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Strengthening Indonesia-Dominican Republic Economic Relations:

A Partial Equilibrium Free Trade Simulation Analysis and Towards Establishing Indonesia-Dominican Republic Comprehensive Economic Partnership Agreement

Fortalecimiento de las Relaciones Económicas entre Indonesia y la República Dominicana:

Un análisis de la simulación de libre comercio de equilibrio parcial y hacia el establecimiento de un Acuerdo de Asociación Económica Integral entre Indonesia y la República Dominicana

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Palabras clave: Acuerdo de Asociación Económica Integral entre Indonesia y la República Dominicana, Diplomacia Económica, Análisis de Equilibrio Parcial, Tratado de Libre Comercio

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Abstract: Indonesia and Dominican Republic diplomatic relations have common interest to strengthen the economic relations. Indonesia views Dominican Republic as potential emerging economic partner in the Caribbean region, meanwhile the Dominican Republic wants to promote trade and investment and insert its country integrated into the global economy. Using the TINA partial equilibrium dashboard, the study reveals the potential impact of the Indonesia-Dominican Republic bilateral free trade scenario leads a trade creation for Indonesia including vehicles and parts accessories; tissue; and iron or non-alloy steel. Meanwhile, the Dominican Republic's potential export including cocoa beans; tobacco; and medical equipment. As for the trade diversion, the Dominican Republic leads to trade diversion with countries such as the United States, China, and Japan. Meanwhile, Indonesia is expected to import less from Ecuador, Ivory Coast, and Papua New Guinea. The study suggests to pursue Indonesia-Dominican Republic Comprehensive Economic Partnership Agreement to elevate the bilateral economic relations.

Resumen: Las relaciones diplomáticas entre Indonesia y la República Dominicana comparten el interés de fortalecer las relaciones económicas. Indonesia considera a la República Dominicana como un potencial socio económico emergente en la región del Caribe, mientras que la República Dominicana desea promover el comercio y la inversión e integrar su país en la economía global. Utilizando el panel de equilibrio parcial TINA, el estudio revela que el impacto potencial del escenario de libre comercio bilateral entre Indonesia y la República Dominicana genera una mayor creación de comercio para Indonesia, incluyendo vehículos y piezas, accesorios, tejidos y hierro o acero sin alear. Por otro lado, el potencial de exportación de la República Dominicana incluye cacao, tabaco y equipos médicos. En cuanto a la desviación comercial, la República Dominicana la genera con países como Estados Unidos, China y Japón. Mientras tanto, se espera que Indonesia disminuya sus importaciones de Ecuador, Costa de Marfil y Papúa Nueva Guinea. El estudio sugiere impulsar un Acuerdo de Asociación Económica Integral entre Indonesia y la República Dominicana para impulsar las relaciones económicas bilaterales.

Introduction

Indonesia and Dominican Republic established its diplomatic relations on 20th September 2011, in which both countries signed "Joint Communique Concerning the Establishment of Diplomatic Relations between the Government of the Republic of Indonesia and the Government of the Dominican Republic" in New York.[1] Since then, over the years the diplomatic relations between the two countries are cordial and growing over time. Both countries established diplomatic relations to strengthen the friendly relations and cooperation based on equality and mutual respect of both countries' sovereignty and they have demonstrated strong cooperation through mutual support in various international fora. Both countries' Ministry of Foreign Affairs have also signed a Memorandum of Understanding on Political Consultation to strengthen the political relations between two nations.[2]

Within the socio-cultural realm, in the tourism sector there are 232 Dominican Republic citizens visited Indonesia in 2024,[3] and it is recorded there are 14 Indonesian citizens among others as entrepreneurs and missionaries in the Dominican Republic.[4] Also, over the years the Indonesian government have promoted scholarships and capacity building programs

1 Treaty Room. (2025). Daftar Perjanjian Internasional. *Kementerian Luar Negeri Website*. [Online] Available at: https://treaty-room.kemlu.go.id/daftar-perjanjian [Accessed 31 December 2025].

2 *Idem*.

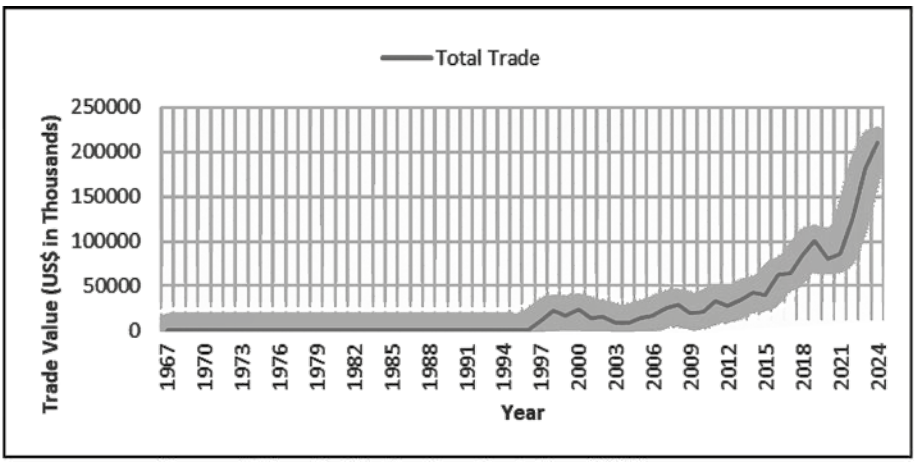
3 [BPS] Badan Pusat Statistik (2025). Jumlah Kunjungan Wisatawan Mancanegara per Bulan Menurut Kebangsaan (Kunjungan), 2024 [Online]. Available at: https://www.bps.go.id/id/statistics-table/2/MTQ3MCMy/jumlah-kunjungan-wisatawan-mancanegara-per-bulan-menurut-kebangsaan--kunjungan-.html [Accessed 27 December 2025].

4 [KBRI Havana] Embassy of the Republic of Indonesia in Havana. (2025). 23 Desember 2020 – 26 Februari 2025: Memorandum Akhir Jabatan Duta Besar LBBP RI untuk Kuba Merangkap Jamaika, Persemakmuran Bahamas, Republik Dominikana, dan Haiti – Nana Yuliana, Ph.D". KBRI Havana Website [Online]. Available at: https://kemlu.go.id/files/childmenu/additional_file/1745874605680feeadcaf6c_Memorandum_Akhir_Jabatan_Dubes_RI_KBRI_Havana_Des_2020___Feb_2025__signed_.pdf [Accessed 27 December 2025].

to the Dominican Republic citizens including Kemitraan Negara Berkembang (KNB) and Darmasiswa scholarships.

