ASSESSING THE COMPETITIVENESS OF INDONESIA'S TEN LARGEST EXPORT PRODUCTS TO TUNISIA AND SOUTH AFRICA

THESIS

SUCI MAHANANI
0706180823

UNIVERSITY OF INDONESIA
FACULTY OF ECONOMICS
MASTER OF PLANNING AND PUBLIC POLICY
DEPOK
JANUARY 2009

ASSESSING THE COMPETITIVENESS OF INDONESIA'S TEN LARGEST EXPORT PRODUCTS TO TUNISIA AND SOUTH AFRICA

THESIS

Submitted in partial fulfillment of the requirements for
the Degree of Master of Economics

SUCI MAHANANI
0706180823

UNIVERSITY OF INDONESIA
FACULTY OF ECONOMICS
MASTER OF PLANNING AND PUBLIC POLICY
GLOBALIZATION ECONOMICS
DEPOK
JANUARY, 2009

STATEMENT OF AUTHORSHIP

"I certify that the attached material is my original work. I declare that no other person's work has been used without due acknowledgement".

Except where I have clearly stated that I have used some of this material elsewhere, it has not been presented by me for examination in any other course or unit at this or any other institution.

I understand that the work submitted may be reproduced and/or communicated by the University or third party authorized by the University for the purpose of detecting plagiarism.

Name	: Suci Mahanani
Student Register Number	: 0706180823
Document	: Thesis
Title of Thesis	: Assessing the Competitiveness of Indonesia's Ten Largest Export Products to Tunisia and South Africa.

Depok, January 2009

Suci Mahanani

PAGE OF ENDORSEMENT

This thesis is proposed by

Name	: Suci Mahanani
Student Register Number	: 0706180823
Program	: Master of Planning and Public Policy
Title of Thesis	: Assessing the Competitiveness of Indonesia's Ten Largest Export Products to Tunisia and South Africa.

It has been defended to Board of Examiners and submitted in partial fulfillment of the requirements for the degree of Master of Economics in Master of Planning and Public Policy, Faculty of Economy, University of Indonesia.

BOARD OF EXAMINERS

Supervisor : Prof. Dr. Lepi T. Tarmidi (.....)

Examiner : Dr. Andi Fahmi Lubis (.....)

Examiner : Ayudha D. Prayoga, M.Sc. (.....)

Stipulated in : Depok

Date : January 2009

ACKNOWLEDGEMENT

Alhamdulillah, I praise thank heavens to the only and Almighty Allah SWT, because of Allah SWT blessing, finally I could complete this research that be entitled of: "Assessing the Competitiveness of Indonesia's Ten Largest Export Products to Tunisia and South Africa". This research is a partial fulfillment of the requirements for the degree of Master of Economics in International Trade Policy, Master of Planning and Public Policy Program, Faculty of Economy, University of Indonesia.

First of all, I would like to thank to Mr. Lepi T. Tarmidi, my thesis advisor, who has supported me in finishing this thesis.

I would like to thank to all Faculty Members of Master Program in Planning and Public Policy, University of Indonesia (MPKP-FE UI). Mr. B. Raksaka Mahi, Phd, and Mrs. Hera Susanti, SE. M.Sc., the Head and the Secretary of the Program of Master of Planning and Public Policy, Mr. Andi Fahmi, Mb. Ira, Mb. Siti, Mas Asep, Mas Jamal and all other staffs. Thank you for the great support.

I would like to thank to Mr. Roger Freeman, Mbak Ernawati Munadi, Mr. Wayan and all of ITAP-USAID staffs, who have been very helpful in supporting us.

I would like to thank to Mr. H. Agus Tjahjono as Director of Directorate Export of Industry Product and Mining, Mr. A. Kanaan Adikusumah, who was Director of Directorate Export of Industry Product and Mining, Mr. Partogi Pangaribuan and Mrs. Yanti, as my supervisor. Thank you for the chance to take Master of Economic.

I would like to thank to Ibu and Bapak, Mb Ika and Mas Budi-Mb Uun, who always stand by me.

I would like to thank to Depe, my best friend. Thank you for your support, kindness, advice, and friendship.

I would like to thank to Mb. Rika, Mb. Titik, Mas Agung, Wara, Wahyu, Mas Arif, Mb Citra, Yeni, Ria and all my colleagues in Ministry of Trade. Thank you for the great support.

