

PROSPECTS AND CHALLENGES OF INDONESIA'S EXPORT UNDER THE
RCEP: MEASURING THE COMPETITIVENESS OF INDONESIAN
AGRICULTURE PRODUCT IN CHINA'S MARKET



BY

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THESIS

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ABSTRACT

Indonesia is one of the world largest producers of agricultural products. Indonesian agricultural commodities, such as coffee and cocoa, are of the highest quality in the world. This paper aims to analyze the competitiveness of Indonesian agricultural products and specifically coffee and cocoa products in China's market under the RCEP agreements. The RCEP agreement is intended to increase the bilateral connection between Indonesia and China, improve Indonesia's trade balance, and open up new channels for the flow of goods between Indonesia and China. This study examines the prospects and challenges of Indonesian competitiveness of agricultural products in China's market from 2012 to 2021 by measuring export performance using the Revealed Comparative Advantage (RCA) analysis and Trade Competitiveness (TC) methodologies. Secondary data acquired from UN comtrade, Trademap, and other supporting data from the official website are used in this research. The results of RCA and TC analysis show that Indonesian agricultural products and specifically coffee and cocoa products are competitive. However, there are some ups and downs in export and import. In conclusion, Indonesian agricultural products have good prospects under the RCEP to expand more in China's market.

KEYWORDS

Competitiveness; RCEP; Agricultural Products Trade

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MAIN CONTENT

1. CHAPTER I: INTRODUCTION

1.1. Background

In international trade, countries around the world sell and buy the products in order to fulfill the needs of the country and also to develop their economics. Each country will trade their products based on their specialization. In order to survive in international trade, it is important for a country to specialize on some commodities, so it will be more competitive in the global market. For Indonesia, agricultural products have a crucial role for Indonesia's economic development. In international trade, Indonesia participates as one of the biggest producers of agricultural products. With the large agricultural field and supportive climate in Indonesia, it is no wonder agriculture products are the key export commodities for Indonesia. The agricultural commodities sector contributes more than 14% of the Indonesian GDP which indicates that the agricultural sector is one of the most important products to develop the Indonesian economy. As an agrarian country, it can be said that Indonesia relies on the agricultural sector. Therefore, it is important for Indonesia to develop the quality and the quantity of the agricultural commodities in order to be more competitive, especially in the international market. The agricultural commodities such as coffee and cocoa of Indonesia are one of the best quality in the world. With these advantages, Indonesia can be the biggest producer of coffee and cocoa in the world.

In international trade, Indonesia is active to contribute as an exporter and also as an importer. China is Indonesia's biggest trade partner, exporter and also importer of Indonesian products. The total of export to China from Indonesia is reaching USD 65.9 million in 2022 (Trademap, 2023). Nowadays, the trade relationship between Indonesia and China is getting tighter. Indonesia and China have things in common where Indonesia and China have a dense population. These similarities bring through establishing the relationship of international trade. Therefore, the relationship between Indonesia and China would be expected

to grow in the future. This paper will discuss the competitiveness of agricultural products in total, and specifically coffee and cocoa in China's market. Indonesian coffee and cocoa have a significant potential for added value, are highly competitive, and could compete on the international market with similar commodities.

Historically, China's people tend to like to drink tea rather than coffee. But lately, China's people have begun to consume more coffee. The China Chamber of Commerce stated that Chinese coffee consumption in 2017 grew 22.1% from the previous year with 108,276 tons. In fact, in 2016, coffee consumption in that country only grew 14.5% from the previous year. The increase of coffee consumption in China would lead to a wide opportunity to export coffee commodities to China. In view of that, the tightened trade relationship between Indonesia and China in recent years. Since Indonesia is the best producer for high quality coffee. Besides coffee commodity, China is also one of the biggest cocoa importers from Indonesia. Indonesia's excessive cocoa production has forced Indonesia to conduct international trade with several countries, one of which is China. In 2014, the Chinese cocoa market was worth 469.57 million USD (at retail prices). The Chinese cocoa market is expected to reach 842.10 million USD (in retail prices) by 2024, growing at a Compound Annual Growth Rate (CAGR) of 6.85% per year from 2019 to 2024. This is a rise over the 6.13% annual growth rate recorded from 2014 to 2018 (WMS Strategy, 2023). As one of the best cocoa producers in the world, it would be a well prospected market for Indonesia to China. Indonesian cocoa exports to China have been carried out since 1991 until now (Parosa, et.al 2015). With this long time relationship between Indonesia and China, it might lead to a better trade relationship in the future by reducing the trade barriers.

In 2010, ASEAN-China trade regulations (ACFTA) were formed with the application of non-tariffs on export-import activities. This agreement is a form of reducing trade barriers between ASEAN countries and China. In 2020, the

Regional Comprehensive Economic Partnership (RCEP) has been agreed by ASEAN countries and five partner countries at the 37th ASEAN summit virtually with Vietnam as the host country. As the same as the ACFTA agreement, the RCEP agreement also formed to eradicate the trade imbalance between the countries that participate in the RCEP agreement. The countries participating in RCEP include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippine, Singapore, Thailand, Vietnam, and the five partner countries China, Japan, South Korea, Australia, and New Island.

The RCEP agreement would give benefits for the countries participating in. According to the FTA center (2022), there are some benefits offered by the RCEP agreement: RCEP is a modern, comprehensive, high-quality and mutually beneficial economic partnership built on ASEAN's bilateral agreements with 5 Free Trade Agreement (FTA) Partners. It will give more opportunities and provide preferential access for businesses in the region; RCEP agreement also abolishes tariffs on about 92% of goods traded between RCEP parties. Additional preferential market access for certain products including mineral fuels, plastics, other chemical products, various processed foods and beverages in certain RCEP markets such as China, Japan, and Korea; Then, RCEP agreement Simplified Rules Of Origin to give business actors greater flexibility to take advantage of the benefits of preferential market access. Regional accumulation provisions will also enable businesses to take advantage of regional supply chains; Simplified customs procedures and enhanced trade facilitation provisions will enable efficient administration of procedures and speedy release of goods including rapid release of consignments and perishable goods within 6 hours of arrival; this agreement also increased commitment on top of the existing ASEAN Plus One FTAs, among others, in professional services, research and development, computing and related services, distribution and logistics services; The RCEP includes a commitment to prohibit performance requirements for investors and provisions to lock in relaxation of future measures and mitigate tracebacks; Finally, other benefits

include expanded coverage and commitment in new areas such as E-Commerce, competition policy and intellectual property rights.

Under the RCEP agreement, it is expected that the bilateral relationship between Indonesia and China will be strengthened and improve Indonesia's trade balance and open up more channels for the exchange of goods between Indonesia and China. Over the years, Indonesia's trade policy has evolved. In the early 1960s, Indonesia withdrew from international commerce activity. It did, however, reopen in the next ten years. Using a variety of liberalization strategies, Indonesia's trade policy is evolving to become more accessible to the global economy. Trade relations between Indonesia and China have escalated and become closer over the past 20 years (2001-2020). The trade volume between Indonesia and China increased from US\$4 billion in 2001 to US\$73 billion in 2020. However, bilateral trade between China and Indonesia shows some unstable behavior and a downward trend. Since 2008, there has been an increasing deficit in Indonesia's trade balance with China. More Chinese goods have been imported into Indonesia since 2008 than Indonesian exports (Ragimun, Mutaqin, Nurhidayat, & Yasin 2022). This would be a challenge for the Indonesian government to improve the export to China. The main commodities that are exported to China are raw materials such as Crude Palm Oil, gas, coal, and nickel. Besides these top commodities exported to China, Indonesia as an agrarian country has specializations in producing coffee and cocoa. Under the RCEP, Indonesia could increase the export of agricultural products to China and increase the competitiveness of agricultural products.

1.2. Problem Formulation

As mentioned in the background section, Indonesia and China have a strong relationship in international trade. Indonesia and China have been partnering for a long time. This relationship has become stronger in recent years. Indonesia is one of the biggest agricultural producers in the world especially for coffee and cocoa products. China is Indonesia's largest export destination for

agricultural products, especially coffee and cocoa exports from Indonesia. This paper will analyze the competitiveness of the total agricultural products, specifically coffee and cocoa products of Indonesia in China's market. Even though China and Indonesia have a strong trade relationship, keep in mind that Indonesia is not the only country that produces a lot of agricultural products. Therefore, this paper will find out the competitiveness of Indonesian agricultural products in China's market.

