SUMMARY

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Natural rubber is one of mainstay commodities in Indonesia. Indonesia, Thailand, and Malaysia are world's major natural rubber producers. One of the rubber-based products is tire that can absorb 70% to 80% of total world natural rubber production. Currently, Indonesia can produce tire in domestic. Indonesia tire product mostly for export market. It makes tire as the largest contributor to get foreign exchange reserve in the rubber-based sector. The main countries for Indonesia to export tire products are United States, Japan, Philippines, Malaysia, Australia, Europe and Middle East Countries. In the global market, Indonesia contributes only 2.28% of world tire export. The growth of Indonesia tire export share is relatively stagnant, compared to China and Thailand. China tire export development is quite rapid, and become the largest tire exporter in the world. Thailand export share also increase significantly.

Based on these conditions, the aims of this study are to analyze the development of Indonesia tire product competitiveness compared to other main competitor countries, to analyze the competitiveness of Indonesia tire product in destination countries, and to analyze factors that affect tire competitiveness, and to determine the best strategy in enhancing and developing competitiveness of Indonesian tire. Methods that used in this study are Normalized Revealed Comparative Advantage (NRCA), Export Product Dynamics (EPD), panel data regression, and Analytic Hierarchal Process (AHP).

Compared to the main exporter countries, the competitiveness of Indonesian tire product is still positive. Indonesia has 0.42 NRCA index, better than the United States (-0.82). Germany has the strongest tire competitiveness with 5.96 NRCA index, followed by Japan (5.54), China (2.34), and France (0.82). Meanwhile, in destination countries, generally Indonesia tire has a good competitiveness index, but in recent years, show downward trend in most countries especially in Japan and Middle East countries. EPD results show that Indonesian tire product categorized as rising star in 7 countries, falling star in 2 countries, retreat in 2 countries, and lost opportunity in 4 countries. Panel data analysis indicates that factors significantly affect the competitiveness of tire industry are crude oil price, interest rate, tire export volume, and competitiveness index in previous year (sig. level below 5%). FTA factor has significant level below 10%.

In improving and developing the competitiveness of the tire industry, the priority strategies that selected are increase product promotion, enhance international cooperation, and strengthen structure of the domestic raw material industry. The main goals to achieve are increase corporate profit, increase export to gain foreign exchange reserve, and increase tire production. The most important actors are government, tire industry, and suppliers of raw and auxiliary materials.

Keywords: AHP, tire, competitiveness, export, strategy