All of my MITP friends, Maulida, Mb Dea, Susi, Mb Irma, Mb Hanny, Lintang, Ali, Bambang, Erick, Willy, Mario, Krisna, Mas Jonatan, Bang Ernest, Gina, Mas Taufik, Mas Tion, Mb afifah, Marina, Mb ayu, Friska and Mas Musokib thank for being my great partners since I studied on MPKP-ITP class.

The last, I would thank to my friends, Iwan, Nia, Mas sugi, Vina, Imelda, Evi and all my friends. Thank you for your support and joke.

Last but not least, I believe that this research is way beyond perfect. That's why critics and suggestions are welcome to enhance this thesis.

Depok, January 2009

Suci Mahanani

STATEMENT OF ASSERTION

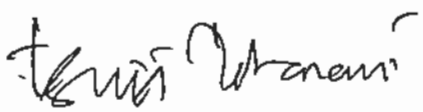
As civitas academia of University of Indonesia, I who signed on below:

Name	: Suci Mahanani
Student Register Number	: 0706180823
Program	: Master of Planning and Public Policy
Department	: Economics
Faculty	: Economics
Kind of Opus	: Thesis

For the development in science, I agree to give to University of Indonesia a Non-Exclusive Royalty – Free Right on my thesis entitled:
"Assessing the Competitiveness of Indonesia's Ten Largest Export Products to Tunisia and South Africa"
along with the available sets of equipment (if needed). By this Non-Exclusive Royalty – Free Right, University of Indonesia has the right to save, format, manage in the form of database, maintain and publicize my thesis without asking the permission from me as along as mentioning my name as the writer/ creator and as the owner of the copyright.

Thus this statement I made truly.

Made in: Depok
Date: January 2009



Suci Mahanani

ABSTRACT

Name : Suci Mahanani
Study Program : Magister of Planning and Public Policy
Title : Assessing the Competitiveness of Indonesia's Ten Largest Export Products to Tunisia and South Africa.

Constant Market Share analysis and Competitiveness Matrix are used to assess the 10 highest rank export of Indonesia product competitiveness in Tunisia and South Africa for 2002-2007. In Tunisia, other form of copra oil (HS 151319) is weak competitiveness and is categorized missed opportunity in competitiveness matrix. Otherwise, the competitiveness of Polyethylene terephthalate (HS 390760) is good. It is showed by the positive sign of competitiveness effect and categorizing rising star in competitiveness matrix. In South Africa, other form of palm oil (HS 151190) is weak competitiveness and is categorized missed opportunity in competitiveness matrix. However, the competitiveness of ceramic (HS 690911) and cylinder (HS 870322) is good. It is showed by the positive sign of competitiveness effect and categorizing rising star in competitiveness matrix.

Keywords: Competitiveness, CMSA, Competitiveness Matrix.

ABSTRAKSI

Nama : Suci Mahanani
Program Studi : Magister Perencanaan dan Kebijakan Publik

Judul : Menilai Daya Saing 10 Besar Produk Ekspor Indonesia ke Tunisia dan Afrika Selatan

Constant Market Share analysis dan *Competitiveness Matrix* digunakan untuk menilai daya saing 10 besar produk ekspor Indonesia di Tunisia dan Afrika Selatan selama periode 2002-2007. Hasilnya menunjukkan bahwa produk bentuk lain dari minyak copra (HS 151319) berdaya saing rendah dan dikategorikan *missed opportunity* dalam *competitiveness matrix* di pasar Tunisia. Sedangkan untuk Polyethylene terephthalate (HS 390760) memiliki daya saing yang bagus, hal ini ditunjukkan dengan tanda positive pada *competitiveness effect* dan dikategorikan *rising star* dalam *competitiveness matrix*. Di Afrika Selatan, produk bentuk lain dari minyak palm (HS 151190) berdaya saing rendah dan dikategorikan *missed opportunity* dalam *competitiveness matrix*. Sedangkan untuk produk keramik (HS 690911) dan cylinder (HS 870322) berdaya saing bagus, hal ini ditunjukkan dengan tanda positif pada competitiveness effect dan dikategorikan *rising star* dalam *competitiveness matrix*.