Within the economic realm, over the years the bilateral trade relations have increased significantly, in 1997 the bilateral trade amounted US$10.8 million, and in 2024 the bilateral trade volume soared to US$210.6 million, historically the highest between the two countries. In 2024, Indonesia exported to Dominican Republic amounted US$187.9 million, meanwhile Indonesia imported from Dominican Republic valued US$22.6 million, thus Indonesia recorded a trade surplus amounted US$165.2 million.[5] The Dominican Republic is Indonesia's largest trading partner in the Caribbean region, well-above Haiti (total trade valued US$109.3 million), Trinidad and Tobago (US$87.2 million), Jamaica (US$31.9 million), and Cuba (US$10.5 million).

Figure 1:
Indonesia-Dominican Republic Bilateral Trade Relations
Period 1967-2024



Source: Author Modification from Trade Map (2025)

5 [Kemendag] Kementerian Perdagangan Republik Indonesia. (2025). Neraca Perdagangan dengan Mitra Dagang. Satu Data Perdagangan. [Online] Available at: https://satudata.kemendag.go.id/data-informasi/perdagangan-luar-negeri/neraca-perdagangan-dengan-mitra-dagang [Accessed 11 December 2025].

In 2024, Indonesian main export are Semi-finished products of iron or non-alloy steel (HS7207) amounted US$72.76 million; Motor cars and other motor vehicles principally designed for the transport of <10 persons (HS8703) amounted US$19.95 million; Unmanufactured tobacco; tobacco refuse (HS2401) amounted US$16.02 million; Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary (HS4803) amounted US$15.87 million; Palm oil and its fractions, whether or not refined (excl. chemically modified and crude) (HS1511) amounted US$14.16 million; Cotton yarn containing predominantly, but < 85% cotton by weight (excl. sewing thread and yarn (HS5206) amounted US$5.99 million; Furniture and parts thereof, n.e.s. (excl. seats and medical, surgical, dental or veterinary) (HS9403) amounted US$3.84 million; New pneumatic tyres, of rubber (HS4011) amounted US$2.69 million; Frozen fish (excl. fish fillets and other fish meat of heading 0304) (HS0303) amounted US$2.38 million; and Cloves, whole fruit, cloves and stems (HS0907) amounted US$2.26 million.[6]

Meanwhile Indonesian main import from Dominican Republic are Cocoa beans, whole or broken, raw or roasted (HS1801) valued US$13.3 million; Unmanufactured tobacco; tobacco refuse (HS2401) valued US$2.6 million; Instruments and appliances used in medical, surgical, dental or veterinary sciences, incl. (HS9018) valued US$2.3 million; Pharmaceutical preparations and products of subheadings 3 006.10.10 to 3 006.93.00 (HS3006) valued US$1.1 million; Electrical apparatus for switching or protecting electrical circuits, or for making connections (HS8536) valued US$1 million; and Raw hides and skins of bovine "incl. buffalo" or equine animals, fresh, or salted, dried, limed (HS4101) valued US$585 000.[7]

Indonesia which put economic diplomacy agenda as one of the priorities within the Indonesian foreign policy views Dominican Republic as a potential emerging economic partner in the Caribbean region. The Dominican Republic is the largest economy in the Caribbean region with GDP amounted US$124.28 billion (2024) and the World Bank classifies Dominican Republic as an "upper middle income" country with GDP per Capita reaching US$10 875 in 2024.[8] Over the years, the Dominican Re-

6 Trade Map. (2025). Bilateral Trade between Indonesia and Dominican Republic. [Online] Available at: https://www.trademap.org/ [Accessed 10 December 2025].

7 *Idem*.

8 World Bank Open Data (2025). GDP per Capita (current US$) – Dominican Republic. World Bank. [Online] Available at: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BW [Accessed 20 December. 2025].

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public recorded strong positive economic growth (with the exception the Covid-19 pandemic in 2020) and achieved remarkable economic development, and the country is viewed on track to achieve its goal to become a high-income country by 2030.

The Dominican Republic economy is mainly driven by sectors including mining (gold), tourism, manufacturing (medical devices, electrical equipment, pharmaceuticals, and chemicals), energy, real estate, infrastructure, telecommunications and agriculture (coffee, cocoa, and tobacco). The country started fundamental economic reforms and trade policy adjustments in the early 1990s. The program focused mostly on fiscal and trade policy reforms, and the main targets were increasing the efficiency of the existing tariff and tax structures, eliminating price distortions, reducing asymmetries in the incentives provided to specific industries and sectors, and maintaining fiscal equilibrium.[9] The country has adopted policies of greater openness to international trade and investment in the last three decades. As a result, trade and foreign direct investment (FDI) has played a prominent role in the country's economic development. Other important source of income comes from remittances from Dominicans working abroad are important source of foreign exchange for the country.

The trade relations with the United States and other Caribbean countries are a key factor in the Dominican Republic's economic growth. The United States is the Dominican Republic's primary trading partner (44.7% of the total trade), followed by China, Spain, Mexico, and Brazil. Also, historically, the United States has been the largest investor, followed by Canada and Spain. The strong U.S.-Dominican Republic economic relationship stems from close geographic proximity and the historical, cultural, and personal ties between the two countries. Meanwhile, Dominican Republic economic relations with China is also significantly growing over the years, China is the second largest trading partner and an interesting note is since 2018 the Dominican Republic foreign policy made a shift by establishing diplomatic relations with China and cut its ties with Taiwan.[10]

9 Arroyo, L.A., & Santos-Paulino, A.U. (2013). Trading Development or Developing Trade? The Dominican Republic's Trade, Policies, and Effects in Historical Perspective. *Historia Caribe*, Vol. VIII No. 23, Julio-Diciembre, pp. 209-239. [Online] Available at: https://revistas.uniatlantico.edu.co/index.php/Historia_Caribe/article/view/982?articlesBySimilarityPage=19 [Accessed 29 December 2025].

