection technique, both primary and secondary data are used as support. Primary data was taken from interviewing INKA, especially the Directorate of Technology and Commercial in Madiun.

Meanwhile, secondary data is processed through printed and electronic literature including books, articles, magazines, journals, newspapers, and collaboration reports from credible sources. The data analysis technique that was used in this research is the deductive analysis technique, in which the data is obtained through general theorems, postulates, and certain paradigms that are linked with empirical data which then becomes the point of conclusion from these data. Some data relating to numbers will be translated into verbal form. In this study, the data related to the variables in the political view of trade and re-sorted to look for suitability with the data needs are used as secondary data to answer the research questions related to Indonesia's strategy in entering the railway industry in Africa since 2017 until 2022.

#### **RESULTS AND DISCUSSION**

Traditionally, international trade models have focused on comparative advantage. It doesn't say much about how involved policy-making is. However, in its development, state policies in managing resources have become significant with the strong terms of international trade politics. Trade policy has implications for the distribution of a country's income (Wilfred J. Ethier, Arye L. Hillman, 2017). Generally, trade policy is divided into two perspectives, namely trade liberalization and protectionism systems. The first model leads to the comparative advantage of International trade that focuses on what a country might gain from the trade process. Therefore, determining the trading activities of a country is based on the policies and political interests of the country itself so it is called a political economy model in trade policy. In its determination, the comparative advantage becomes the basis of trade policy. Comparative advantage is based on a comparison of the relative prices, technology, and demand of a country

(Wilfred J. Ethier, Arye L. Hillman, 2017).

To see Indonesia's opportunities through INKA in exploring trade in the African region, the author will analyze through two conceptual frameworks. The first is the Pure Exchange Model of Trade framework to see how the pattern of commodity exchange between Indonesia and countries in Africa led to the initiation of trade in the railway industry. The second is the concept of strategic trade policy that will be used to see Indonesia's strategies, opportunities and challenges through INKA in entering the African market.

The Pure Exchange Model describes the model used in traditional trading. This model explains the competition in trade activity. This model is a simple model issued by David Ricardo which explains that countries benefited through trading activities. The simple logic offered in this model is to see who wins and who benefits more. The simplest trading logic is the term trade. Trade is the ratio of the exchange of an item with a specified price. The determination of the exchange ratio is determined by several factors including preferences, uncertainty, scarcity, size, quality, effort, persuasion, expectations of utility, the expectation of a future relationship, government policies, morality and coercion (Suranovic, 2010).

Trade policy is related to decision making process in terms of trade. Decisions taken out by government depends on various perspectives. Do they prefer to protect or open the market access represent the state's paradigm. Comparative advantage and traditional trade models are the examples of policy reason (Ethier & Hillman, 2017). Brader and Spencer explained that the Strategic Trade Policy was formed based on the phenomenon of imperfect competition and interdependence at the international level. Thus, the state needs to undertake economic intervention to be able to calculate the benefits derived from the trade process. One of the state

intervention efforts is to provide a subsidy policy for companies. The simple logic to the explanation of subsidies is to win the competition of national companies with other exporters from other countries in the third countries. Subsidies aim to reduce product prices while lowering the profits of other countries. This instrument has positive implications for competition between national and foreign companies. Brader and Spencer also put forward several aspects that the government needs in strategic trade policy. The State needs to possess the commitment Ability of the Government, Asymmetric information, Nonlinearity of policy instruments, Cost of social capital, Uncertainty of the demand, Economic disparity in the participant country, Intermediary product, and Strategic alliance (Linbo, 2017).

On 9 January 2018, INKA started its business expansion to the African continent. In 2018, Zambia conducted an assessment with PT INKA with a contract value of IDR 1.3 trillion, for the construction of 30 locomotives. The cooperation is a form of tripartite cooperation between Indonesia, Zambia and Sweden. Where INKA obtained a soft loan from Sweden to build railway infrastructure in Zambia (Luciana, 2018). Countries in Africa generally need railway transportation facilities and infrastructure. However, these countries do not have the ability to buy trains in cash. Therefore, to expand the railway market in Africa, INKA cooperates with several other state-owned companies in Indonesia that are related to railway facilities and infrastructures, such as PT Wijaya Karya (Persero) as a concrete factory, PT Len Industri Persero for the train signaling system, and Indonesia EXIM Bank for the funding. The method used by INKA to enter the African market is by using the build operate transfer (BOT) scheme. With this scheme, Africa does not need to buy and sell trains, but by investing in Africa (Republika, Inka Bidik Pasar Ekspor Kereta ke Afrika, 2019).