Furthermore, this paper will also analyze the prospect and challenges of Indonesian agricultural products in China's market under the RCEP agreement. The RCEP agreement might affect the trade between Indonesia and China, China and Indonesia are important members of RCEP, and the effectiveness of RCEP will affect bilateral trade between China and Indonesia. This paper would also discuss how the RCEP agreement would affect the competitiveness of Indonesian agricultural products in China's market.

In summary, the research questions of this paper are:

1. How are the prospects and challenges of Indonesian agricultural products, specifically coffee and cocoa in the future under the RCEP agreement?
2. How competitive are Indonesian agricultural products, specifically coffee and cocoa in China's market?
3. How should the competitiveness of Indonesian agricultural products in China's market be improved?

2. CHAPTER 2: LITERATURE REVIEW

2.1. Competitiveness, Prospects and Challenges

International trade requires good relationships between countries. It is not only about selling and buying goods and services among countries but also about building relationships. The interactions between nations reflect how people interact as social beings who depend on other people to thrive and pursue their goals (Burchill, 2005). Although the state asserts that it can meet its own requirements through self-help, doing so will be challenging, particularly when pursuing goals that require the assistance of other nations. The state makes itself available to working with other nations that support the transition from a closed economic system to an open economic system (Hillman, 2008; Marleku, 2013; Humpreys, 2015). In an open economic system, it is important for a country to have a specialization in some commodities. It would be a determinant for the country to survive and stay competitive. Competitiveness, in general, is the ability to produce goods and services that meet the requirements of the foreign market and provide for an improved and long-term standard of living (Bernardini Papalia, Calia, & Filippucci, 2014). Meanwhile, Product competitiveness is the ability of the product to successfully establish a new product agenda in the market by improving the added value of the product, which has a very favorable impact on the product's profit (Luo, 2009; Widyasanti, 2010).

To map the opportunities and obstacles of a country's exports in certain markets as a foundation for consideration when creating a trade strategy, a country must first evaluate the competitiveness of its products in order to add value to a product. Threats, barriers, and possibilities from an endeavor involving uncertainty are compiled into a prospectus, which later summarizes the difficulties that will be encountered (Sutejo, 1945; Zarkasyi, 2013). Knowing the prospect and challenges also provides an opportunity for a business actor to meet customers' requirements and make money (Krugman, et al., 2018). Therefore, finding out the prospects and challenges of sustainability of products or

commodities is an important strategy to be analyzed to achieve Indonesia's goal to sustain in the market and produce highly competitive products.

2.2. Indonesia's Competitiveness of Agriculture Products

The competitiveness of Indonesia's export goods has decreased over the past few decades; for instance, non-oil and gas exports decreased by 15.38 percent from 2011 to 2019, with the largest decrease of 16% in 2018. (Khaliqi, Gurning, Novanda, & Simamora, 2020). In the meanwhile, raw materials from logging, processing, and low-tech manufacturing become important commodities. Despite having little added value, these items are the market leaders. In a similar vein, although being more prevalent than non-agricultural products, agricultural products offer little added value. Therefore, raising competitiveness is crucial for enhancing the performance of the trade balance and the ranking of the world's development (Erkan & Aybudak, 2019). According to Harris & Fuller (2014), agriculture is the way that domesticated animals and crop plants support the world's human population by producing food and other goods. Agriculture products include crops, plantation, forestry, farm, and fishery. For Indonesia, the agriculture sector has an important role in Indonesia's economy. Indonesia has a high potential to become the biggest producers of agricultural products.

However, there are still a number of difficulties that Indonesian agricultural export commodities must overcome, most of which are very structural in nature. These difficulties include low-yielding smallholder crop systems, sustainability pressures, low-quality production, underinvestment, inadequate infrastructure, underdeveloped agricultural practices, and restrictive government policies. The local demand for reasonably priced food and agricultural products from the middle and lower income groups as well as from the nation's manufacturing sectors may directly compete with the attempts to promote the export of these agricultural products. The price of commodities globally is simply one aspect that affects production performance in terms of increasing competitiveness and sustainability. Investments in agriculture are required for

management practices, land and technology development in order to produce better yields and replenish old plantations (Arifin, 2013). With this challenge on improving the agricultural products in Indonesia, it is important for Indonesia to innovate the new way and technology in order to increase the efficiency of agricultural production.

The competitiveness and sustainability of the agricultural export products from Indonesia are at various levels. The fact that raw materials, like coffee beans, dominate the agricultural commodities with the highest level of competitiveness demonstrates that Indonesia has not been able to benefit from the transfer of technology brought about by the process of trade liberalization (Astuti, Nurmalina, & Rifin, 2022). Crude palm oil (CPO) has the highest level of competitiveness among all agricultural exports, which is a logical result of its top global ranking and rapidly expanding performance in terms of production and export. In terms of both competitiveness and sustainability ideals, other agricultural export commodities lag behind palm oil. In terms of agricultural export earnings, coffee comes in second, but as urban lives change and coffee consumption rises, different stages of competitiveness and sustainability will be shaped (Arifin, 2013). Indonesia, a major producer of coffee, is attempting to capitalize on the additional value of the beverage by creating speciality and organic coffee as well as certified coffee Geographies Indications as Chintamani Coffee (Bali), Gayo Coffee (Aceh), and Flores Bajawa Arabica Coffee (NTT) (Apriani, Marissa, & Igamo, 2022). Indonesian coffee has a distinct flavor and aroma, making it a strong candidate for international trade (Parnadi & Loisa, 2018). By improving the uniqueness of the quality of Indonesian coffee product, Indonesia could have advantages to improve the competitiveness in the global market. In the future, it is expected that Indonesia will be able to benefit more from the added value of coffee and play a larger (competitive) role on the global market. Also, the country's agricultural sector could benefit from the higher added value .

Then, the other Indonesian agricultural product with high competitiveness is the cocoa commodity. The majority of the world's equatorial regions, which are recognized for their warm, tropical climates, produce cocoa beans (WorldAtlas, 2021). Since its manufacture has never been heavily mechanized, cocoa is primarily made by hand. Since 2010, more than 4.8 million tonnes of cocoa beans have been produced annually, despite this limitation (Voora, Bermúdez, & Larrea, (2019). The Indonesian cocoa industry is in the process of being revitalized in order to reclaim its significant export earnings roles for the small-scale cocoa producers from the late 1990s. The National Movement to increase cocoa production, started in Sulawesi in 2009, may offer better ways to improve the competitiveness of the cocoa industry in the future by developing tissue culture for cocoa seedling, increasing farmers' capacity building, improving agricultural practices in the field, and improving cocoa bean quality. As the market demand for cocoa will necessitate better sustainability standards and other requirements of global environmental governance, the global certification partnerships for cocoa will eventually expand their operation in Indonesia (Arifin, 2013). This national movement is expected to increase the quality and quantity of the cocoa commodity of Indonesia to be more competitive and can fulfill the global demand of cocoa commodity and also become the world's biggest producer of cocoa.

2.3. Indonesia - China Trade Relationship

Indonesia and China have become a trade partner for a long time. China joins any collaboration as one of the major forces driving global integration. Being the world's most populous nation and the second-largest economy, it frequently ranks among the top five ASEAN nations' trading partners. China is a major supplier of imports for some ASEAN nations, particularly Indonesia (Salidjanova et al., 2015). Since China and Indonesia have two of the world's top five populations, their increased collaboration will be one of the largest in the world, but achieving global unification will be very challenging. In July 2015, Indonesia became the first nation in Southeast Asia to open diplomatic ties with

China (Hong, 2015). Now, as Indonesia and China relationships have been stronger, even Indonesia's success has become more closely linked to China's expansion. China's economy is constantly expanding, and we can see Chinese products in every market in Indonesia. Nevertheless, for a fair exchange of goods, Indonesian products must also be the market leaders in China. China is one of Indonesia's top three import partners, and in recent years, China has consistently held that position (OEC Indonesia, 2016).