Kata kunci: Daya Saing, CMSA, Competitiveness Matrix

TABLE OF CONTENTS

LIST OF TABLE

LIST OF FIGURE

LIST OF ANNEXES

CHAPTER I
INTRODUCTION

1.1 Background

In 2007, Indonesia's economic growth was 6.3%. This growth was supported by 5% household consumption, 3.9% government expenditure, export and import of goods and services increasing each 8% and 8.9%. Export of goods and services was the most supported of economic growth, which was 3.8% (BPS, 2008).

The growth of export was pushed by increasing price of commodity, for instance international price of CPO increased 100%, and the others commodity were rubber and coal. The volume of paper/carton product also increased because of the improved capacity. However, a lot of sector had low growth or decreased because of the competition between other countries or have a limited capacity and limited investment (Ministry of Trade, 2008, p.1).

Three biggest destination export market of Indonesia product in January – November 2007 are Japan (14.6%), Europe Union (14.4%) and United State of America (12.3%). On this period, the export growth to Japan and EU were positive, 12.6% and 9.3%, but the export growth to USA decreased, which is 5.2% (Ministry of Trade, 2008, p.2).

The effort to increase export in future, government should improve the competitiveness of export Indonesian commodity in international market. To manage the competitiveness issue, one of the trade policies, which was direct by Ministry of Trade, is the collaboration of entrepreneurs and government to promote and improve market access of export, by utilizing existence FTAs and establish negotiations and lobbies at the international forum.

With the cooperation between countries, country will have a faster economic integration by shaping strategic and mutual relationship between a smaller of countries which permit deeper market access, purging rival in penetrating export market and allow faster liberalization in new and sensitive sector. Although, the impact of cooperation to the economy of countries depends on the situation, for instance its trade structure and its contribution to economy, and the more important is depend on the size of country's economy.

The rapidly change of global and regional competition requires Indonesia to respond in strategic program if it remains the important of competitiveness. In addition, USA and EU as the main destination export of Indonesia's commodity is predicted that the growth of economy will be disturbed because of economy recession, so Indonesia should reduce the dependence of export destination to USA and EU. Indonesia should expand export market to other area. According to Ministry of Trade, Tunisia and South of Africa is taken into consideration to be the next of destination export of Indonesian commodity.

Tunisia is a small and politically stable country on the North African coast. It has the most diversified economy in the region. With 0.989% (2008 est.) of population growth and population of slightly over 10 million, it has one of the highest standards of living on the continent (CIA, 2008). Tunisia is a member of the Arab Maghreb Union (UMA - Union du Maghreb Arabe), a political-economic grouping of Tunisia, Algeria, Morocco, Mauritania, and Libya. It is also a signatory to several bilateral and multilateral trade agreements, including the Agadir Agreement. This agreement, a framework for a free trade area with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people.

Tunisia does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya, but has prospered under long-standing government policies to develop manufacturing, tourism, and agriculture. At the same time, social programs limit population growth, provide a high

standard of education, and ensure a relatively decent standard of living for all. The 74.3% national literacy rate is one of the highest in the Middle East, and the 2006 average annual income per capita reached $2,800. The International Monetary Fund projected that the 2007 per capita Purchasing Power Parity (PPP) was $9,630 (The Department of Commerce of US, 2008, p.2).

Government of Indonesia (GOI) did Joint Commission Council (*Sidang Komisi Bersama/SKB*) 8th with Government of Tunisia in Bali on 2006. Both of Minister of Foreign Affairs agreed to form Joint Study Group (JSG) to look the prospect of Free Trade Agreement (FTA) between Indonesia and Tunisia. For 2002-2007, the share of Indonesia export to Tunisia has been only 0.01%. The expecting from the joint with Tunisia is increasing the share export.

South Africa is a potential market to become the main consideration of Indonesia to penetrate. It has a strategic position in Africa both politically and economically. It is the third country among 14 members of the Southern Africa Development Community (SADC). South Africa is a distribution center of through which commodities from other countries enter southern African landlocked areas such as Botswana and Somalia. It can also be used by those countries to export their commodities to the rest of the world. In short, Indonesia can used South Africa to export its products to the 14 SADC members, which have an over 165 million of population. In addition, South Africa is a member of the Southern African Custom Union (SACU) and the Common Market for Eastern and Southern, which good traded in both areas is free from any taxes. Indonesia may benefit from the free trade arrangement as Indonesia may enjoy tax facilities granted to the country (Fitria, 2008, p.63). In addition, for 2002-2007, the share of Indonesia export to South Africa has been only 0.28%, therefore Indonesia expect the share export is going to increase to South Africa market.