On 20-21 August 2019, Indonesia together with Africa held an event entitled Indonesia-Africa Infrastructure Forum Dialogue (IAID) in Nusa Dua, Bali. In August 2019, two countries from the African continent, namely Angola and Zimbabwe, sent their delegations to visit PT INKA. During the visit, the delegation tried to show three types of INKA products consisting of LRT, KRD, and trams that use battery power. Apart from these two countries, PT INKA also received an offer from Côte d'Ivoire that asked INKA to build infrastructure in that country. In the process of paying for the train itself, INKA offers payment options through concessions for SOEs in Indonesia to manage mines in Africa, in which the outcome of the mining will be used to pay for the train's purchase (Amal & Galuh, 2022).

In 2020, INKA received a 1,023 km rail line upgrading project, that connecting Bamako, the capital of Mali, to Dakar, the capital of Senegal. Both countries need a new rail network because the existing old rail lines are no longer usable. Therefore, the existence of trains will greatly help both countries, especially in terms of logistics transportation which so far has been transported using trucks which will take up to two weeks to transport and the operating costs are also higher when compared to using trains (CNN Indonesia, 2020). In October 2020, INKA has once again completed the contract with Zambia that was discussed in 2018, related to the purchase of 30 locomotives with a contract value of 90 million dollars long-sale.

On 28 February 2017, Indonesia through Mr Mansyur Pangeran, the Indonesian Ambassador to Senegal, held a meeting to discuss cooperation with Mansour Elimane, as the Senegal Minister of Infrastructure, Land Transport, and Opening up. During the meeting, Senegal welcomed the cooperation of the railway project in Senegal, the Regional Train Express (TER) with PT INKA from Indonesia

(Himawan, 2017). In June 2017, PT INKA collaborated with Zambia in purchasing 100 units of locomotives made by INKA. In 2018, the development of the collaboration between INKA and Zambia was in a position, where the collaboration was cooperation in a tripartite project between Indonesia, Sweden, and Zambia. Funding assistance through loans was provided by Sweden to Zambia to support railway infrastructure in Zambia. Meanwhile, for train facilities, such as locomotives and trains, Indonesia provides them through PT INKA (INKA, 2017). On 20-21 August 2019, an event with the theme Indonesia-Africa Infrastructure Dialogue Forum was held in Nusa Dua, Bali. Several countries in Africa are interested in buying train products from INKA such as Zimbabwe and Angola. On 22 August 2019, the two countries sent their delegations to see the production process of making trains at PT INKA. The delegations from the two countries also tried three types of trains made by INKA, such as the diesel rail train (KRD), light rapid transit (LRT), and urban light rail (tram) (Jalil, 2019).

Apart from these two countries, several countries in Africa that are also interested in using train products from INKA include Madagascar, Senegal, Ethiopia, Mozambique, Sudan, Egypt, Congo, Cameroon, and Nigeria. Where in 2019, INKA has explored cooperation with Madangkaskar in the construction of infrastructure and railway support facilities in the country (Putra, 2019). In an event with the theme of Ngopi BUMN (BUMN Coffee time), the President Director of PT INKA said that there was an opportunity for PT INKA to build a 19,241-long rail line that crossed several countries in Africa, such as the 7,411km Libya-Liberia route, 4,564km Eritrea-Gabon route, and Tanzania-Congo route along 5,79 km. The railway line itself, is a major program of the African Belt Economic Development, for the next 30 years. Therefore, PT INKA plans to build

two railway production facilities in Africa (INKA, 2020).