10 In 2025, Taiwan is left with only 12 diplomatic allies that recognise Taiwan as the Republic of China/ROC (and thus do not have official relations with Beijing) which are Latin America and

On the other hand, the Dominican Republic faces a significant trade deficit challenge, primarily due to its dependence on imported food and consumer goods. Like many other countries in the Caribbean region, Dominican Republic is vulnerable to external factors such as changes in global commodity prices, currency fluctuations, and geopolitical instability in the Caribbean region. In terms of trade initiatives, the Dominican Republic has signed trade agreements including the United Kingdom-CARIFORUM Economic Partnership Agreement (2019), European Union (EU)-CARIFORUM Economic Partnership Agreement (2008), DR-CAFTA (Central America – Dominican Republic – United States Free Trade Agreement) (2004), Caribbean Community (CARICOM)-Dominican Republic Free Trade Agreement (1998), Central America-Dominican Republic Free Trade Agreement (1998), and Dominican Republic – Panama Preferential Trade Agreement (1985).[11]

As of December 2025, Indonesia itself is recorded at least 46 trade initiatives which are proposed/under consultation and study, negotiations phase, or have signed and entered into force.[12] With the Latin American and Caribbean counterparts, among others there are: Indonesia-Chile Comprehensive Economic Partnership Agreement (IC-CEPA) which was signed 2017 and entered into force in 2019 for Trade in Goods (TIG), later on extended including trade in services which was signed in 2022; Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA) signed in 2025; and Indonesia-Mercado Común del Sur/The Southern Common Market (MERCOSUR) negotiation launched in 2021.

The Dominican Republic is blessed with an abundance of natural resources and has strong competitiveness in several industries including services, mining, manufacturing, and agriculture. Since the 1990s, the country has adopted economic liberalization policies to promote international trade and investment in the country. This is an opportunity for

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the Caribbean: Belize, Haiti, St Kitts and Nevis, St Vincent & the Grenadines, Guatemala, Paraguay, and Saint Lucia; Africa: Eswatini; Europe: The Vatican; and the Pacific: Tuvalu, Marshall Islands and Palau. Source: [BBC] British Broadcasting Corporation (2018). Taiwan Loses Diplomatic Ally as Dominican Republic Switches Ties to China. BBC Website [Online]. Available at: https://www.bbc.com/news/world-asia-china-43958849 [Accessed 27 December 2025].

11 [SICE] Sistema de Información sobre Comercio Exterior (2025). Trade Agreements. [Online] Available at: https://sice.oas.org/agreements_e.asp [Accessed 26 December 2025].

12 [ARIC] Asia Regional Integration Center (2025). Free Trade Agreements, Asian Development Bank. [Online] Available at: https://aric.adb.org/fta-country [Accessed 27 December 2025].

Indonesia that could be explored in the Dominican Republic. The Dominican Republic could be a gem hidden in the Caribbean region for Indonesia and has great potentials that has yet to be discovered.

There are several previous studies on Indonesia-Dominican Republic and Indonesia-Caribbean diplomatic relations. Syafri (2023) wrote deepening Indonesia-Dominican Republic bilateral relations.[13] Dominican Republic is considered as an untapped for Indonesia, and suggested the appointment of Indonesian Honorary Consul in the Dominican Republic to promote economic and socio-cultural cooperation between the two countries. Other studies on Indonesia-Caribbean relations including Hotsawadi & Widyastutik (2023), in which Indonesia views CARICOM as an area that has great trade potential and all CARICOM members are classified as non-traditional trading partners for Indonesia.[14] The findings indicate that ten major Indonesian export commodities are positioned in a "lost opportunity" market category, but CARICOM is categorized as potential market development. Global south countries such as Brazil, China, Colombia, Trinidad and Tobago, and Singapore were identified as Indonesia's main competitors in CARICOM. Further, with respect to export determinants, Gross Domestic Product (GDP) and investment are found to exert positive and statistically significant effects on Indonesia's exports to CARICOM member states. In contrast, inflation and exchange rates demonstrate significant negative impacts, whereas distance shows a negative but statistically insignificant relationship with Indonesia's export performance to CARICOM.

Another study to foster Indonesia-Latin American and Caribbean relations, Pasaribu (2024) discussed Indonesia's initiative Indonesia-Latin America and the Caribbean Business Forum (INA-LAC Business Forum) to facilitate Indonesia's economic diplomacy in non-traditional markets in Latin America and the Caribbean region.[15] The findings reveal that the

13 Syafri, M. (2023). Indonesia's Untapped Opportunities in the Dominican Republic: Strategies for Deepening Bilateral Relations. Sesparlu Final Paper 72-2023, Ministry of Foreign Affairs of the Republic of Indonesia, Jakarta.

14 Hotsawadi, & Widyastutik. (2023). Menavigasi Daya Saing dan Determinan Ekspor Unggulan Indonesia di Kawasan Carribean Community (Caricom): Navigating Products Competitiveness and Determining Indonesia's Leading Exports in the Caribbean Community (CARICOM) Region. *Buletin Ilmiah Litbang Perdagangan*, 17(2), 203–224. [Online] Available at: https://ejournal.brin.go.id/bilp/article/view/224 [Accessed 11 April 2026].

15 Pasaribu, FM, Rueben (2024). Diplomasi Komersial Indonesia Melalui Peran INA-LAC dalam Menggarap Pasar Non-Tradisional. *Jurnal Hubungan Luar Negeri*, Vol.9, No.1, 92-121.

INA-LAC Business Forum plays a crucial role in expanding market access, establishing business networks and attracting investment, building Indonesia's image, and enhancing the competitiveness of Indonesian products. The initiative is expected to open new opportunities and strengthen economic cooperation between Indonesia and Latin America and the Caribbean counterparts, which in turn can enhance Indonesia's economic resilience.

Despite the given previous literatures, still there are relatively few researches have been done on Indonesian economic relations with the Caribbean nations counterpart, including the Dominican Republic. This study attempts to identify and find ways forward to elevate Indonesia-Dominican Republic bilateral economic relations with a strong emphasis on trade relations.

Data and Research Methodology

The study attempts to enhance Indonesia-Dominican Republic bilateral economic relations, particularly the trade relations aspect. Classical international trade theory posits that the gains from trade arise through specialization according to comparative advantage, whereby countries focus on producing goods or services in which they have relatively greater efficiency or lower opportunity costs; such specialization and exchange are expected to benefit all participating economies and lead to an overall increase in global output.[16] Thus, strengthening trade relations by removing trade barriers (tariff and non-tariff barriers) such as through free trade agreement could be a potential breakthrough to enhance bilateral trade relations based on their respective country's comparative advantage sectors.

This paper attempts to discuss the potential impact of Indonesia-Dominican Republic bilateral free trade agreement scenario. The study uses Trade Intelligence and Negotiation Adviser (TINA), which is a partial equilibrium dashboard developed in late 2018 by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) to

[Online] Available at: https://jurnal.kemlu.go.id/index.php/jurnal-hublu/article/view/37/26 [Accessed 11 April 2026].