1.2 Problem Statement

To penetrate the market export of Tunisia and South of Africa, the questions arise as follow:

How is the condition of Indonesian commodities competitiveness under the period of 2002-2007 in Tunisia and South of Africa market?

1.3 Research Objective

The objective of this research is to analyze the condition of Indonesian commodities' competitiveness in Tunisia and South Africa 2002 - 2007.

1.4 Research Coverage

The coverage of the research is:

a. The research focuses on Indonesia's 10 highest ranking export products, which 6 level digit HS, to each country (Tunisia and South Africa). The reason of choosing Tunisia and South Africa is because Ministry of Trade considers penetrating Tunisia and South Africa Market for Indonesian commodity. The reason of choosing 6 level digits is because it is more specific product.
b. The research will use data from 2002 until 2007 where the CMSA need minimal 5 years data to see the progress of export growth.

1.5 Research Methodology

1.5.1 Analysis Method

To analyze the problem, besides of using the qualitative analysis with library research, the quantitative methods also will be used, those are:

a. The Constant Market Share Analysis (CMSA)

The reason of choosing this method is because CMSA provides information of competitiveness export in its partner market. This analysis prepares a set of statistic indicator to know the availability of

the country manage export contribution to all import market in certain of period. There are four parameters in CMS model. Those are standard growth, commodity-composition effect, market distribution and competitiveness effect (Suprihatini, 2005, p. 5).

b. Competitiveness Matrix

The reason of choosing competitiveness matrix is because this is a method to see position of a product on import country (Tunisia or South Africa). According to Mandeng (1991), they are four categories of product, which are declining stars, rising stars, retreats and missed opportunities (Lacayo and Morales, 2007, p.1).

Therefore, CMSA and Competitiveness matrix is tool to assess competitiveness of products and to look for the position of products.

1.5.2 Data and Source of Data

The data used in this research based on the secondary data which obtained from Indonesia's export product with Tunisia and South of Africa with data taken from World Integrated Trade Solution (WITS).

CHAPTER II

THEORIES OF INTERNATIONAL TRADE AND EXPORT COMPETITION

2.1 National Competitiveness

Economists have long tried to explain trade patterns and competencies with various international trade theories. According to Smith (1776), absolute advantage is one of the simplest and oldest of the trade theories. It states that countries should trade in goods that they produce more efficiently than any other nation. This theory is based on a country's raw material base. However, according to Ricardo (1817) a nation should trade in items that it produces with relative efficiency as opposed to those items it produces with relative inefficiency, which is famous as the theory of comparative advantage. This theory is based on advantages due to factors of production being located within a given nation. A related yet different theory is that of competitive advantage. According to Porter (1991), the idea of competitive advantage is often used by managers to describe advantages a firm has and exploits to gain customers. This theory relies on man-made competencies firms create for themselves, such as a skilled workforce or locational proximity to customers. The Heckscher-Ohlin Theory of Factor Endowment was a great contribution to the literature in that it was one of the first international trade theories that was predicated on national differences in factors of production such as land, labor and capital. Unfortunately, this theory makes the assumption that factor prices depend largely on the factors themselves. It does not take into consideration the realities of the marketplace such as the role of governments or external forces on factor markets, such as trade blocs (Sledge, 2003, p.1).

The lack of HO model is still limited in two traded goods. The HO model assumes that technology is identical, but production methods are different between countries. Different production methods indicate different combinations of capital and labour. It means, different countries may choose different methods to produce depending upon factor price in those countries. Therefore, production and trade pattern are explained by different factor endowments or factor prices (Esterhuizen, 2006, p. 57).

2.2 Porter's Competitiveness Theory

Michael Porter (1990) applied competitive advantage analysis, which consists of examining case studies of successful industries to identify what reason they are located in particular countries. He said that they need a perspective and new tools as an approach to competitiveness that grows directly out of an analysis of internationally successful industries, without regard to traditional ideology or current intellectual fashion. It means, they want to know what works and why. To support his studied, he observed 100 companies in ten developed nations to learn if a nation's protrude in an industry can be explained more sufficiently by variables other than the factors of production on which comparative advantage and HO theories are based.

