ABSTRACT

A study on nation competitive advantage was conducted to formulate alternative strategies for increasing Indonesia’s global competitiveness in pepper industry. Porter’s Diamond theory was implemented to identify determinants of nation competitive advantage considering Indonesia’s current performance in pepper industry. The study was using information and data from documents and publications related to pepper industry and questioners filled in by experts. The result showed four determinants i.e factor conditions, demand conditions, related and supporting industries and firm strategy, structure, and rivalry that play important role in creating nation competitive advantage. Factor conditions include the availability of land, the availability of labor, the role of research institutes and trade associations. Demand conditions include current market share in world pepper market, the rate of growth of home demand, and awareness in product health and environment. Related and supporting industries include the success of related industry in global market, and the availability of machinery needed in pepper industry. Firm strategy, structure and rivalry include the intensity of home firm rivalry in global market and the dominant position as pepper exporting country in global market. On the other hand, there are some factors that play less important role considering current situation, such as access to capital resources, the quality of labor, home demand condition that easily saturated, human resources development, and changes in world capital market. In addition, there are external variables i.e chance and government that play important role to national system. Depreciation of rupiah against US $, shift in world demand of pepper product, and ratification of multilateral trade agreement are some of the external variables viewed as chances; while the role of government include government policies and regulations in trade, taxes, product standardization, education, research and development, and the role of government in creating local demand. SWOT analysis was used to evaluate identified strengths and weaknesses as well as opportunities and threats faced in development of pepper industry, to formulate alternative strategies for increasing Indonesia’s global competitiveness in pepper industry. The alternative strategies are (1) to maintain market share by enhancing product quality, (2) to develop new market outside traditional market, (3) to develop value-added products for product diversification, (4) to enhance productivity, efficiency and business orientation of pepper farms, and (5) to develop domestic market and niche market.