On 30 November 2019, PT INKA received a visit from several delegates, such as Mrs Judith Ncube, the Minister of State for Provincial Affairs of Bulawayo Metropolitan Province of the Republic of Zimbabwe, who represented the Zimbabwean government. Also Mr Martin T Dinha, as the Chairman of the Board of The National Railways of Zimbabwe. In the meeting, PT INKA and representatives from Zimbabwe discussed several cooperation opportunities such as the development of infrastructure systems and logistics transportation facilities, the manufacture of new trains, train repair and maintenance, improvement of existing infrastructure facilities at train depots, capacity building through the transfer of technology, and maintenance service agreement (INKA, 2019).

However, the biggest obstacle in actualising the project is the payment system for products purchased by African countries. Therefore, PT INKA in collaboration with other SOEs initiated a payment system with a scheme for utilizing natural resources in each country in Africa that is part of the railway project through the Build Operator Transfer (BOT) system. Wherein, several SOEs in Indonesia were permitted to utilize the natural resources there, and the profits from the processing were used to pay off train payments. Several state-owned companies that will collaborate with PT INKA in Africa include PT Len Industri, PT Wijaya Karya Tbk, PT Timah Tbk, and project financing institutions that will be carried out by Indonesia EXIM Bank. There are several things that need to be prepared by PT INKA in exporting trains to Africa, including a package consisting of production planning, capital investment, procurement of facilities and infrastructure, as well as direct supervision control carried out by PT INKA. Furthermore, a package offered by PT INKA to countries

in Africa through railway projects includes survey, design, construction, procurement, supervision, operator, and training of local workers who will be trained directly in Indonesia (CNN Indonesia, 2020).

Some of the advantages of the products offered by INKA compared to manufacturers from China and Europe are that the quality of the products offered was quite competitive prices. In a webinar on SEOs Strategy to Penetrate Global Markets, PT INKA President Director Budi Noviantoro said that in October 2020, PT INKA sent a delegation to Senegal to meet with a company in Africa. The meeting was related to an upgrading project, a 1,023 km rail line connecting Bamako, Mali with Dakar, Senegal. In 2020, PT INKA was also completing a cooperation contract for the procurement of 100 units of locomotives with Zambia, with a total contract value of 40 million dollars. In this project, PT INKA cooperates with the Bombardier train company (Republika, 2020). The advantages offered by INKA products are, that the trains made by INKA are of better quality than those made in China, and at a lower price than those made in Europe.

The author analyses INKA's opportunities and challenges in exploring the African market using the Pure Exchange Model of Trade by David Ricardo. The author identifies how INKA's opportunities are in conducting trade with Africa. INKA as a train manufacturer is experiencing an increase in global demand. The main requests come from the Philippines, Sri Lanka, and Bangladesh. In 2017, INKA managed to deliver 250 railcars to Bangladesh. The production raw materials and technology used by INKA are sufficient to produce international products (Kementerian Perindustrian, 2019). Based on a fairly strong international demand, African countries began submitting requests for the manufacture of trains through INKA. One of those planning to submit a request is Angola, which has submitted a request

for 10 electric trains (KRL) (Subekti, 2019). Based on the preferred trading indicator by David Ricardo, this international demand shows the positive implications of African rail consumers' expectations for INKA products.

Size and quality become the determinants of profits from trades that have been carried out. To improve technology, INKA collaborates with Stadler Rail Group from Switzerland. INKA and Stadler's cooperation will be realized through the construction of a railway factory in Banyuwangi (Wibowo, 2019). In Southeast Asia, INKA is the largest producer of railway facilities. The factory in Banyuwangi is targeted to produce 4 trains in 1 day. The location of the factory is close to Tanjung Wangi Harbor. This proves that there is an export orientation in the development of the INKA factory (Bisnis Indonesia, 2019). The technology owned by INKA is the company's competitive advantage to compete in the international market. However, INKA still needs to improve its technology through research and development. Particularly for high-speed rail technology, INKA might need to increase collaboration with academics and practitioners in order to develop high-speed rail technology (RISTEKBERIN, 2019).