According to Porter (1990, 1998), national prosperity is created, not inherited. Nations' competitiveness depends on the capacity of its industry to innovate and upgrade, it does not grow from natural endowments for instance labour pool, interest rates, or currency's value as classical economist thinks. Firms gain advantage against world's best competitors because of pressure and challenge. Potter said that countries benefit from having strong domestic rivals, aggressive home based suppliers and demanding local customers.

Porter (1990) criticized about the traditional doctrine, which is at best incomplete and at worse incorrect. Companies that have achieved international leadership, employ strategies that differ from each other in every respect. Whereas every successful firm going to employ its own special strategy, the basic mode of operation, which is the character and trajectory of all successful companies, is fundamentally the same (Esterhuizen, 2006, p.67-68).

According to Porter (1990), companies achieve competitive advantage through innovation. They innovate in deepest sense, including new technologies and new methods. They feel a new basis for competing or find better means for competing in old ways. Innovation can be evident in a new product design, a new process of production, a new style of marketing, or a new method of conducting training (Esterhuizen, 2006, p.68).

Why are particular companies, based in particular nations, capable of consistent innovation? Why do mercilessly chase improvements, seeking an evermore sophisticated source of competitive advantage? Why they can overcome the substantial barriers to change and innovation that so often accompany success? (Esterhuizen, 2006, p.68).

According to Porter (1990), the answer lies in four broad attributes of a nation, attributes that individually and a system constitute the diamond of national advantage, the playing field that each nation establish and operate for its industries. These attributes are (Esterhuizen, 2006, p.68):

a. Factor condition: the nation's positions in factors of production, for instances skilled labour or infrastructure, require competing in a given industry.
b. Demand condition: the nature of home market demand for the industry's products or service.

c. Relating and supporting industries: the presence or absence in the nation of supplier industries and other related industries that are internationally competitive.

d. Firm strategy, structure and rivalry: the conditions in the nation governing how companies are created, organized and managed, as well as the nature of domestic rivalry.

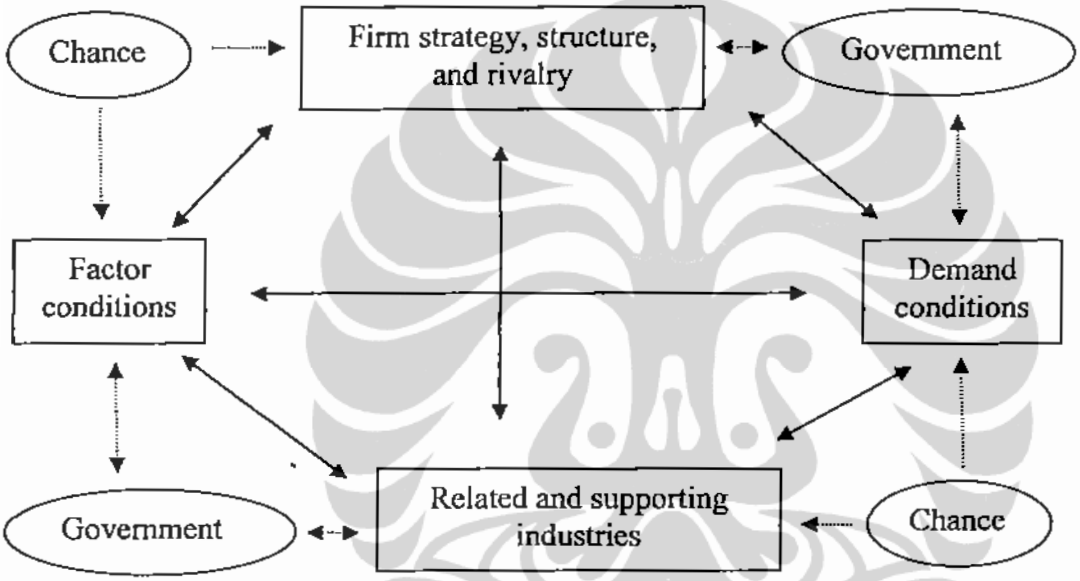


Figure 2.1 Porter's Diamond

Source: Porter, 1990, p.127

According to Porter (1990), these determinants create the national environment in which companies are born and learn how to compete. Each point on the diamond affects essential ingredients for achieving international competitive success. The availability of resources and skill important for competitive advantage in an industry; the information that shapes the opportunities that companies feel and the directions in which they spread their resources and skills; the aim of the owners, managers and individuals in companies; and most important, the pressure on companies to invest and innovate (Esterhuizen, 2006, p.69-70).

