SUMMARY

NUROHMAN. Analyzing the Competitiveness of Indonesian Tea Industry. Supervised by AMZUL RIFIN and SETIADI DJOHAR.

This study aimed to measure and analyze the competitiveness of Indonesian tea industry in the world based on performance of international trade. There are four steps taken continuously to achieve that goal. First, measuring the competitiveness of Indonesian tea with Relative Trade Advantage (RTA), secondly identifying determinants of competitiveness through surveys to tea industry stakeholders, thirdly analyzing determinant factors with Porter’s Diamond Model, and fourth describing changes in determinant factors of the competitiveness of Indonesian tea industry.

The competitiveness of Indonesian tea industry is the ability of domestic tea industry to survive in global market competition. In 2015, UN Comtrade showed Indonesia’s tea export volume was only about 4% of total world tea export which was 1,757 million kg. Meanwhile, tea export value continued to decline from 2007 to 2016 with an average annual decrease of 1%. On the other hand, the value of tea imports in the same period increased by an average of 3% per year. Based on this phenomenon, this research would like to show the performance of the competitiveness of Indonesian tea industry for 10 years (2007-2016). The competitiveness is indicated by the RTA value calculated using import-export data from UN-Comtrade. The result showed that the competitiveness of Indonesian tea, shown by the value of RTA, from 2007 to 2016 was above level 0 which means that Indonesian tea was more competitive when compared with other domestic commodities.

This study also compared the competitiveness of Indonesian tea in 2010 and 2016. These two years were selected based on three considerations. First, the value of tea exports in 2010 reached the highest point, while in 2016 Indonesia’s tea exports were the lowest in the period 2007-2016. Secondly, in 2010 there was no policy of 10% Value Added Tax (VAT), while in the year 2016 had been applied. Third, in 2010 there was no regulation from the European Union that prohibited the entry of tea with 0.02% antraquinon, while in 2016 had been applied.

Surveys and in-depth interviews were conducted on 12 respondents from state-owned enterprises, private sector, government, associations, and research institutes. The questions posed were how the determinants affect the performance of the Indonesian tea industry. These factors were adapted from the Porter’s Diamond Model which consists of 6 factors with a number of subfactors in it. The results showed that the application of 10% plantation VAT and regulation of tea entry restrictions to the EU was the main concern of all respondents as it inhibits the competitive performance of tea industry. Meanwhile, factors that support the competitiveness of the tea industry were the development of agrotourism industry and ready-to-drink tea companies.

Keywords: competitive performance, porter diamond, RTA, tea