In order to increase the convenience and ease of global trade, some countries and regions set some agreements. The agreements are set to reduce some barriers in international trade. Indonesia and China entered into a trade deal in 2002 that is related to CAFTA (China ASEAN Free Trade Area), and in 2010 they started working actively together. Although this partnership has made domestic items more difficult to sell, the goal of every agreement was to have a favorable effect on the economy. There are at least three advantages to CAFTA that Indonesia could take advantage of: first, the elimination or reduction of China's tariffs and non-tariff trade barriers will allow Indonesia to increase the volume and value of its trade with the nation that has the world's largest population and fastest economic growth. Second, Indonesia has a chance to draw more Chinese investments thanks to the development of a competitive and open investment policy. Third, a larger economic deal would aid Indonesia in strengthening management capabilities, allowing for technology transfer, and improving capacity building (Jamilah, Sinaga, Tambunan, & Hakim, 2016).

The other agreement that is set between Indonesia, China and the other involved countries is the RCEP or Regional Comprehensive Economic Partnership. The Regional Comprehensive Economic Partnership (RCEP) agreement was signed on November 15, 2020, by fifteen ASEAN nations in addition to China, Japan, South Korea, New Zealand, and Australia. The RCEP was established by Indonesia in 2011 while it served as ASEAN's chairman, and it has since grown to be the largest multilateral trade forum in the world. The RCEP

was established with the intention of enhancing trade and investment among its members. Also, this commitment is anticipated to do more to reduce regional economic inequality in the area (Clarissa and Gandara, 2020). The primary goal of this alliance and the development of free trade cooperation is to maximize benefits by strengthening the networks of the participating nations (ADB, 2022). Yet, Indonesia's issue is the existence of export commodities that are highly competitive but challenging to sell in RCEP member nations. However, there are products that may be exported but are not as competitive and remain difficult to sell in RCEP member nations. The majority of Indonesia's exports still go to China, Japan, South Korea, and India, according to the allocation of its exports to RCEP forum members. Hence, how Indonesia can expand access and promote its export goods to these nations, particularly China, is a problem for the Indonesian government. Due to its substantial demand for manufactured goods and natural resources, China is significant for Indonesia (Ragimun, Mutaqin, Nurhidayat, & Yasin, 2022).

More trade activity were anticipated to be generated by bilateral and regional cooperation initiatives like ASEAN, the RCEP, and others. Yet, compared to other ASEAN nations, Indonesia's advantage over trade liberalization was less. The trade volume, exports, and imports of Indonesia are positively impacted by a simulation of full ASEAN openness. Nonetheless, the trade balance of Indonesia suffered since the percentage increase in imports was higher than the percentage growth in exports (Syadullah and Ardiansyah, 2014). These bilateral and multilateral agreements clearly would give benefits for the countries to trade freely and with smaller barriers to each other, but on the other hand, it also give some bad impacts to Indonesia's trade balance because of lack of control of the amount of export and import. Too much import would have a bad impact on the trade balance. It would be a challenge for the Indonesian government to control and improve the amount of export of Indonesia.

3. CHAPTER 3: CURRENT SITUATION OF INDONESIAN AGRICULTURAL PRODUCTS

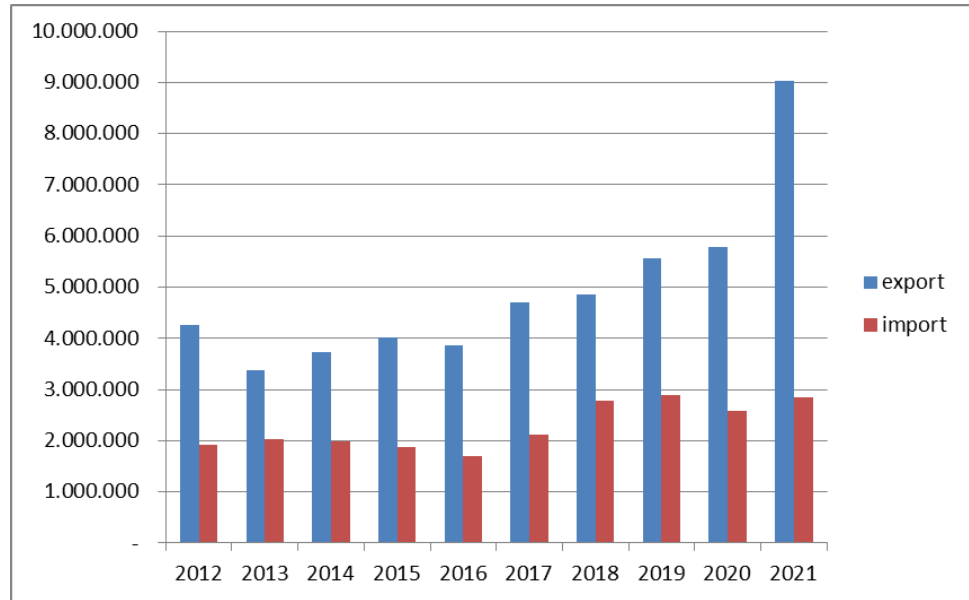
In this chapter, this research would like to reveal the amount of export and import of Indonesian agricultural products and specifically coffee and cocoa products in China's market and in the world market. Indonesian coffee and cocoa have high potential to provide added value, have strong competitiveness, and could compete with similar commodities in the international market. Therefore, this research would like to analyze specifically on Indonesian coffee and cocoa commodities. The purpose of this analysis is to analyze the balance of trade of Indonesian agricultural products and specifically coffee and cocoa products in both China's market and in the world market. This research uses the data of export and import from 2012 to 2021. This research uses secondary data as a resource, mainly from the UN Comtrade and Trademap. The reason for using ten years of data on this research is to see the trend of the export and import of Indonesian total agricultural products and specifically coffee and cocoa products in China's and the world market, and analyze the results which resulted in positive or negative trends.

3.1. Current Situation of Agricultural Product Trade between Indonesia and China

3.1.1. Indonesian Agriculture Products Trade in China's Market

This section will discuss further about the current situation of agricultural products of Indonesia, and specifically coffee and cocoa commodities in China's market. Take a look at the total value of export and import for Indonesian overall agricultural products in China's market.

Figure 1. Value of export and import of total agricultural products from Indonesia to China (in thousand \$)



Source: UN Comtrade, 2023

From the figure above, it can be seen that the total value of Indonesian export of overall agricultural products is much higher than the total value of import in 2012 to 2021. The trend of export value is likely to rise, it experienced decreased only in 2013 and 2016. Other than that, the export value keeps increasing. A significant increase is in 2021, up to 56% from the previous year. Meanwhile for the total import value, the trend is stable in 2012 to 2016, but it starts to increase in 2017 to 2019. Then, in 2020 and 2021, there are no significant changes compared to the previous year. In summary, the balance of trade for Indonesian total agricultural products is good, with the best performance in 2021.

Indonesian agricultural products have a significant role on Indonesian export to China, the table below shows the proportion of the export of Indonesian agricultural products among the total export of Indonesian total commodities in China's market.

Table 1. The Proportion of the Export Indonesian Agricultural in China's Market

Year	Proportion
2012	20%
2013	15%
2014	21%
2015	27%
2016	23%
2017	13%
2018	11%
2019	20%
2020	18%
2021	17%

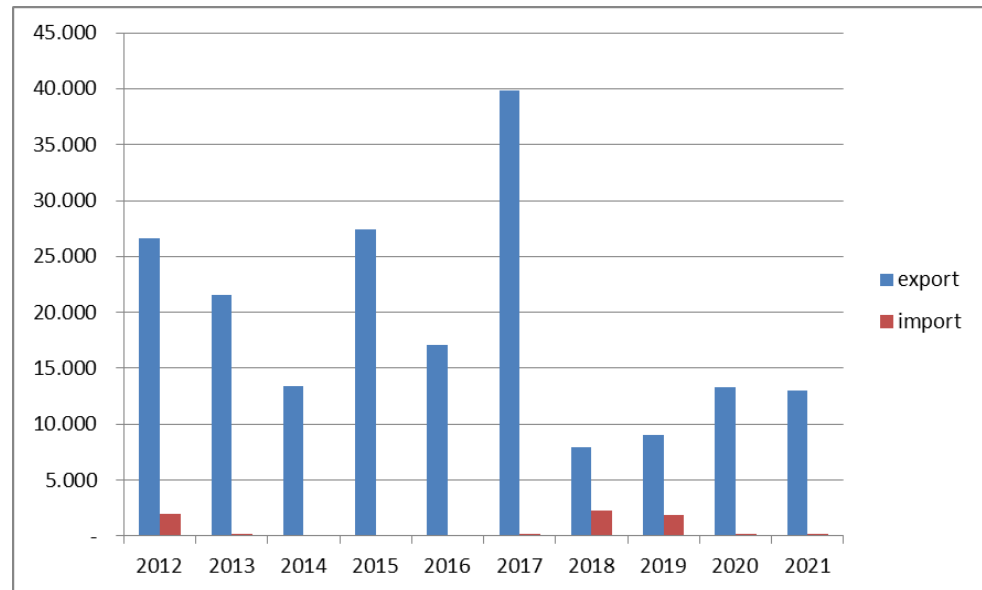
Source: UN Comtrade (2023) & Trademap (2023)

As shown in the table above, Indonesian agricultural products have a huge effect on the trade between Indonesia and China. The value of Indonesian agricultural products proportion in China's market is up and down, but there is no significant change in each year. The proportion of Indonesian agricultural products in China's market is in the range of 10% to 26%. The lowest value is in 2018, and the highest value is in 2015. The average proportion of Indonesian agricultural products in China's market is 18%.