Porter (1990) also includes two outside variables to the model. Their name is the role of chance and the role of government. Chance are occurrence that have little to do with circumstances in a nation and are often outside power of company (and often the national government) to influence. For instances new inventions, major new technologies such as biotechnology, and discontinuities in input cost such as the energy crisis, financial market shift, foreign government decisions and wars. Such events can nullify sources of competitive advantage and create new ones. The ability of firm to respond will depend on the status of other parts of the competitive diamond. The latter also affects the environment for invention and entrepreneurship and hence where they will occur (Esterhuizen, 2006, p.70).

The role of government is best view in term of its influence on the four determinants of competitiveness rather than as a separate determinant. Porter explicitly rejects trade intervention, which he writes, just "guarantees a market for inefficient companies" (Porter, 1990). According to Porter, the better role of government is as a catalyst and challenger; to encourage, or push companies to raise their aspirations and increase the level of competitive performance, nevertheless this process may be inherently unpleasant and difficult. Government can not create competitive industries, only companies can do that. Government plays a role that is inherently partial; this succeeds only when it works in tandem with favorable underlying conditions in the diamond. Still, government's role transmitting and expanding the force of the diamond is powerful one. Government policies that succeed are those that create an environment in which companies can gain competitive advantage rather than those that involve government directly in the process. it is an indirect rather than a direct, role (Esterhuizen, 2006, p.70).

2.3 The Importance of Competitiveness on International Trade

Today, nations and companies compete because world markets are open. When contests exist as part of everyday life, it is nearly impossible to avoid thinking in win-lose term. Competing comes naturally. Creating win-win situations is much more difficult.

According Hawkins and Meindertsma (2004), competitiveness as the ability of a country to increase its share of domestic and export markets where a country has a comparative advantage in a product when it can produce at a lower opportunity cost than other countries. Increase competitiveness is reflected in sustained growth in productivity of productivity of producers, firms and industry clusters in the agribusiness sector and result of sound business strategies and supporting micro economic and macro economic condition. Thus, profitability is the most important element of competitiveness, as it relates benefits (revenues) and costs (expenditure), and productivity is the most important underlying factor. Anything what would increase profitability and productivity, therefore, would increase competitiveness. Higher efficiency in production, cost reductions, higher quality, and lower risk, higher added value, all increase competitiveness, so all factors influencing these affect competitiveness (Rahman, 2005, p.3).

According to Freebairn (1986), competitiveness is an indicator of ability to supply goods and services in the location and form and at the time they are requested by customers, at prices that are as good as or better than their competitors, while earning at least the opportunity cost of returns on resources employed. Institute of Mathematical and Economic Sciences Applied (ISMEA) also used this definition to analyze the challenges of global competition on the European Agro-Food system (ISMEA, 1999). Two types of competition are included in this definition. First is the competition on domestic and international markets and ability to gain and maintain market shares. Secondly, the competition in factor markets, where those factor employed in producing the goods have to earn at least the opportunity costs (Esterhuizen, 2006, p.74).

2.4 Previous Studies on Competitiveness

This thesis use Constant Market Share Analysis (CMSA) as tool to give information of competitiveness export in its partner market. From CMSA we can show our export growth compare to standard growth. According to Hadi et all (2004), CMSA gave information that Indonesian agriculture product had lower growth than other ASEAN members in intern ASEAN market at period 1999-2001. It also happens for the result of Suprihatini (2005) research. The export growth of Indonesian tea was lower than Sri Lanka, Kenya, China and India as the competitor in world market due to (1) product composition problem; (2) distribution aspect problem; and (3) low competitiveness of Indonesia's tea. It also happen in Hadi et all (2004) research, they conclude that composition of Indonesian agriculture was weakened than before, market distribution was worse than other and competitiveness was worse than Philippine and Thailand. So, using CMSA also give information the condition of Indonesia composition product, distribution market and competitiveness.

Fahreiza (2008) have researched Indonesia's textile and textile products (TTP) competitiveness in Japan market. She used Constant Market Share Analyze (CMSA) and Revealed Comparative Advantages (RCA) as tools to analyze it. She resulted that competitiveness of Indonesia's TTP industries was under good condition with increasing trend. Indonesia's TTP can compete with TTP from other countries. Therefore, if the result of CMSA is positive and we have a competitive product, so the product would be hold to offer to its market, on the other hand, if the result of CMSA is negative or our product is not competitive, we should do diversification product or diversification market.

