SUMMARY

IKA INAYAH. Export Performance of Indonesian and Vietnam Pepper and Export Development Strategy of Indonesian Pepper in the International Market. Supervised by RINA OKTAVIANI and HENY K DARYANTO.

Indonesia is a producer and exporter of pepper in the world. Indonesia has the advantages of producing pepper such as the suitability of climate condition and the availability of land. The high value of export than other spice commodities shows that this commodity has high demand in the world.

The main importing countries of Indonesian pepper are Vietnam, USA, Singapore, India, Netherland, and Japan. However, in terms of the share of Indonesian pepper export to the destination country, Vietnam is the largest pepper market of Indonesian pepper by the export share of 39%, while Vietnam is the main Indonesia’s competitor in exporting pepper in the world. In this case, most of pepper from Indonesia were exported to Vietnam which is already known as the largest producer and exporter of pepper in the world.

The objectives of this study are to analyze the export performance of Indonesian and Vietnam pepper, analyze the determinant of Indonesian pepper trade flow, and determine the development strategy of Indonesian pepper export in the international market. The forms of pepper as the scope of this study are whole pepper (HS 090411) and ground pepper (090412). The strategy for developing export of Indonesia pepper are determined based on the priority level of the alternative strategy.

This study uses the ratio of market share analysis, trade complementary index (TCI), intra-industry trade (IIT), and trade intensity index (TII) to explain the export performance and linkages of pepper trade between Indonesia and Vietnam. In addition, this study uses several competitiveness indicators to explain the export performance such as revealed comparative advantage (RCA), revealed comparative trade advantage (RCTA), and constant market share analysis (CMSA). Panel data regression analysis using export demand approach is also used to obtain the factors that influence the export of Indonesian pepper in the international market. The panel data is consisted of seven main importing countries of Indonesian pepper as a cross-section data and 13 years of observation (2002-2014) as a time series data. The priority strategy for developing export of Indonesian pepper are determined using analytical hierarchy process (AHP).

The result shows that export market share of Vietnam pepper in 2002-2014 is greater than Indonesia and it tends to increase from year to year. It indicates that Vietnamese pepper export market is getting stronger in the world market. TCI analysis shows that Vietnam is a trading partner that is also a competitor of Indonesia in the pepper trade. In addition, the results of IIT and TII analysis shows that Vietnam has a strong integration with Indonesia in the pepper trade and the relationship is stronger than the world average.

The result of the competitiveness analysis using RCA and RCTA index in 2002-2014 shows that Indonesia and Vietnam have a comparative advantage in pepper trade. However, the competitiveness of Vietnam pepper is higher than the competitiveness of Indonesian pepper. Based on the CMS analysis, Indonesian pepper export growth rate in 2014 was below the average growth of the world's
exports. This was caused by the negative effects of competitiveness and negative market distribution which indicated weakening of the competitiveness of Indonesian pepper and decreasing of demand pepper in the destination countries of Indonesian pepper. In the same year, the growth rate of exports of Vietnam pepper was above the average growth of the world's exports. This was caused by the positive effect of the market distribution showing that the destination countries of Vietnam pepper experience high growth in import of pepper.

The factors affecting Indonesian pepper export to the international market are GDP per capita of the importing countries, economic distance, export price, real exchange rate, and participation in free trade agreement. GDP per capita of the importing country has a positive significant effect to the export volume of Indonesian pepper, while the economic distance, export price, real exchange rate, and participation in free trade agreement have a significant negative effect to the export volume of Indonesian pepper.

Based on the results of pairwise comparisons using AHP, the main factor affecting the development of Indonesian pepper export is competitiveness. The actor who most influence on the development of pepper export is the business actors. The main objectives of export development are to reduce unemployment and increase the prosperity. The priority strategy for developing Indonesian pepper export in the international market is product quality improvement.

Keywords: AHP, competitiveness, export demand, pepper, trade flow