In 2005, PT INKA exported its first passenger train to Bangladesh. Then, in 2015, PT INKA exported 150 units of passenger trains to Bangladesh. 100 of them are made to operate in the meter gauge rail lines with a rail width of 1000 mm, and the other 50 units are made for broad gauge with a rail width of 1676 mm. In the procurement of the passenger train, PT INKA was able to outdo the manufacturer from China during the tender held by Bangladesh. Unlike the trains that were made by PT INKA to meet KAI's demand, the trains made by PT INKA for Bangladesh have a train frame structure and chassis that are made stronger than

those in the country. This is because, the characteristics of passengers in Bangladesh, who also tend to ride on the roof of the train, will make the difference in the weight of the train should be greater than that of the type of train that was built for Indonesia (Alfanus, 2021). This makes the INKA train products used in Bangladesh able to accommodate and withstand the weight of a large number of passenger capacities. PT INKA as a train manufacturer in Southeast Asia is able to adapt to the demands of consumers, whether in terms of specifications, details, or train technology. PT INKA is able to meet the needs of trains and locomotives, according to the characteristics of the community and conditions of the client country. In 2017, PT INKA won another tender for the procurement of passenger trains in Bangladesh as many as 250 units, with a contract value of IDR 1.4 trillion (Gideon, 2018).

One of the other advantages, apart from the quality and quite competitive prices, PT INKA also offers after-sales service that can be used by its users. In addition, they also provide experts for the companion of the buyer, in order to maintain its assistance and ensure that the operations of the product purchased can run well, as well as empower human resources in the country of the buyer. On the other hand, PT INKA also undertakes the transfer of technology in the long term to the countries that buy their products. Products from PT INKA have engineering capabilities with the domestic component level (TKDN) reaching 80 per cent (including engineering). PT INKA itself has advantages, where raw materials such as steel and stainless steel are fully available in the country. Some of PT INKA's material supplies were obtained from several steel companies in Indonesia such as PT Krakatau Steel, PT Barata Indonesia, PT Pidad, and PT Inti. In terms of exports themselves, PT INKA's train

products have been supported by the National Interest Account scheme from the Indonesian Export Financing Agency (LPEI) (Kementrian Perindustrian RI, 2019).

Indonesia understands that Africa has difficulty in terms of making payments when purchasing railway products such as the train. Persuasion was carried out by Indonesia with political structures in Africa to get an agreement that was in accordance with the expectations of both parties. Persuasion has been carried out since the Indonesia-Africa Infrastructure Forum Dialogue (IAID) was held. From the dialogue, African requests related to infrastructure development can be obtained through cooperation with Indonesia. Including, the demand from African countries for rail transportation modes. However, Africa has not been able to purchase with cash payments (Subekti, 2019). So the transaction type that was made between Indonesia and Africa is an investment type. INKA collaborates with other SOEs such as PT Wijaya Karya, PT Len Industri, PT Timah, and Indonesia EXIM Bank (Putra, 2019).

One of the determinants of the success of international trade practices is government policy. The Indonesian government has mandated Indonesia EXIM Bank to assist with the INKA financing process. This mandate has been realised for export to destination countries such as Bangladesh and Sri Lanka. The mandate is stated in the Decree of the Minister of Finance No. 513/KMK.08/2018 regarding the special assignment to provide financing for the export of trains and carriages. The injection of funds distributed to INKA in 2019 by Indonesia EXIM Bank was IDR 775.6 billion (Sugianto, 2019). In this case, the government provides positive support for the external expansion of INKA's products. If several INKA tenders are gained and they are able to distribute train carriages to African countries such as Angola, Nigeria,

and Madagascar, then there is a positive possibility that the Indonesian government will provide another similar policy.

In addition, Indonesia's expectation is its interest in selling INKA products to strengthen the national railway industry. To meet these expectations, INKA has participated in the largest railway exhibition in Africa called Africa Rail. Indonesia's expectations are also to create strong competitiveness for INKA products in the midst of competition in the free market. Trade agreements between Africa and China or the European Union will make Indonesia need to compete more tightly (Antara News, 2019). Indonesia potentially be a competitive advantage in railway industry. Previous study entitled Competitiveness Analysis Railway Propulsion System Industry in Indonesia – pre Feasibility Study argued that Indonesia has the capacity production. But it still needs optimalization to penetrate the market (Utomo, Nugroho, Sasongko, & Krisnowo, 2020).