3.1.2. Indonesian Coffee Trade in China's Market

The figure below shows the amount of export and import of Indonesian coffee commodity to China. Have a look at the total value of coffee export and import from Indonesia to China from 2012 to 2021 below.

Figure 2. Value of export and import of coffee commodity from Indonesia to China (in thousand \$)



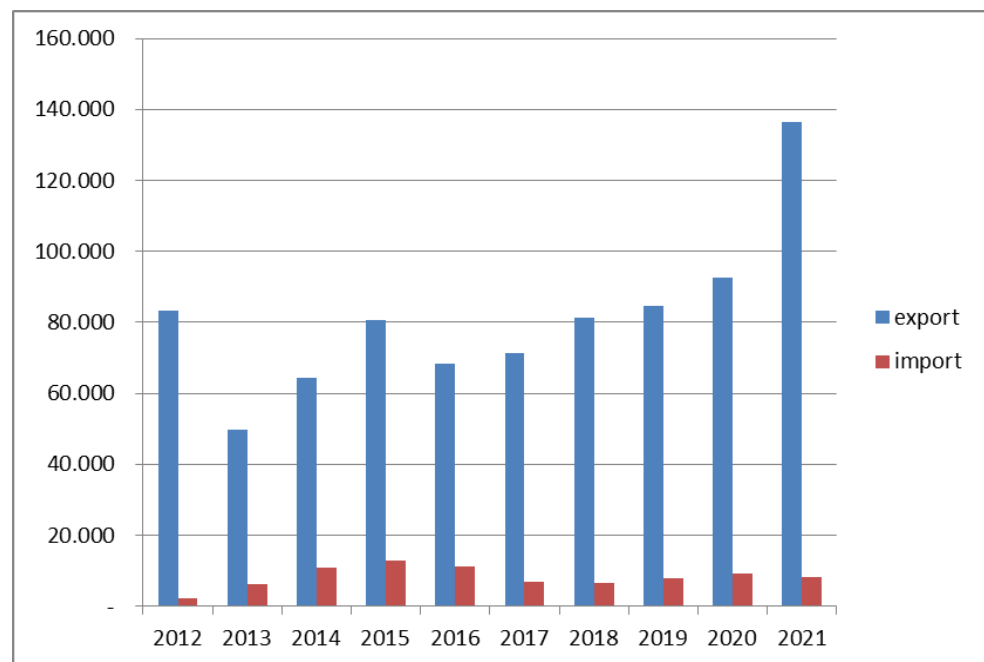
Source: UN Comtrade, 2023 & Trademap, 2023

From the figure above, it can be seen that the total value of export of Indonesian coffee commodity to China is much higher than the value of import. The higher import value of coffee commodity is in 2012, 2018, and 2019. Other than that, the import value is very low and even no import at all. Then, for the export value of coffee, the export value increased in 2015, and significantly increased in 2017, up to 133% from the previous year. The export value decreased in 2013, 2014, 2016 and significantly decreased in 2018. The decrease is up to 80% in 2018 from the previous year. The export value of coffee was slightly increase in 2019 and 2020. But it back down decline slightly in 2021. From this data, it can be concluded that after the huge decrease in 2018, the export value of coffee has not recovered yet to the value in 2017. In summary, it can be seen that the trend of exporting coffee commodity from Indonesia to China is not consistent.

3.1.3. Indonesian Cocoa Trade in China's Market

This section will reveal the result of cocoa balance of trade in China's market. Before we take a look at the result of the competitiveness analysis on cocoa from Indonesia to China, have a look at the total value of cocoa export and import from Indonesia to China from 2012 to 2021 below.

Figure 3. Value of export and import of cocoa commodity from Indonesia to China (in thousand \$)



Source: UN Comtrade, 2023 & Trademap, 2023

From the data above, it can be seen that the value of cocoa export from Indonesia to China is much higher than the import. When we look at the trend of the export, the export decreased in 2013, but it was increasing in 2014 and 2015. Then, it came back to fall in 2016. Then, in 2017, the export value of Indonesian cocoa to China kept increasing from 2017 to 2021. The highest increase is in 2021 which is up to 33% from the previous year. Then, when we look at the trend for the import value of

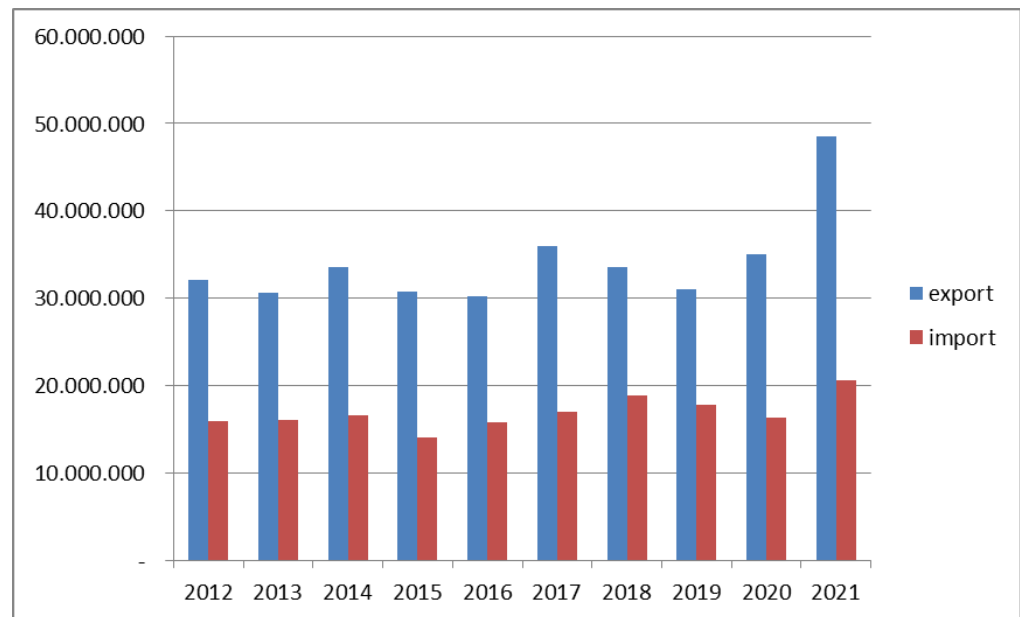
cocoa commodity, it can be seen that the value is low and stable. The highest import value is in 2015, and the lowest import value is in 2012.

3.2. Current Situation of Agricultural Product Trade between Indonesia and the World

3.2.1. Indonesian Agriculture Products Trade in the World Market

The figure below shows the amount of export and import of Indonesian total agricultural products in the world market.