16 Plummer, M.G., Cheong, D., & Hamanaka, S. (2010). Methodology for Impact Assessment of Free Trade Agreements, Mandaluyong City, *Asian Development Bank*. [Online] Available at: http://aric.adb.org/pdf/FTA_Impact_Assessment.pdf [Accessed 11 December 2025].

assess the impact of tariff (and soon non-tariff) removals, as well as the preference loss from removing tariffs from specific trade agreements (for instance, withdrawal from trade agreements or to examine effects of Least Developed Countries/LDC graduation), Non-Tariff Measures (NTMs) estimating the impact of cost reductions associated with NTMs.[17,18,19] Further, TINA could also be used for trade facilitation simulation by assessing the estimated range of impact on bilateral exports effect of improved (or non-improved) trade facilitation implementation on trade between the two countries. TINA is a partial equilibrium model and a market access simulation package and has been used by policymakers and researchers to evaluate the impact of change in the trade policy on the trade effects.[20] For instance, Harunur Rashid from Bangladesh Foreign Trade Institute (BFTI) used TINA to assess the potential problems and prospects for Bangladesh transition from Least Developed Country (LDC) to Developing Country (known as LDC graduation) and assesses trade preference loss using TINA simulation tools to measure LDC preference loss.[21] Another study, Balchin et al. (2025) uses TINA with 3 tariff scenarios to evaluate the ripple effects of US tariffs on the commonwealth nations.[22]

17 [TINA] Trade Intelligence and Negotiation Adviser. (2025a). About TINA. [Online] Available at: https://tina.trade/ [Accessed 15 December 2025].

18 [UNESCAP] United Nations Economic and Social Commission for Asia and the Pacific (2025a). User Guide and Explanatory Note for TINA: the Trade Intelligence and Negotiation Adviser. 30 May. [Online] Available at: https://www.unescap.org/kp/2025/user-guide-and-explanatory-note-tina-trade-intelligence-and-negotiation-adviser [Accessed 20 December 2025].

19 [UNESCAP] United Nations Economic and Social Commission for Asia and the Pacific (2025b). E-learning Course on Using Trade Intelligence and Negotiation Advisor (TINA). [Online] Available at: https://www.unescap.org/our-work/trade-investment-innovation/training/tina [Accessed 20 December 2025].

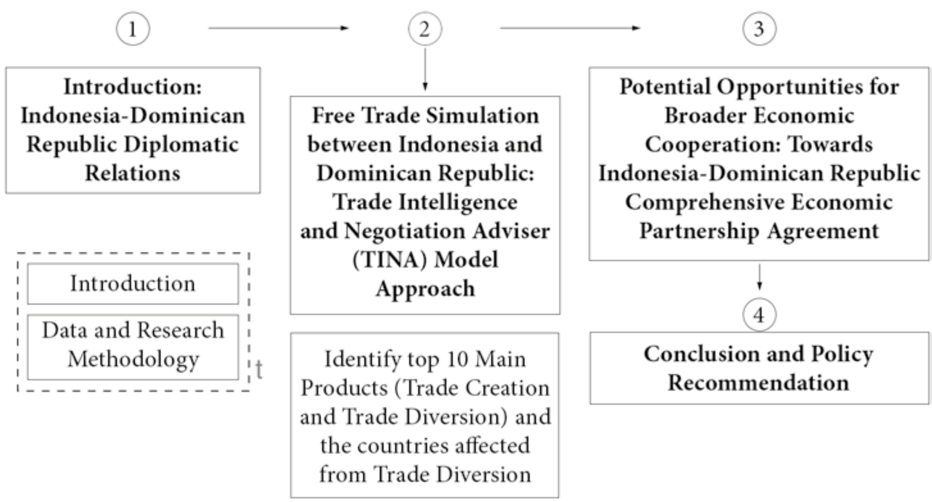
20 [TINA] Trade Intelligence and Negotiation Adviser. (2025b). User Guide and Explanatory Note for TINA. *United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and United Nations Economic Commission for Africa (UNECA)*. [Online] Available at: https://www.unescap.org/kp/2025/user-guide-and-explanatory-note-tina-trade-intelligence-and-negotiation-adviser [Accessed 24 December 2025].

21 Rashid, Harunur. 2025. "Bangladesh's Transition from the Least Developed Country: Navigating Export Challenges in a New Era". Asian Journal of Economics, Business and Accounting 25 (7):74-91. [Online] Available at: https://journalajeba.com/index.php/AJEBA/article/view/1876 [Accessed 11 April 2026].

22 Balchin, N., Kampel, K., Munthali, T., Shaaran, A., Zhuawu, C. (2025) 'The Ripple Effects of US Tariffs: Economic Implications for the Commonwealth', International Trade Working Paper 2025/03, Commonwealth Secretariat, London.). [Online] Available at: https://www.thecommonwealth-ilibrary.org/index.php/comsec/catalog/download/1143/1240/9858?inline=1 [Accessed 11 April 2026].

For this study, TINA dashboard is used for a free trade simulation analysis to assess the potential economic impact of the bilateral free trade scenario between the two countries on trade creation and trade diversion. The study also illustrates the current (existing) tariff rates prior to the simulated tariff rate. The bilateral trade simulation will use full tariff dismantlement (zero tariff for all products). The simulation model follows the Utoktham et al.[23] guidance including the import substitution elasticity and import demand elasticity follow the Armington Assumption, meaning that the import country imports different and not perfect substitutable varies of a good from different exporters. In TINA, the import substitution elasticity is considered to be 1.5 for each good, meanwhile as for the import demand elasticity, the default values are the same for all reporters but may vary by product. The export supplies are assumed perfectly elastic (are exogenously given or known as a price taker assumption). By default, TINA uses a supply elasticity value of 999, an indicative infinite supply elasticity for all products and partners (perfectly elastic supply).

Figure 2. Research Analysis Framework



Source: Author (2025)

23 Utoktham, C., Kravchenko, A. and Duval, Y. (2020). "New Global Estimates of Import Demand Elasticities: A Technical Note", United Nations Economic and Social Commission for Asia and the Pacific Report. [Online] Available at: https://repository.unescap.org/server/api/core/bitstreams/0d579410-03aa-417c-b893-22b509b209fe/content [Accessed 31 December 2025].