The author describes the analysis of INKA's strategy in entering the African market through the concept of Strategic Trade Policy by Brader and Spencer. This concept explains how the government's strategy in supporting international trade through a series of policies and their implementation. The first strategy relates to the commitment ability of the government. The government issued a policy on the Domestic Content Level (TKDN). Through this policy, the level of domestic needs can be met independently and can increase global competitiveness (Biro Komunikasi, 2018). In addition, the fulfilment of INKA requirements related to TKDN makes Indonesia EXIM Bank approve a financing package for export production. This policy is also part of dealing with uncertainty in exploring trade with Africa (uncertainty of the demand). (Denura & Sari, 2021)

The next strategy is about information asymmetry. This indicator

opens up opportunities for open dialogue regarding market conditions and possible uncertainties. To open the communication process for all stakeholders in producing trains, the Government of Indonesia inaugurated the Indonesia Railway Component Manufacture Association (IRCMA). This association supports the fulfilment of national railway needs as well as increasing international competitiveness. This association also connects other industries related to the components of making trains such as PT Pindad, PT Len, PT Barata, and PT Krakatau Steel, as well as other stakeholders (Kementerian Perindustrian Republik Indonesia, 2018).

The Indonesian government also provides support to PT INKA through the formation of a consortium called the Indonesia Railway Development Consortium (IRDC). IRDC is a combination of several SOEs related to railway infrastructures development projects such as PT INKA as a producer of locomotives, trains, and railway cars. Second, there is PT Waskita Karya is a company engaged in the infrastructure sector. Third, there is PT Len which is engaged in the train signalling system. Finally, PT KAI is a company that operates as a train operator. Through the IRDC consortium, the Government of Indonesia aims to make the Indonesian railway industry able to become a provider of facilities and a developer of railway infrastructure which includes infrastructure development, train operations, train maintenance, and provider of infrastructure development funding packages (Kementrian Luar Negeri RI, 2019).

The next strategy is the nonlinearity of the policy instrument. INKA seeks to offer lower prices than foreign competitors, especially in China. In order to gain market share, INKA must apply a price below the average. By setting a low price, there will be opportunity costs incurred by the national company. So

the government issued a financing policy through EXIM Bank (Hafiyyan, 2020). Furthermore, there are strategies related to the cost of social capital. On 7 August 2019, Salman Al Farisi as the Indonesian Ambassador in Pretoria conducted a meeting between a group of Indonesian businessmen and Hon. Vincent T is the Minister of Infrastructure and Housing Development of Botswana. During the working visit, in which PT INKA has also participated, there was also a meeting with authorities and potential partners, the Ministry of Transport and Communication, and the Board of Directors of Botswana Railway. During the visit, PT INKA had the opportunity to visit the train and locomotive depot facilities at Mabula Station (Kementrian Luar Negeri RI, 2019). In October 2019, at the 2019 Trade Expo Indonesia, the Indonesian Embassy in Cairo also conducted a meeting between the IRDC and the Ministry of Machinery Transport and the Egyptian National Railways. During the meeting, both parties committed to proposing a form of G to G cooperation in terms of procurement of spare parts for train maintenance (Kementrian Luar Negeri RI, 2019).

In addition, there is also a strategy that bridges the economic conditions of the two countries that can be called the Economic Disparity in the Participant Country. In this case, both Indonesia and Africa support the occurrence of trade. The support provided by the Government of Indonesia to INKA in penetrating overseas markets is by lobbying with the local government. For example, as was the case with the Indonesian Embassy in Pretoria, where the Indonesian Embassy arranged the meeting between PRASA as a train operator and the Transit Company in South Africa with PT INKA. In the meeting, both parties from PT INKA and South Africa were able to follow up on the meeting in a railway development cooperation in South Africa. Some of them are, railways

in Mozambique, Nigeria, Botswana, and Zambia.