Figure 4. Value of export and import of total agricultural products from Indonesia to World (in thousand \$)



Source: UN Comtrade, 2023 & Trademap, 2023

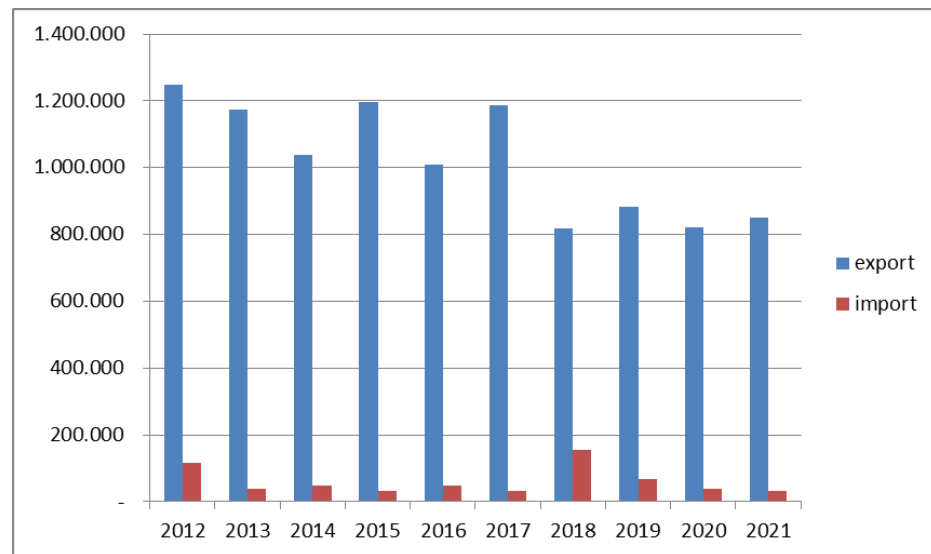
From the table above we can see that the total value of export and import from Indonesia to the world market is slightly rising and down but not really significant in 2012 to 2020. Then in 2021, the result shows a significant increase in export value which is up to 39% from the previous year. It can be seen as well that in these ten years Indonesia's export is much higher than the import for agricultural commodities. Especially in 2021, with the rise of the total export of agricultural products to the world market, the import value was remain stable. Therefore, it can be concluded

that from this figure, Indonesia is more likely to export agricultural commodities to the world market rather than import agricultural products.

3.2.2. Indonesian Coffee Products Trade in the World Market

The chart below shows the trend of Indonesian coffee's export and import in the world market. Take a look into the total value of coffee export and import from Indonesia to the world market in the figure below.

Figure 5. Value of export and import of coffee commodity from Indonesia to World (in thousand \$)



Source: UN Comtrade, 2023 & Trademap, 2023

From Figure above, we can see that the export value of coffee commodity from Indonesia to the world market is much higher than the import value. The import value of coffee is quite consistent, the higher value of import is in 2012 and 2018. But the gap between export value and the import value of coffee is still high in these years.

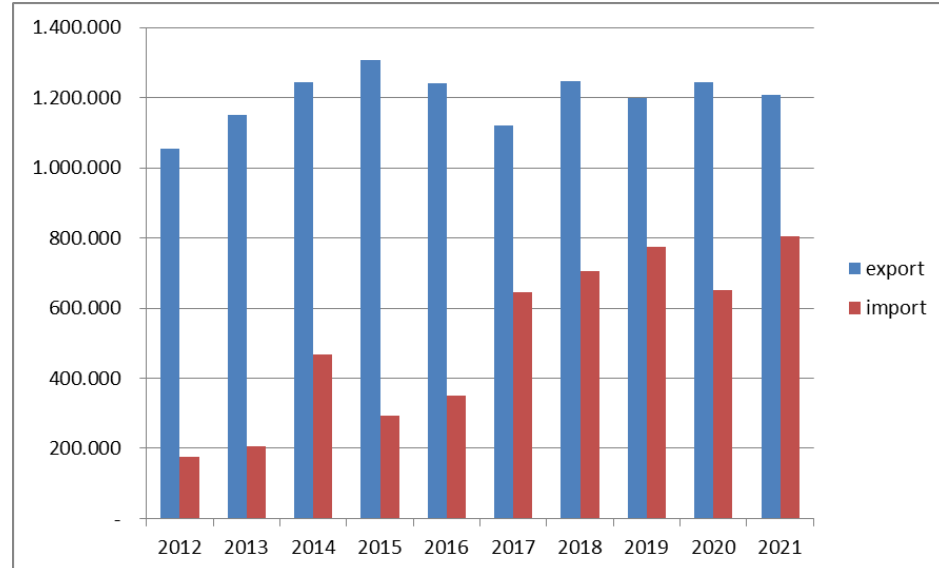
Then, for the export value of coffee commodity, it can be seen that the trend of coffee commodity from Indonesia to the world market in general is decreasing. It decreased in 2013 and 2014, then came back to

rise in 2015. Then in 2016, the export value came back down, but it shows an increase in 2017. Then, in 2018 the decrease of coffee export from Indonesia to the world market is quite significant. The decrease up to 31% from the 2017 export value of coffee commodity from Indonesia to the world market. Then for the next few years from 2018 to 2021, the result shows a stable amount of exports. In summary, we can see that the coffee export from Indonesia to the world is declining in 2018 and have not significantly rise until 2021.

3.2.3. Indonesian Cocoa Products Trade in the World Market

The amount of export and import of Indonesian cocoa commodity is shown in the figure below. Take a look at the total value of export and import of Indonesia' cocoa commodity in the world market.

Figure 6. Value of export and import of cocoa commodity from Indonesia to World (in thousand \$)



Source: UN Comtrade, 2023 & Trademap, 2023

From the figure above, it can be seen that the value of export is higher than the value of import in these 10 years. For the export value, we can see that the export value of Indonesian cocoa in the world market is

quite stable. The trend shows the increase in 2013 to 2015. However, it experienced a decrease in 2016 and 2017. Then, the amount of export of cocoa from Indonesia to the world increased in 2018 and 2020. In 2018, the increase is quite significant, reaching 11% from the cocoa export in 2017. But then, it declined in 2019 for 4% from the previous year. In 2020, the value of cocoa exports went back increase, up to 4% from 2019. Then in 2021, the export value went back down for 3% from the previous year. Then, for the import value of Indonesian cocoa in the world market, we can see that generally, the trend is increasing. It only decreased in 2015 and 2020. A significant increase is in 2017 which is up to 84% from the previous year. The highest import value is in 2021. The increase of the import value of cocoa has a negative impact on the competitiveness of Indonesian cocoa in the world market.

When we compare the import value of cocoa commodity from China and the import value of cocoa commodity from the world market, we can see that the increase of import value from the world market to Indonesia is much higher than the increase of import value from China. Therefore, it can be said that Indonesian cocoa commodity has a higher competitiveness in China's market rather than in the world market.

4. CHAPTER 4: ANALYSIS ON THE COMPETITIVENESS OF INDONESIAN AGRICULTURAL PRODUCTS

4.1. Research Method

4.1.1. Research Design

This research uses quantitative descriptive methods to analyze the competitiveness of Indonesian agriculture products namely coffee and cocoa in China's market. The data that is used in this research are secondary data that are collected from UN comtrade, Trademap, and the other supporting data from the official website. The data that will be used in this research is the value of coffee and cocoa exports from Indonesia to China from 2012 to 2021. The methods that would be used are Revealed Comparative Advantage (RCA), and Trade competitiveness (TC) index. As part of the quantitative descriptive method, the use of two analytical techniques is meant to validate the study's findings and prevent bias from influencing the author's interpretation. The purpose of using these two indexes is to compare the result of the competitiveness by these two indexes in the world market. The data that are used in this research is ten years data from 2012 to 2021

4.1.2. Revealed Comparative Advantage

By comparing a country's overall exports with the market share of a particular commodity in global trade, the Revealed Comparative Advantage (RCA) method of study gauges a nation's performance in terms of exports (UNCTAD Statistics, 2020). The RCA metrics are then as follows:

$$RCA = \frac{\frac{X_{Ai}}{\sum_{j \in P} X_{Aj}}}{\frac{X_{Wi}}{\sum_{j \in P} X_{Wj}}}$$

Where:

P= the set of all products (with $i \in P$)

X_{Ai} = the country A's exports of product (i)

X_{wi} = the world's exports of product (i)

$\sum_{j \in P} X_{Aj}$ = the country A's total exports (of all products (j) in P)

$\sum_{j \in P} X_{wj}$ = the world's total exports (of all products in (j) in P)

Hence, (i) represents a specific export good whereas (j) represents all goods, (A) stands for Indonesia, and (P) for China. The numerical data utilized in this analytical approach is then specific for each year, requiring that the same year be used for all components calculated. If the RCA equation index is greater than one ($RCA > 1$), it indicates that the country's product is more competitive than the global average, whereas a value of less than one ($RCA < 1$) indicates the reverse. The export power of a nation for a certain commodity is inversely correlated with its RCA value.