The main advantage using the TINA model is its minimal data requirement and the dashboard is user-friendly. TINA only requires data for the trade flows, the trade policy (tariff), and a couple of behavioral parameters (elasticities). Another advantage is that it permits an analysis at a fairly disaggregated (or detailed) level up till HS 6 Digits level and it resolves a number of "aggregation biases" where within the framework of a general equilibrium model, the level of aggregation is neither convenient nor possible. However, TINA as a partial equilibrium model likewise some other partial equilibrium dashboards[24] does have its own disadvantages among others including neglecting the interactions and feedback between the various markets or the inter-sectoral input/output linkages that are the basis of general equilibrium model.

Next, the paper also discusses other suggested potential economic cooperation initiative to broader economic cooperation between Indonesia and Dominican Republic as both countries have common interest in their economic diplomacy agenda to promote bilateral economic relations. Finally, this paper attempts to suggest the appropriate Indonesian and Dominican Republic's economic diplomacy measures in order to elevate the economic relations between the two countries. The scope of this research covers: a) The number of countries observed are only between Indonesia and Dominican Republic; b) For the trade data, a 6 Digits Harmonized System (HS) will be used in order to analyze at the more disaggregated level (product level) based on the data obtained from Trade Map and World Integrated Trade Solutions[25] (WITS); and c) Free trade scenario (zero tariff simulation) will be based on trade data year 2024 (the latest data available at TINA) and only covers primary and manufactured goods (excludes services) (see figure 2 for the research analysis framework).

24 There are other partial-equilibrium model dashboards (Dashboards for Trade Policy Diagnostics): SMART model (Single Market Simulation Model), Global Simulation Analysis of Industry-Level Trade Policy (GSIM), Tariff Reform Impact Simulation Tool (TRIST), Agricultural Trade Policy Simulation Model (ATPSM), and TRADESIFT. Source: [UNCTAD] United Nations Trade and Development (2025). Chapter 4: Partial-Equilibrium Trade-Policy Simulation. [Online] Available at: https://unctad.org/system/files/official-document/gds2012d2_ch4_en.pdf [Accessed 12 December 2025]; and De Melo, J. (2020). A Dashboard for Trade Policy Diagnostics, *Working Paper Development Policies*, No. 275, October, Fondation pour les Études et Recherches sur le Développement international. [Online] Available at: https://ferdi.fr/dl/df-9qeugDRDiw34ZoCPP6PdA8mZ/ferdi-p275-a-dashboard-for-trade-policy-diagnostics.pdf [Accessed 25 December 2025].

25 [WITS] World Integrated Trade Solutions (2025). [Online] Available at: http://wits.worldbank.org/ [Accessed 20 December 2025].

Results and Discussion

Indonesia-Dominican Republic Bilateral Free Trade Scenario: A Partial Equilibrium Analysis

In this section, the study attempts to analyze the potential impact of the Indonesia-Dominican Republic bilateral free trade scenario in 2024. The objective is to analyze the impact on the trade creation effects. To analyze the bilateral FTA scenario, the paper uses the HS 6 Digits Code and a complete tariff dismantlement scenario (extreme scenario) to assess the full potential effects of trade liberalization. The bilateral free trade TINA simulation reveals trade creation for Indonesia (increased in Indonesian export to the Dominican Republic) amounted US$134.99 million, an increase of 96.82% (by trade value) of imports of selected commodities by the Dominican Republic from Indonesia, representing an increase of 67.1% in total imports of the Dominican Republic from Indonesia in 2024. There are 494 simulated goods, in which trade of 494 commodities impacted with none (0) commodity not impacted. Also, there are 137 trade partners of Dominican Republic affected as a result of trade diversion with a total amount US$16.67 million.

On the other hand, the bilateral free trade TINA simulation also reveals trade creation for the Dominican Republic (increased in the Dominican Republic's export to Indonesia) amounted US$6.35 million, an increase of 30.01% (by trade value) of imports of selected commodities by Indonesia from the Dominican Republic, representing an increase of 28.02% in total imports of Indonesia from the Dominican Republic in 2024. There are 100 simulated goods, in which trade of 100 commodities impacted, and 0 (none) commodity not impacted. Also, there are 177 trade partners of Indonesia affected as a result of trade diversion with a total amount US$1.54 million.

The Potential Impact of Indonesia-Dominican Republic Bilateral Free Trade Scenario on the Trade Creation Effect

The TINA simulation results revealed Indonesian trade creation effect amounted US$134.99 million, meaning the tariff dismantlement opens Indonesian export to the Dominican Republic amounted US$134.99 million (the results are reported in table 1). The bilateral free trade would open Indonesian potential export products including vehicles and parts and accessories thereof; tissue; iron or non-alloy steel; tobacco; vegetable fats and oils (including palm oil); fish products (fillets, frozen); molluscs;

crustaceans; furniture; spices; new pneumatic tyres (rubber); juice (pineapple); paper; textile; footwear; plastics; musical instruments; food preparations; and house appliances.

Specifically, the top 5 Indonesian potential export products to the Dominican Republic are: Tissue, towel, napkin stock or similar; for household or sanitary use, cellulose, wadding webs of cellulose fibres, in rolls exceeding 36cm in width or rectangular sheets with one side more than 36cm in unfolded state (HS480300) which contributed the highest potential increase of Indonesian export to the Dominican Republic by US$36 million, followed by Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc (HS870322) amounted US$27 million; Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc (HS870323) amounted US$17.7 million; Iron or non-alloy steel; semi-finished products of iron or non-alloy steel, containing by weight 0.25% or more of carbon (HS720720) amounted US$7.3 million; and Tobacco, (not stemmed or stripped) (HS240110) amounted US$6.4 million.

Table 1:
The Potential Impact of RI-DR FTA Scenario on Indonesia's Export to the Dominican Republic (Trade Creation Effects) (Top 10)

Product Code	Product Name	Current Tariff	Trade Creation Effects in USD
480300	Tissue, towel, napkin stock or similar; for household or sanitary use, cellulose, wadding webs of cellulose fibres, in rolls exceeding 36cm in width or rectangular sheets with one side more than 36cm in unfolded state	**8%**	**36007151**
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc	**15.26%**	**27107551**
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	**15.26%**	**17762014**

720720	Iron or non-alloy steel; semi-finished products of iron or non-alloy steel, containing by weight 0.25% or more of carbon	**5.5%**	**7342068**
240110	Tobacco, (not stemmed or stripped)	**14%**	**6463828**
850610	Cells and batteries; primary, manganese dioxide	**16%**	**6251637**
151620	Vegetable fats and oils and their fractions; partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared	**8%**	**5252874**
870431	Vehicles; spark-ignition internal combustion piston engine, for transport of goods, (of a g.v.w. not exceeding 5 tonnes), n.e.c. in item no 8704.1	**13.14%**	**3936083**
240120	Tobacco; partly or wholly stemmed or stripped	**14%**	**3413185**
870390	Vehicles; for transport of persons (other than those of heading no. 8702) n.e.c. in heading no. 8703, including station wagons and racing cars	**15.26%**	**3307304**

