SUMMARY

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Indonesia is faced by global competition, demanding it to strengthen the domestic industry in order to survive and continue to grow. Competition with imported products should be noted that Indonesian local products could be remained competitive in both the domestic and international markets. Horticulture sub-sector in particular fruit commodities is not fully developed, so the government opened the import of fruit to meet the needs of domestic consumption. The imported fruits were increasing year to year which adversely affected the Indonesia’s trade balance. Therefore, it is necessary to increase the competitiveness, in order to maintain the existence of domestic fruit or even to improve the promotion of exports to other countries. One of the fruits currently prioritized to be developed is oranges. National citrus production tends to decrease, indicating that Indonesia has not been able to maintain the level of national citrus production. The availability of seasonal oranges provide an opportunity for the imported citrus products to substitute the local oranges.

Currently Oranges imports are dominated by China, which reached 72.27% of Indonesia’s citrus import. The other origin countries of imported citrus to Indonesia are Pakistan (16.44%), Argentina (6.23%), and Australia (4.58%). In the era of free trade, the competition between fresh local oranges and fresh imported oranges will be intensified to compete for the high market share of fresh orange consumers in Indonesia. So, the purpose of this study is to analyze the competition between local citrus and imported citrus, through the approach of Indonesia's total expenditure of oranges. The analytical method used is the Almost Ideal Demand System (AIDS).

The results shows that the local citrus oranges are competed with the citrus imports from China. It is indicated by the positive cross elasticity value (substitution), or in the other words, the two commodities are interchangeable. Whereas the complementary relationship is shown by the cross elasticity between local citrus Indonesia and citrus imports from Pakistan. This is caused by the influence of the harvest season and the dry season between the same local citrus production in Indonesia and citrus imports in Pakistan. Indonesia needs to increase the number of total expenditure for citrus by increasing the consumption of oranges per capita. Therefore, the market share of Indonesian oranges will be higher than the market share of China and Pakistan citrus because the elasticity of expenditure for Indonesian local citrus production is higher than the other two countries.

Keywords: AIDS, competition, import, oranges, production