4.1.3. Trade Competitiveness Index

Trade competitiveness (TC) index also known as the competitiveness index. This index refers to the proportion of the balance of a nation's import and export to its total imports and exports trade. TC index would measure the competitiveness of a product by finding out the balance between the export and import of products. Here is the formula of TC index:

$$TC = \frac{(X_{ij} - M_{ij})}{(X_{ij} + M_{ij})}$$

Where:

X_{ij} = the country's total exports (of all products (j)

M_{ij} = The country's total import (of all products (j)

In this index, for a particular export good whereas (j) stands for all goods, (A) for Indonesia, and (P) for China. As this analytical method uses

numerical data that is distinct to each year, it is necessary to compute all of the components using data from the same year. The closer the TC index to 1, the greater the competitiveness of the product. When the index is equal to 1, it means that the product is only suitable for export. The closer the index to -1, the weaker the competitiveness of the product. It means that the product is only suitable for import, not export. When the TC index is 0, it means that the competitiveness level is in the intermediate range.

4.2. The Result of TC and RCA Analysis

In this research, two competitive indexes are used which are RCA and TC index to measure the competitiveness of the overall agricultural commodities and specifically coffee and cocoa commodities of Indonesia in the world market. The reason for this calculation is to compare the competitiveness of coffee and cocoa commodities to the total agricultural products of Indonesia. The purpose of using these two indexes is to compare the result of the competitiveness by these two indexes in the world market. The data that are used in this research is ten years data from 2012 to 2021.

4.2.1. The RCA Analysis Result

4.2.1.1. RCA Analysis Result of Indonesian Agricultural Products in the World Market

The RCA analysis for the total Indonesian agricultural products and specifically for coffee and cocoa is shown in the table below.

Table 2. RCA analysis output of Indonesian agricultural products in the world market.

Year	Total	Coffee	Cocoa
2012	2.16	3.66	2.33
2013	2.10	4.24	2.68
2014	2.35	3.49	2.70
2015	2.45	4.30	2.96
2016	2.41	3.67	2.92
2017	2.50	3.80	2.45
2018	2.33	2.87	2.69
2019	2.25	3.34	2.67
2020	2.43	2.87	2.67
2021	2.55	2.24	2.04

From the table above, we can see the RCA analysis result for the overall agricultural products, coffee, and cocoa commodities from Indonesia to the world market. From these results, we can see that all of the results are more than 1, which means that all these products are competitive from 2012 to 2021. When we compare these three data, coffee has the highest competitiveness in general from 2021 to 2020. In 2021, the RCA result decreased from the previous year, and became lower than the RCA result of the overall agricultural products. For cocoa commodity, the RCA result is also higher than the total of agricultural commodities except for 2021 which shows a lower result than the total agricultural commodities. If we look at table 1, we can see that the total export of the total agricultural products has significantly increased from the previous year, but the competitiveness of coffee and cocoa did not become higher in 2021. It might be because by increasing the total agricultural products,

coffee and cocoa products remain stable, not going to increase as well. Therefore, the RCA value is lower in 2021.

4.2.1.2. RCA Analysis Result of China's Agricultural Products in the World Market

The RCA analysis for the total China agricultural products and specifically for coffee and cocoa is shown in the table below.

Table 3. RCA analysis output of China agricultural products in the world market.

Year	Total	Coffee	Cocoa
2012	0.49	0.06	0.07
2013	0.49	0.06	0.07
2014	0.46	0.06	0.08
2015	0.45	0.05	0.07
2016	0.48	0.13	0.07
2017	0.47	0.12	0.06
2018	0.47	0.06	0.06
2019	0.46	0.04	0.06
2020	0.37	0.03	0.04
2021	0.34	0.02	0.05

From the table above, it can be seen that the result of the RCA analysis on China's total agricultural products, specifically coffee and cocoa products, is lower than 1 which indicates that these products are not competitive in the world market. Compared to Indonesia, Indonesian total agricultural products, and specifically coffee and cocoa products, it can be seen that

Indonesia is much more competitive. Based on this result, with a low competitiveness of China's agricultural products, China could be a potential market for Indonesian agricultural products, and specifically coffee and cocoa products.

4.2.1.3. RCA Analysis Result of Indonesian Agricultural Products in China's Market

The result of RCA analysis for the total Indonesian agricultural products and specifically for coffee and cocoa is shown in the table below. The results of RCA analysis in China's market is calculated by the same formula as written in the method section, yet in this part, the scale of calculation is focused on a nation's market which is China in this topic. This term of calculation was also done by Nurhafizhah & Hirawan (2021) in their journal "Prospects and Challenges of Indonesian Exports to Nontraditional Market: Measuring the Competitiveness of Indonesian Products in UAE Market"

Table 4. RCA analysis output of Indonesian agricultural products in China's market.

Year	Total	Coffee	Cocoa
2012	3.02	13.27	11.20
2013	2.31	13.05	5.99
2014	3.23	7.96	8.24
2015	3.68	13.40	10.32
2016	3.19	3.28	9.42
2017	1.88	3.94	5.57
2018	1.64	1.24	4.84
2019	2.75	2.47	7.70
2020	2.24	2.76	7.62
2021	2.09	1.23	6.49

From the figure above, all of the results of RCA analysis is higher than 1, which indicates that the total of Indonesian agricultural products, and specifically coffee and cocoa products are competitive in 2012 to 2021. The RCA results of the total agricultural products are quite stable, in the range of 1.65 to 3.66. The highest competitiveness is in 2015, and the lowest result is in 2018. Then, for the coffee commodity, as we can see that the results show inconsistency for Indonesian coffee competitiveness in China's market. The range of the result is wide, which is 1.23 to 13.40. The highest result is in 2015, and the lowest result is in 2021. As well as the cocoa commodity which shows some inconsistent competitiveness based on RCA analysis. The range of the results is not as much as the results of coffee commodity, the

range is between 5.99 to 11.20. The highest result was in 2012, and the lowest result was in 2013.

There are some factors that may affect the result of RCA analysis in this case, such as the total product of export to China, the total export value of overall products to China, the total of products import value to China from the world, and also the total of overall import products to China's market. Therefore, by the change of these numbers, it would affect the result of RCA analysis.

4.2.2. TC Analysis Result

4.2.2.1. TC Analysis Result of Indonesian Agricultural Products in China's Market

TC index analysis measures the competitiveness by measuring the export and import, and finding out the commodities would rather to export or import. The result of TC index analysis for Indonesia's total agricultural products, coffee, and cocoa commodities in China's market is shown in the table below.

Table 5. TC analysis output of Indonesian agricultural products in China's market.

Year	Total	Coffee	Cocoa
2012	0.38	0.86	0.95
2013	0.25	0.98	0.78
2014	0.30	1.00	0.71
2015	0.36	0.99	0.73
2016	0.39	1.00	0.72
2017	0.38	0.99	0.82
2018	0.27	0.55	0.85
2019	0.32	0.66	0.83
2020	0.38	0.98	0.82
2021	0.52	0.97	0.89

From the table above, we can see that all of the results are higher than 0, which indicates that the total of Indonesian agricultural products, Indonesian coffee commodity, and Indonesian cocoa commodity are competitive in 2012 to 2021. For the total agricultural products, the results are quite stable with the range of 0.25 to 0.52. The highest result is in 2021, and the lowest result is in 2013. Then, for coffee commodity, it can be seen that the competitiveness is higher than the agricultural products in total. Even in 2014 and 2016, the result is 1, which indicates that Indonesian coffee commodity is only exported in these years. The lowest result for coffee is in 2018, due to the decrease of coffee exports in 2018. However, the result shows that coffee is competitive. Then, the cocoa commodity also showed higher results than the total agricultural products. The result is also stable.

It experienced decrease in 2013 and 2014, but it came back to rise and stable in the following years. Therefore, it can be concluded that based on TC index analysis, coffee and cocoa commodities of Indonesia have a strong competitiveness in China's market and highly export rather than import.

4.2.2.2. TC Analysis Result of Indonesian Agricultural Products in the World Market

The result of TC index analysis for Indonesia's total agricultural products, coffee, and cocoa commodities is shown in the table below

Table 6. TC index analysis output of Indonesian agricultural products in the world market.