Source: Author Estimation from TINA (2025)

Meanwhile, on the other hand the tariff dismantlement would also open the Dominican Republic's export to Indonesia amounted US$6.35 million (the results are reported in table 2). The Dominican Republic's main potential export to Indonesia are: Cocoa beans; whole or broken, raw or roasted (HS180100) amounted US$4.2 million; Tobacco; partly or wholly stemmed or stripped (HS240120) amounted US$761626; Medical, surgical or dental instruments and appliances; n.e.c. in heading no. 9018 (HS901890) amounted US$476616; Chemical products, preparations and residual products of the chemical or allied industries, n.e.c. or included in heading no. 3824 (HS382490) amounted US$235913; and Cigarettes; containing tobacco (HS240220) amounted US$152625.

Table 2:
The Potential Impact of RI-DR FTA Scenario
on the Dominican Republic's Export to Indonesia
(Trade Creation Effects) (Top 10)

Product Code	Product Name	Current Tariff	Trade Creation Effects in USD
180100	Cocoa beans; whole or broken, raw or roasted	**5%**	**4254961**
240120	Tobacco; partly or wholly stemmed or stripped	**5%**	**761626**
901890	Medical, surgical or dental instruments and appliances; n.e.c. in heading no. 9018	**5%**	**476616**
382490	Chemical products, preparations and residual products of the chemical or allied industries, n.e.c. or included in heading no. 3824	**5%**	**235913**
240220	Cigarettes; containing tobacco	**40%**	**152625**
300590	Wadding, gauze, bandages and similar articles; (excluding adhesive dressings), impregnated or coated with pharmaceutical substances, packaged for retail sale	**5%**	**96113**
853620	Electrical apparatus; automatic circuit breakers, for a voltage not exceeding 1000 volts	**3.01%**	**73976**
240110	Tobacco, (not stemmed or stripped)	**5%**	**61439**
900630	Cameras, photographic (excluding cinematographic); specially designed for underwater use, aerial survey, medical or surgical examination of internal organs; comparison cameras for forensic or criminological use	**5%**	**56596**
240210	Cigars, cheroots and cigarillos; containing tobacco including the weight of every band, wrapper or attachment thereto	**40%**	**34741**

Source: Author Estimation from TINA (2025)

The Potential Impact of Indonesia-Dominican Republic Bilateral Free Trade Scenario on the Trade Diversion

The bilateral free trade TINA simulation results revealed 137 trade partners of the Dominican Republic affected as a result of trade diversion with a total amount US$16.67 million. The tariff dismantlement made Indonesia gets lower tariffs from the Dominican Republic for the 494 simulated goods. As a result, the Dominican Republic may import more from Indonesia and less from other economies (i.e. trade diversion) leading to decreased exports of the 494 simulated commodities to the Dominican Republic for the 137 trade partners. The main countries affected are: United States, China, Japan, Chile, Republic of Korea, Ecuador, Honduras, Brazil, and European Union.

For the top 5 Indonesian potential export products to the Dominican Republic are Tobacco, (not stemmed or stripped) (HS240110) amounted US$3.1 million; Iron or non-alloy steel; semi-finished products of iron or non-alloy steel, containing by weight 0.25% or more of carbon (HS720720) amounted US$2.5 million; Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc (HS870323) amounted US$2.4 million; Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc (HS870322) amounted US$1.6 million; Tissue, towel, napkin stock or similar; for household or sanitary use, cellulose, wadding webs of cellulose fibres, in rolls exceeding 36cm in width or rectangular sheets with one side more than 36cm in unfolded state (HS480300) amounted US$1.1 million.

Table 3:
The Potential Impact of RI-DR FTA Scenario on Trade Partners of the Dominican Republic Affected as a Result of Trade Diversion (Top 10)

Product Code	Product Name	Trade Diversion in USD	Top 3 Countries Affected
240110	Tobacco, (not stemmed or stripped)	**3110223**	**United States, Ecuador, Honduras**
720720	Iron or non-alloy steel; semi-finished products of iron or non-alloy steel, containing by weight 0.25% or more of carbon	**2555419**	**Brazil, Ukraine, Chile**

870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	**2486067**	**United States, Republic of Korea, China**
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc	**1638079**	**Japan, India, Canada**
480300	Tissue, towel, napkin stock or similar; for household or sanitary use, cellulose, wadding webs of cellulose fibres, in rolls exceeding 36cm in width or rectangular sheets with one side more than 36cm in unfolded state	**1118807**	**United States, China, Chile**
870390	Vehicles; for transport of persons (other than those of heading no. 8702) n.e.c. in heading no. 8703, including station wagons and racing cars	**615235**	**United States, Republic of Korea, Japan**
940360	Furniture; wooden, other than for office, kitchen or bedroom use	**321502**	**China, European Union, Mexico**
401140	Rubber; new pneumatic tyres, of a kind used on motorcycles	**306180**	**China, Vietnam, European Union**
940180	Seats; n.e.c. in heading no. 9401, (excluding medical, surgical, dental, veterinary or barber furniture)	**298521**	**China, European Union, United States**
030389	Fish; frozen, n.e.c. in heading 0303, excluding fillets, livers, roes, and other fish meat of heading 0304	**268375**	**India, China, Panama**

Source: Author Estimation from TINA (2025)

Meanwhile, there are 277 trade partners of Indonesia affected as a result of trade diversion with a total amount US$1.54 million. The tariff dismantlement made the Dominican Republic gets lower tariffs from Indonesia for the 100 simulated goods. As a result, Indonesia may import more from the Dominican Republic and less from other economies (i.e. trade diversion) leading to decreased exports of the 100 simulated commodities to Indonesia for the 277 trade partners. The main countries affected are: Ecuador, Ivory Coast, Papua New Guinea, European Union, China, and United States.

These main Dominican Republic's potential export products to Indonesia are: Cocoa beans; whole or broken, raw or roasted (HS180100) amounted US$941242; Medical, surgical or dental instruments and appliances; n.e.c. in heading no. 9018 (HS901890) amounted US$166444; Tobacco; partly or wholly stemmed or stripped (HS240120) amounted US$148627; Cigarettes; containing tobacco (HS240220) amounted US$63144; and Chemical products, preparations and residual products of the chemical or allied industries, n.e.c. or included in heading no. 3824 (HS382490) amounted US$38495.