The Indonesian government through its ambassadors in Africa provides support to SOEs to be able to see various opportunities for collaboration that are possible to be carried out through a collaboration between SOEs. On 19-20 June 2019, PT INKA one of the state-owned enterprises in Indonesia had the opportunity to participate in the Africa Rail Exhibition which was held in Johannesburg. Not only in Africa, in terms of the procurement of passenger trains by PT INKA in Bangladesh, the Government of Indonesia also provides support in the form of a commitment to support Bangladesh in the modernization and development of technology and the existing railway system in Bangladesh (Kementrian Luar Negeri RI, 2019). In addition, the Indonesian Embassy in Dhaka, Bangladesh is also actively seeking to increase bilateral cooperation between Indonesia and Bangladesh, especially in the fields of trade and investment between the two countries. The Indonesian Embassy in Dhaka became an informant for the Government of Indonesia regarding any information available in Bangladesh, related to the social, economic, and political conditions in Bangladesh. The aim is that the Indonesian government to have an explicit picture of the condition of Bangladesh and seizes the opportunities for cooperation that exist in Bangladesh. Particularly related to Bangladesh's need for reliable mass transportation modes such as trains. The Indonesian Embassy in Dhaka held the 2019 Indonesia Fair on 25-27 March 2019, and the Minister of Railways of Bangladesh was also attending the event. During the event, there was a convening of the Business and Investment Forum. The 2019 Indonesia Fair itself was attended by 7 SOEs, one of which was PT INKA (Kementrian Luar Negeri RI, 2019).

On 7 January 2020, the Indonesian

Embassy in Khartoum, Sudan, facilitated a meeting between Sudanese businessmen and the President Director of PT INKA. The meeting was held in Jakarta. The follow-up to the meeting was a plant tour to the PT INKA workshop in Madiun on 9 January 2020. During the visit, the Sudanese entrepreneurs were invited to see the activities and production processes at PT INKA. The result of the visit was that there was an informal agreement between the two parties to explore the potential for cooperation in rejuvenating the railway sector in Sudan (Kementrian Luar Negeri RI, 2020).

Domestically, as an effort to support the national railway industry, the Government of Indonesia through the Ministry of Industry established an organization called the Indonesian Railways Manufacturing and Supporting Industry Association, known as the Indonesia Railway Component Manufacture Association (IRMA), whose members consist of companies operating in the industry of metals, rubber, plastics, as well as several research institutes and consultants (Kementrian Perindustrian RI, 2018). Generally, the Government of Indonesia through the embassies in each country has an important role in promoting and encouraging bilateral cooperation both in the trade and investment fields that are B to B and G to G. This is manifested in the form of an MoU, the establishment of a Joint Trade Committee, and the Consortium between SEOs. Moreover, various kinds of cooperation schemes are also being pursued by the Government of Indonesia.

Furthermore, it relates to the production component or what is called the Intermediary Product. The Domestic Component Level Policy (TKDN) supports maximum use of domestic components. Until 2018, 42% of the domestic components used were for engine-driven trains and 70% for trains that did not use

propulsion engines. However, several other components are still imported from other countries such as Japan, Germany, China, and Europe. To increase the percentage of domestic components, the government encourages Indonesian SOEs to produce these components, especially in the aluminum sector (Ulum, 2018).

The Ministry of Industry continues to support technological innovation in the Indonesian railway industry. To improve technology, the government encourages INKA to cooperate and form alliances with foreign companies so that the technology transfer process might occur. This is in accordance with the next strategy, namely the Strategic Alliance. In addition, to build collaborations with domestic component industries, INKA also collaborates with foreign companies.

#### CONCLUSION

Following the pure exchange model of trade-in looking at the ratio of Indonesia to get opportunities as a railway provider in Africa, there are several aspects that can be analyzed. These aspects are preferences, quality of INKA, persuasion by the government, expectations to create competitiveness, and supportive government policies. Meanwhile, INKA's challenges in entering the African market are the uncertainty of the number of projects that will be carried out and the tight competitiveness, especially in China and European countries. However, Indonesia's strategy is strong enough to support all the components needed by INKA to penetrate the African market. In terms of policies, subsidy policy, support for associations, bilateral diplomacy, strengthening domestic industries, and making alliances are needed to strengthen corporations.

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