Year	Total	Coffee	Cocoa
2012	0.34	0.83	0.71
2013	0.31	0.94	0.70
2014	0.34	0.91	0.45
2015	0.37	0.95	0.63
2016	0.31	0.91	0.56
2017	0.36	0.94	0.27
2018	0.28	0.68	0.28
2019	0.27	0.86	0.21
2020	0.36	0.91	0.31
2021	0.40	0.93	0.20

From the result above, it can be seen that all of the results are higher than 0 which means all of the results are competitive.

From the result, we can see that coffee commodity have the highest results of this index compared to the total agricultural products and cocoa product. Coffee commodity has had stable results for these ten years for the range of 0.83 to 0.95. Except for 2018, which is the lowest result for coffee commodity, which is 0.68. Then the results of cocoa commodity keep decreasing in these ten years with the lowest result being in 2021 which is 0.20. In 2012 to 2016, cocoa commodity had higher results than the total of agricultural products, then in 2017, the results were lower than the result of total agricultural products.

Meanwhile the trend for Indonesian agricultural products in total was showing stable results. With the range of 0.27 to 0.40. The highest result is in 2021 which is 0.40. These results show the consistency of Indonesian agricultural competitiveness in the world market and Indonesia is more likely to export agricultural products rather than to import to the world market.

4.2.3. Indonesian Coffee Competitiveness in China's Market

In the previous section, it has discussed the result of RCA and TC analysis in comparison of the total of Indonesian agricultural products, and specifically coffee and cocoa products of Indonesia. This section would compare the result of RCA and TC analysis on a specific product which is an Indonesian coffee commodity. The result of Indonesian coffee commodity's competitiveness in China's market is shown in the table below.

Table 7. RCA and TC index analysis output of Indonesian coffee in China's market.

Year	RCA	TC
2012	13.27	0.86
2013	13.05	0.98
2014	7.96	1.00
2015	13.40	0.99
2016	3.28	1.00
2017	3.94	0.99
2018	1.24	0.55
2019	2.47	0.66
2020	2.76	0.98
2021	1.23	0.97

As we can see from the data above, for the RCA analysis result, all of the results are higher than 1. Therefore, it can be concluded that the competitiveness of Indonesian coffee in China's market is positive. But the competitiveness decreased in 2013, 2014, 2016, 2018 and 2021. The highest result was in 2015, which is 13.40. Then the biggest decline was in 2016 which fell from 13.40 to 3.28. It is in line with the total coffee export from Indonesia to China. Then the competitiveness was back rise again in 2019 and 2020. And come down again in 2021 which is the lowest result from 2012 to 2021, that is 1.23. In 2021, the total value export from Indonesia to China was significantly increased. However, with the increase of the total export value, the level of competitiveness of coffee commodity from Indonesia to China has not increased. Therefore, it can be concluded that even though the total export value from Indonesia to China was significantly increased in 2021, the total export value of coffee remains the same, that is why the RCA analysis result is lower than years before.

Then for the TC index result, the result of the TC index for 2017 to 2021 are all higher than 0. It can be concluded that the competitiveness of Indonesian coffee in China's market is more likely to export more rather than import, which means it is competitive. The highest result of the TC index is in 2014 and 2016 which is 1.00. The result is really high, which means in this year the Indonesian coffee commodity is for export only, not import. The lower result of the TC index is in 2018 and 2019 which are 0.55 and 0.66. Then the TC result was come back in 2020 and 2021 which are 0.98 and 0.97. In 2021, the result of the TC index is inversely proportional to the RCA result. In 2021, the TC result is high, and the RCA result is low. It means that even though the competitiveness based on the RCA level is lower, the product in the balance trade point of view is still more likely to export rather than import. In 2021, for the coffee products, Indonesia is highly more export rather than import to China. Even though the view of balance of trade for Indonesian coffee commodity is good, Indonesia still has problems with consistency for export value of coffee commodity to China's market.

4.2.4. Indonesian Cocoa Competitiveness in China's Market

Further analysis for Indonesian cocoa's competitiveness in China's market is shown in the table below

Table 8. RCA and TC index analysis output of Indonesian cocoa in China's market.

Year	RCA	TC
2012	11.20	0.95
2013	5.99	0.78
2014	8.24	0.71
2015	10.32	0.73
2016	9.42	0.72
2017	5.57	0.82
2018	4.84	0.85
2019	7.70	0.83
2020	7.62	0.82
2021	6.49	0.89

As we can see from the data above, for the RCA analysis result, all of the results are higher than 1. Therefore, it can be concluded that the competitiveness of Indonesian cocoa in China's market is positive. It can be said that the result is quite stable. The highest result is in 2012 which is 11.20, then followed by 2015 which is 10.32. The lowest result is in 2018, which is 4.84. The export value of Indonesian cocoa to China keeps increasing from 2017 to 2021. But the trend is different compared to the RCA result. There are some factors that may affect the RCA result such as total commodity export, total world cocoa export to China, and total export to China. Therefore, it is possible that the data is not showing the same trend. But overall, the competitiveness of Indonesian cocoa in China's market is quite high, higher compared to the coffee commodity.

Then the results of the TC index for 2017 to 2021 are all higher than 0. It can be concluded that the competitiveness of Indonesian cocoa in China's market is more likely to export more rather than import, which

means it is competitive. The result of the TC index is also quite consistent. The highest result is in 2012 which is 0.95, and the lowest result is in 2014 and 2020 which is 0.71. In these years, Indonesian cocoa commodity is highly exported rather than imported to China. Therefore, the cocoa commodity is highly competitive in China's market.

4.3. Research Findings

Under the RCEP agreements, Indonesia and the other participating countries have an opportunity to increase their exports. RCEP will substantially remove tariff and non-tariff barriers to all trade in goods and substantially remove funding restrictions. RCEP is a world largest trading partnership. Besides the benefits that RCEP provides for member countries, there will also be challenges under the implementation of RCEP. There will be a tight competition between member countries for particular products. This research reveals how competitive, also prospects and challenges of Indonesian agricultural products, and also specific products namely coffee and cocoa in the international market, and China's market. In the relationship of trade between Indonesia and China, For Indonesia's export to China, the export value keeps increasing from 2017 to 2021. In the term of import, the gap between the import value and the export value becomes smaller. The trade balance of Indonesia's export and import to China has improved in recent 5 years. In the future, Indonesia would be able to expand more to the Chinese market.

In the world market, Indonesia has a strong competitive advantage for the total agricultural products, the level of competitiveness is stable in 2012 to 2021. The results of RCA analysis and TC analysis show the same trend which is a stable and positive trend, especially in 2021. There is a huge improvement in 2021. In this sense, it is anticipated that agricultural products of Indonesia would steadily advance and become robust enough to compete with comparable goods from other nations in international trade. Indonesia should be viewed as a rival rather than as a destination for exports by the other RCEP member countries. The

acceleration of domestic market dominance should be considerably aided by efficiency improvements produced in the production, processing, and marketing processes. At the same time, these improvements should encourage companies to enter regional markets with high-quality products and to compete against similar products on a global scale. In line with the total agricultural competitiveness in the world market, in China's market, Indonesian total agricultural products also show the same trend. The export value kept increasing in 2017 to 2021, especially in 2021. It can be said that China is one of the main destinations for Indonesian agricultural products export. The RCA analysis result and the TC analysis result show a stable competitiveness in China's market in 2012 to 2021. In the future, under the RCEP, Indonesia could improve the competitiveness of agricultural products in the world and China's market.

Then, the agricultural products of Indonesia, especially coffee and cocoa. These are goods that have a great deal of potential to create value, are fiercely competitive, and could compete on the global market with goods of a similar nature. In the world market, Indonesian coffee is highly exported rather than imported to the world market. However, in 2018, the export value of coffee decreased in significance and has not returned to the value in 2017. It causes the decrease of competitiveness in 2018. Although the export value of coffee decreased, Indonesian coffee competitiveness in the world market was still positive as proved by the result of RCA and TC analysis. Yet, the prospects might not be good for the coffee industry if Indonesia does not increase the export value of coffee in the future. In China's market, Indonesian coffee commodity also show the same trend as in the world market. The decline of the export value causes decline in the competitiveness for RCA analysis. Although the RCA result declined due to the decline of export value, the TC analysis was still high. It is caused by the import value being very low and Indonesia has a competitiveness to export rather than import. Under the RCEP, Indonesia has huge potential to keep exporting coffee commodity to China, however, it will still be a challenge to improve the export performance in the future.