Table 4:
The Potential Impact of DR-RI fta Scenario on Trade Partners of Indonesia Affected as a Result of Trade Diversion (Top 10)

Product Code	Product Name	Trade Diversion in USD	Top 3 Countries Affected
180100	Cocoa beans; whole or broken, raw or roasted	**941242**	**Ecuador, Ivory Coast, Papua New Guinea**
901890	Medical, surgical or dental instruments and appliances; n.e.c. in heading no. 9018	**166444**	**European Union, China, United States**
240120	Tobacco; partly or wholly stemmed or stripped	**148627**	**China, Brazil, India**
240220	Cigarettes; containing tobacco	**63144**	**Singapore, Vietnam, United Arab Emirates**

382490	Chemical products, preparations and residual products of the chemical or allied industries, n.e.c. or included in heading no. 3824	**38495**	**China, European Union, United States**
240110	Tobacco, (not stemmed or stripped)	**37154**	**Türkiye, China, Tanzania**
853620	Electrical apparatus; automatic circuit breakers, for a voltage not exceeding 1000 volts	**35622**	**China, Thailand, European Union**
900630	Cameras, photographic (excluding cinematographic); specially designed for underwater use, aerial survey, medical or surgical examination of internal organs; comparison cameras for forensic or criminological use	**21776**	**European Union, Japan, China**
240210	Cigars, cheroots and cigarillos; containing tobacco including the weight of every band, wrapper or attachment thereto	**18223**	**European Union, Switzerland, Cuba**
300691	Pharmaceutical goods; appliances identifiable for ostomy use	**16892**	**European Union, Japan, United States**

Source: Author Estimation from TINA (2025)

Potential Opportunities for Broader Economic Cooperation: Towards Indonesia-Dominican Republic Comprehensive Economic Partnership Agreement

According to economic theory, trade liberalization promotes efficiency, economies of scale, competition, productivity, and trade expansion, which collectively support higher economic growth[26]. Knowing the potential benefits of the trade liberalization, both countries made efforts and have vast experiences in pursuing trade agreements, including Economic Partnership Agreement (EPA), Preferential Trade Agreement (PTA), and the Free Trade Agreement (FTA) with partners (countries or organizations) around the globe. Both countries view economic diplomacy as a priority within the

26 Barro, R., and Sala-I-Martin, X. (1995). Economic Growth, New York, McGraw-Hill.

foreign policy agenda, thus, establishing trade agreements are crucial for both countries to support enhancing national economic welfare.

In the Dominican Republic, during the current President Luis Abinader administration, he introduced a new approach of its foreign policy vision via the rest of the world. As an Island Developing State, defender of multilateralism and a developing economy, the Dominican Republic has established 3 foreign policies objectives: 1) Protection of Dominicans abroad; (2) Increased exports and increased foreign direct investment to generate jobs; and (3) Promotion of the values of democracy and human rights[27]. Economic diplomacy receives high priority agenda (as the second axis) in its foreign policy directed to increase in exports and foreign direct investment to generate jobs. The Dominican Republic has taken a turn towards commercial diplomacy, in order to turn its diplomatic and consular officials into true agents of promotion of trades, businesses and investments. The Ministry of Foreign Affairs (Mirex) works together with ProDominicana which is the government agency responsible for promoting exports and FDI, and operates in several areas in coordination with other government institutions involved in foreign trade.

The country has also implemented measures strengthening free trade zones infrastructures, institutional reforms, introducing the Law of Regulatory Improvement and Simplification of Procedures, the enactment of a new Law of Customs, and the project to turn the Dominican Republic into a regional logistics hub in the Caribbean region. These measures resulted significant improvement in country's total export of goods reaching US$12.9 billion and capturing an investment of $4.523 billion, and this is a record level in the Dominican Republic's FDI history and now the country is one of the favorite destinations for foreign direct investment (FDI) in the Latin American and Caribbean region. The proposals for investment come from countries such as the United States, Spain, Netherlands, Germany, France, Canada, Turkey, Mexico, Venezuela and El Salvador. The sectors with the highest concentration of investment are tourism, telecommunications, energy, agribusiness, construction and entertainment, respectively. These numbers reflect the increasingly successful insertion of the Dominican Republic economy in the global economy.

27 Bautista, J.D. (2022). The Dominican Republic New Foreign Policy. *Diplomat Magazine,* 6 February. [Online] Available at: https://diplomatmagazine.eu/2022/02/06/the-dominican-republic-new-foreign-policy/ [Accessed 29 December 2025].

The main objective of the Dominican Republic's trade policy is to promote exports. Various steps have been taken to facilitate exports, including the streamlining of procedures, the introduction of more flexible conditions for accessing credit,[28] strengthen free zone regime and other incentives, and as well as pushing for trade initiatives in which the Dominican Republic has signed several trade agreements (EPA/FTA/PTA) to support domestic production's integration into the international market.[29] Further, the Dominican Republic is a Member of the WTO since 1995 and grants, as a minimum, most-favored-nation (MFN) treatment to all its trading partners.

Meanwhile, Indonesia under the current President Prabowo Subianto's administration for the period 2024-2029, the economic diplomacy remains as one of the priority agendas in Indonesia's foreign policy to support the achievement of the so-called *Asta Cita* grand vision and National Long-Term Development Plan (*RPJPN*) 2025-2045 towards Golden Indonesia 2045 Vision[30] (RPJPN Secretariat 2025-2045, 2025). One of the concrete Indonesian economic diplomacy initiatives is to promote trade agreements, in which the country now has 46 trade initiatives (PTA/FTA/CEPA) with many countries and organizations (regional or sub-regional organizations) across the globe.

Based on the above facts, given the common interests in their economic diplomacy agenda to foster economic relations, and as well the previous TINA estimated results on the potential significant trade creations between the two countries resulted from a hypothetical free trade scenario, it is suggested both countries could explore to pursue Indonesia-Dominican Republic Comprehensive Economic Partnership Agreement (I-DR CEPA) as an economic diplomacy initiative effort to enhance the bilateral economic relations, particularly trade and investment relations. The I-DR CEPA is not only about strengthening bilateral economic relations but also

28 In 2021, the National Export Bank became the Export and Development Bank (BANDEX), which channels financial resources to export-oriented sectors, through financing and lines of credit for exports, and other products, such as export factoring, export credit insurance and other SME-oriented products.