Indonesian cocoa commodity in the world market shows positive trends in 2013 to 2015, yet decreased in 2016 and 2017, then, it is up and down in 2018 to 2021. Although the trend is increasing and decreasing, we can see that the changes were not significant. However, when we look at the trend for imports, the trend is more likely to increase rather than decrease. Especially in 2014, 2017, and 2021 which experienced quite significant increases for the import value. The highest import is in 2021. This would affect the balance of trade for Indonesian cocoa commodity in the world market. Indonesia should control the import and try to decrease the value of imports and encourage the export of cocoa. However, in China's market, Indonesian cocoa commodity show a different trend. In China's market, the export value of cocoa showed positive trends in 2014 and 2015, but it declined in 2016, yet after 2016, the cocoa export to China kept increasing from 2017, especially in 2021. Then, the import value was quite stable, it slightly increased in 2013 to 2015, but not in a significant way, then it came back declined and kept stable until 2021. Therefore, even though in the world market, the trend of export and import became worse, especially in 2017 to 2021, Indonesian cocoa commodity export keeps increasing in China's market as well as the balance of trade for Indonesian cocoa in China's market. This indicates that China is a potential market for cocoa and might become one of the biggest partners to export cocoa from Indonesia. As well as the RCA index of Indonesian cocoa, the RCA index is quite high. This indicates that Indonesian cocoa is highly competitive in China's market. Then, the TC index also shows positive results and has been stable in the recent 10 years. Therefore, it can be concluded that Indonesian cocoa commodity would have good prospects under the RCEP for future trade with China.

4.4. Discussion

The bilateral trade relationship between Indonesia and China has been increasing in recent years. In the previous sections, it is explained that the balance of trade of the total products trade from Indonesia to China is improved. The

research held by Ragimun, Mutaqin, Nurhidayat, & Yasin (2022) revealed that In the previous 20 years, bilateral relations between Indonesia and China have grown rapidly. Total commerce between Indonesia and China expanded 18 times, from \$4 billion in 2001 to \$73 billion in 2020. However, when it comes to Indonesian exports to China, there has been some fluctuation and a negative tendency. Indonesia's trade balance with China has been rising since 2008. Since 2008, Indonesia's imports of Chinese products have expanded faster than its exports. The research held by Ragimun, Mutaqin, Nurhidayat, & Yasin (2022) used 20 years data from 2001 to 2020. This research has provided the latest data which is 2021. In 2021, the trade between Indonesia and China increased significantly. Therefore, compared to the result of the previous research, it can be concluded that even though Indonesia experienced the trade imbalance between Indonesia and China, the balance of trade between Indonesia and China relationship has been improved in recent years.

The results of this research shows positive competitiveness both in RCA analysis and TC analysis. The research held by Apriani, Marissa, & Igamo, (2022) revealed the Indonesian coffee commodity in the world market by using it in 15 years (2003-2017) data, showing an RCA result higher than 1 which is 4.08 with a market share value of 3.75 percent. The results seem to be similar compared to this research. However, the data used in this study is from 2012 to 2021. The data shows that there is a significant decrease in 2018 which caused the decrease in Indonesian coffee competitiveness in the world market especially based on RCA analysis. The TC analysis result still revealed a high result. According to Sitanggang (2018), the decrease of Indonesian export to the world market is caused by three things. First, in 2018, the coffee harvest was a bit late. Second, coffee stocks from the previous year were not available. Third, domestic coffee consumption has increased. Since then, the Indonesian coffee export to the world market has not been restored as the value in 2017. In China's market, Indonesian coffee commodity also show the same trend. However, Indonesian coffee is still highly exported rather than imported.

From this research, it can be seen that the Indonesian cocoa commodity in the world market tends to be stable. The research held by Nisa, Darsono, & Antriandarti (2023) stated that from 2010 to 2019, the development of cocoa production and export volume in Indonesia and its competitors seems to expand. This research shows the similar result as the previous research. However, in terms of import value, it can be seen that the value of Indonesian cocoa imports keeps increasing. Nisa, Darsono, & Antriandarti (2023) stated that according to the growth of export on plantation commodities, the growth of export in Indonesia, whether primary plantation commodities or derivative products, has been slower than the growth of global export due to weak competitiveness, product diversification, and market distribution. The decrease of Indonesian cocoa commodity is also caused by the increase in the export value of Indonesian cocoa beans is slower than the increase in the export value of global cocoa. Even though the competitiveness of Indonesian cocoa commodity in the world market has decreased, and the import value of Indonesian cocoa commodity in the world keeps decreasing, the trend of Indonesian cocoa commodity in China's market shows a different trend. The export value keeps increasing and the import value is stable. The competitiveness of Indonesian cocoa commodity in China's market is good and stable.

5. CHAPTER 5: CONCLUSION

5.1. Conclusion

Indonesia and China have been trading for a long time. Indonesia and China are involved in the RCEP agreement which include ASEAN countries and five partner countries China, Japan, South Korea, Australia, and New Island. Over the past 10 years, bilateral trade between Indonesia and China has grown rapidly, especially on agricultural trade. After the RCEP came into effect, the bilateral trade volume reached a new historical high. The export value is increasing, and the import value is stable, Indonesian agricultural products in total are expected to keep increasing in the future. In 2012 to 2021, the RCA and the TC index result indicate positive results of total Indonesian agricultural products in China's market. Then, Indonesian coffee and cocoa commodity in China's market, also show positive results in China's market, yet both coffee and cocoa RCA analysis results decreased especially in 2021 due to the increase of the total export of Indonesia to China, which affects the result of RCA analysis index. However, the TC analysis result is high and stable, it means, that even though the export of coffee and cocoa increase is not as high as the increase of the total export, coffee and cocoa commodity is still highly export rather than import. Which means that coffee and cocoa balance of trade is good in China's market. Therefore, it can be concluded that under the RCEP, Indonesian agricultural products, and also specifically for coffee and cocoa commodities, are competitive and have good prospects in the future.

Then, in the world market, Indonesian agricultural products export has also increased lately, especially in 2021. The results of TC and RCA analysis index are positive and indicate that total Indonesian agricultural products are competitive in the world market. Then, Indonesian coffee commodity also show positive results for RCA and TC analysis. However, Indonesian coffee exports decreased in 2018, and stay stable until 2021. This could be a challenge for Indonesia to overcome this problem, and recover the coffee export to the world. Then for Indonesian cocoa commodity, the total export increased and was stable,

which shows a good trend in the world market. However, the import of cocoa commodity also showed an increase. The increase of cocoa imports affects the competitiveness of Indonesian cocoa commodity in the world market. The result of the RCA index is stable, but for the TC index analysis results decreased due to the increase of cocoa import.

5.2. Recommendation

This research is conducted to find out the competitiveness of the overall agricultural products of Indonesia, and specifically coffee and cocoa products of Indonesia which have a high potential to provide added value, have strong competitiveness, and could compete with similar commodities at international markets. The data that are used in this research are the export and import data from 2012 to 2021. The results show positive results based on the RCA analysis and TC analysis.

Based on the results of RCA and TC analysis, the recommendations that this paper suggest are: First, for the next researcher on this topic, find out the result under the other index of competitiveness and see how the different and the other aspects might affect the competitiveness of these products. Second, the Indonesian government, which refers to the Ministry of Agriculture and Ministry of Trade conducts to support the farmers and also the entrepreneurs of agriculture by giving a platform to learn and ease the export process, also mapping the competitiveness of Indonesian agricultural products in China's and the world market, especially for coffee which has decreased in 2018, and has not been increased as much as 2017. Third, for The Indonesian government which in this case refers to the Indonesian Ministry of Agriculture, Indonesian Ministry of Trade, to encourage the Indonesian government to engage in more agricultural products trade with China and other RCEP member countries around the RCEP term. Under the RCEP, trade between member countries becomes easier, it will easily affect the trade. Therefore, it is important to control the export and import value so it will stay balanced. Fourth, The Indonesian government strengthens

relationships and cooperation with domestic business actors and farmers by holding regular meetings discussing the prospects for Indonesian products with high potential to penetrate and compete in China's market, including evaluating the performance of each product.

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