29 [WTO Secretariat] World Trade Organization Secretariat (2022), Trade Policy Review Report by the Secretariat. 29 November. [Online] Available at: https://www.wto.org/english/tratop_e/tpr_e/s435_e.pdf [Accessed 29 December 2025].

30 RPJPN Secretariat 2025-2045. (2025). Rancangan Akhir RPJPN 2025-2045. [Online] Available at: https://indonesia2045.go.id/aspirasi [Accessed 11 December 2025].

strengthening friendships between the two countries and as well as the global south (South-South Cooperation).

Further, to complement the proposed trade initiative, Indonesia also needs to increase its presence in the Caribbean region including with the Dominican Republic. The appointment of an Honorary Consul[31,32,33] in the Dominican Republic has played important role to further promote a stronger understanding and cooperation between the two nations, including trade, investment, tourism, cultural exchange, and education (Syafri, 2023; and KBRI Havana, 2025). In addition, an Honorary Consul in the Dominican Republic will help promote Indonesia's advantage and gives diplomatic leverage for Indonesia in the Caribbean.

On the socio-cultural, science and educational cooperation, both countries should foster science diplomacy by leveraging scientific collaboration. This approach would not only strengthen the bilateral diplomatic relations, but also working together to tackle global challenges and fostering peace through shared knowledge while advancing sustainable development. Thus, by promoting science diplomacy, both countries can share their best practices on issues of common interests such as health, pandemics, climate change, and Artificial Intelligence (AI) governance and ecosystem to accelerate progress towards sustainable development.

Conclusion and Policy Recommendation

The diplomatic relations between Indonesia and the Dominican Republic are relatively new and both sides have common interest to strengthen the friendly relations, particularly the economic relations aspect in which the existing the trade relations have been relatively dynamics, but further efforts could be done to elevate the bilateral trade relations. This study

31 The Indonesian government appointed Mr. Vladimir Licairac as Honorary Consul to the Dominican Republic to promote a stronger understanding and cooperation between Indonesia and the Dominican Republic.

32 Syafri, M. (2023). Indonesia's Untapped Opportunities in the Dominican Republic: Strategies for Deepening Bilateral Relations. *Sesparlu Final Paper 72-2023,* Ministry of Foreign Affairs of the Republic of Indonesia, Jakarta.

33 [KBRI Havana] Embassy of the Republic of Indonesia in Havana. (2025). 23 Desember 2020 – 26 Februari 2025: Memorandum Akhir Jabatan Duta Besar LBBP RI untuk Kuba Merangkap Jamaika, Persemakmuran Bahamas, Republik Dominikana, dan Haiti – Nana Yuliana, Ph.D". KBRI Havana Website [Online]. Available at: https://kemlu.go.id/files/childmenu/additional_file/1745874605680feeadcaf6c_Memorandum_Akhir_Jabatan_Dubes_RI_KBRI_Havana_Des_2020___Feb_2025__signed_.pdf [Accessed 27 December 2025].

searches ways to strengthen and elevate the economic relations into a higher level.

The Dominican Republic is Indonesia's largest trading partner in the Caribbean region. The bilateral trade relations have reached its peak in 2024, with Indonesia recorded a trade surplus with main exports including iron or non-alloy steel; motor vehicles; tobacco; tissue; palm oil; cotton yarn; furniture; new pneumatic tyres, of rubber; frozen fish; and cloves. Meanwhile Indonesian main import from the Dominican Republic are: cocoa, tobacco, medical equipment, pharmaceutical products, electrical apparatus, and raw hides and skins of bovine. Both sides place economic diplomacy agenda as one of the priorities within their foreign policies. Indonesia views the Dominican Republic as a potential emerging economic partner in the Caribbean region and with plenty of economic opportunities.

On the other hand, the Dominican Republic in its foreign policy agenda wants to promote export and increase foreign direct investment to generate jobs and enhance national welfare. The country has also made course of actions of economic liberalization and reforms to promote economic competitiveness and this has successfully made the Dominican Republic's economy (as a small-open economy) integrated into the global economy.

The study analyzes the potential impact of the Indonesia-Dominican Republic bilateral free trade scenario on the trade creation effects and trade diversion using TINA, a partial equilibrium analysis dashboard. Using a complete tariff dismantlement scenario, the free trade simulation revealed the trade creation for Indonesia (an increase in Indonesian export to the Dominican Republic) with the main products: vehicles and parts and accessories thereof; tissue; iron or non-alloy steel; tobacco; vegetable fats and oils (including palm oil); fish products (fillets, frozen); molluscs; crustaceans; furniture; spices; new pneumatic tyres (rubber); juice (pineapple); paper; textile; footwear; plastics; musical instruments; food preparations; and house appliances. Meanwhile, the Dominican Republic's potential export to Indonesia are: cocoa beans; tobacco; medical equipment; chemical products; and cigarettes.

As for the trade diversion, the tariff dismantlement made the Dominican Republic to import more from Indonesia and less from other economies (trade diversion). The main countries affected are: United States, China, Japan, Chile, Republic of Korea, Ecuador, Honduras, Brazil, and European Union. The trade diversion comes from products including tobacco, iron or non-alloy steel, vehicles, and tissue, towel, or napkin stock. Meanwhile on the other hand, as a result of tariff dismantlement, Indonesia is expected to import less from Ecuador, Ivory Coast, Papua New Guinea, European Union, China, and United States. The main products of trade diversion come from cocoa beans, medical equipment, tobacco, cigarettes, and chemical products.

The study suggests both countries should explore to pursue Indonesia-Dominican Republic Comprehensive Economic Partnership Agreement (I-DR CEPA) as an economic diplomacy initiative effort to enhance the bilateral economic relations, particularly trade and investment relations and ultimately including to support enhancing both countries' national economic welfare agenda. Both countries have experiences in pursuing trade agreements (CEPA/EPA/FTA/PTA) and the I-DR CEPA is not only about strengthening bilateral economic relations but also strengthening friendships between the two countries and as well as to promote the global south cooperation (South-South Cooperation). The study also noted the current appointment of Indonesian Honorary Consul in the Dominican Republic played critical role to promote a stronger understanding and cooperation and as well as to demonstrate the increase Indonesian presence in the Caribbean region. Last but not least, both countries should also promote science diplomacy by leveraging scientific collaboration including working together on issues of common interests such as health, pandemics, climate change, and Artificial Intelligence (AI) governance and ecosystem to accelerate progress towards sustainable development.