Competitiveness matrix is a tool to see the position of a product on import market. Import markets for this thesis are Tunisia and South Africa. Rahman (2005) has used this tool to see the position of Indonesian agricultural commodities under WTO commitments in world market. There are four categories of product, which are declining stars, rising stars, retreats and missed opportunities. According to Rahman (2005), under WTO commitments, there are no items in that could be classified as a Rising Star. All commodities were classified as Declining Stars (SITC 00, 02, 04 and 09) and Retreats (SITC 01, 03, 05, 06, 07 and 08). Therefore he suggested that government provide strong support to facilitate the development of agricultural sector, such as the establishment and improvement of facilities and developing mechanism for attracting domestic and foreign investments in agricultural sector, and development the agricultural processing technology. We can conclude that rising star is the best position because it means our export increase and also the world export or we can say that we can follow the dynamic demand on import market. If our product is in declining star position we should aware, because our export increases in stagnant demand on import market. And if our product is in missed opportunity position, it means our export product decrease in dynamic demand on import market. And the last position is retreat which means our export decrease in stagnant demand on import market.

CHAPTER III
METHODS OF MEASURING EXPORT COMPETITIVENESS

3.1 The Constant Market Share Analysis

To measure the competitiveness of product export, there has been improved a lot of competitiveness model analysis. One of them is Constant Market Share Analysis (CMSA). According to Leamer and Stern (1970), in CMSA, a country has lower export growth than rivals because of three reasons, such as (1) export has been concentrate in the commodity which has relative lower export growth; (2) export aim to the stagnant country; (3) the incapability compete with other countries (Suprihatini, 2005, p.3-4).

The basic assumption of CMS analysis is the constant of the market share of exporter country (for instance Indonesia) in world market or to particular country in certain of period. The growth of export is different, which was declared by the difference of constant market share export and actual market export, because of the commodity composition effect, market distribution effect and the competitiveness effect. The changing of market share is one of indicator competitiveness to measure the change country's competitiveness to world market or particular country, although the reason of all changing of market share is not the changing of competitiveness (Hadi and Mardianto, 2004, p. 51).

This analysis prepares a set of statistic indicator to know the availability of the country manage export contribution to all import market in certain of period. There are four parameters in CMS model, these are:

a. Standard growth

Standard growth indicates the general standard of export growth of all countries in the world market, or the world to the world export. The growth reflects the export performance of other countries compared to Indonesia. If the standard growth of export is lower than Indonesia's

export growth, it means that the export performance of Indonesia is better than the other countries.

b. Commodity-composition effect

Commodity composition effect can be positive or negative. The positive value indicates that the subject country has exported particular product to the country which has the higher growth of demand compared to other countries.

c. Market distribution

Market distribution effect can be positive or negative. The value will result in positive value if the subject country distributes its market to the center of growing demand.

d. Competitiveness effect.

Competitiveness effect indicates the net increase or net decrease on the Indonesia share relatively, to the standard considering the changes in the product composition and market distribution. If the parameter is positive, it means that Indonesia is the strong competitor compared to others. Otherwise, it will be negative if Indonesia is weak.

Base on Tyer et all (1985), the formula of Constant Market Share as follows (Suprihatini, 2005, p.5-6):

$$\frac{E_{(t)..} - E_{(t-1)..}}{E_{(t-1)..}} = g + \frac{\sum_i (g_i - g) E_{(t-1)i.}}{E_{(t-1)..}} + \frac{\sum_i \sum_j (g_{ij} - g_i) E_{(t-1)ij}}{E_{(t-1)..}} + \frac{\sum_i \sum_j (E_{(t)ij} - E_{(t-1)ij} - g_{ij} E_{(t-1)ij})}{E_{(t-1)}}$$

(1) (2) (3) (4)

(1) Standard growth

(2) Commodity-Composition Effect

(3) Market distribution Effect

(4) Competitiveness Effect.

where:

$$g = \frac{W_{(t)..} - W_{(t-1)..}}{W_{(t-1)..}}$$

$$g_i = \frac{W_{(t)i} - W_{(t-1)i}}{W_{(t-1)i.}}$$

$$g_{ij} = \frac{W_{(t)ij} - W_{(t-1)ij}}{W_{(t-1)ij}}$$

where:

$E_{(t)..}$ = total value export of Indonesia's products at t year

$E_{(t-1)..}$ = total value export of Indonesia's products at t-1 year

$E_{(t)i.}$ = value export of Indonesia's i commodity at t year

$E_{(t).j}$ = total value export of Indonesia's products to j country at t year

$E_{(t)ij}$ = value export of Indonesia's i commodity to j country at t year

$W_{(t)i}$ = total value export of standard (world) in i commodity at t year

$W_{(t)j}$ = total value export of standard (world) to j country at j year

$W_{(t)ij}$ = value export of standard (world) in i commodity to j country at t year.

$W_{(t)..}$ = total value export of standard (world) at t year

3.2 Competitiveness Matrix

This matrix is developed by O. Mandeng. This matrix is as a method to see position of a product to competitor country (Lacayo and Morales, 2007, p.1). There are four competitiveness variables that were used to examine the competitiveness of Indonesian commodities (Rachman, 2005, p.4-5:

a. Market share which is the value of exports of commodity i from country A (Indonesia) to importing market B (Tunisia or South of Africa) as a percentage of total value of imports of commodity i on importing market B;
b. Percentage of exports which is the value of exports of commodity i from country A to importing market B as a percentage of total value of exports of country A to importing market B;
c. Specialization which compares the market share of country A for commodity i to the overall market share of country A, wherein if the commodity market share is higher than the overall market share, the country is said to be specialized in commodity i, and if it is lower, the country is said to be not specialized in commodity i; and
d. Percentage of imports which is the value of imports of commodity i on importing market B expressed as a percentage of total value of imports on importing market B.

The formula of those variables is as follows:

a. Market Share (MS): Mij/Mi
b. Percentage of Exports (PE): Mij/Mj,
c. Specialization (SP): (Mij/Mi)/(Mj/M), and
d. Percentage of Imports (PI): Mi/M;

Where: .

M is total import value (Tunisia/South Africa)

Mj is the value of imports that originated from Exporting Country j (Indonesia),

Mi is the value of imports of commodity i,

Mij is the value of imports of commodity i that originated from Exporting Country j.

Advanced analysis using the Competitiveness Matrix as an analytical tool to clarify a change in the competitiveness of Indonesian commodities was also used as shown in Figure 3.1. This methodology allows classifying the exporting sector as rising stars, declining stars, missed opportunities and retreats. This classification based on (TradeCAN, 1999, p. 42-43):

FY denotes final year and BY indicates base year.

a. with market share on the vertical axis,

- Rising Star meets the criteria:
  Mi /M (FY)>Mi /M (BY) and Mij /Mi (FY)>Mij /Mi (BY).
- Declining Star meets the criteria:
  Mi /M (FY)<Mi /M (BY) and Mij /Mi (FY)>Mij /Mi (BY).
- Missed Opportunity meets the criteria:
  Mi /M(FY)>Mi /M(BY) and Mij /Mi (FY)<Mij /Mi (BY).
- A Retreat meets the criteria:
  Mi /M(FY)<Mi /M(BY) and Mij /Mi (FY)<Mij /Mi (BY).

b. With percentage of exports on the vertical axis of the competitiveness matrix,

- Rising Star meets the criteria:
  Mi /M(FY)>Mi /M(BY) and Mij /Mj (FY)>Mij /Mj (BY).
- Declining Star meets the criteria:
  Mi /M(FY)<Mi /M(BY) and Mij /Mj (FY)>Mij /Mj (BY).

- A Missed Opportunity meets the criteria: .
  Mi /M(FY)>Mi /M(BY) and Mij /Mj ·(FY)<Mij /Mj ·(BY).
- A Retreat meets the criteria:
  Mi /M(FY)<Mi /M(BY) and Mij /Mj (FY)<Mij /Mj (BY).

c. With specialization on the vertical axis of the competitiveness matrix

- Rising Star meets the criteria:
  Mi /M(FY)>Mi /M(BY) and (Mij /Mi)/(Mj /M)(FY)>(Mij /Mi)/(Mj /M)(BY).
- Declining Star meets the criteria:
  Mi /M(FY)<Mi /M(BY) and
  (Mij /Mi)/(Mj /M)(FY)>(Mij /Mi)/(Mj /M)(BY).
- A Missed Opportunity meets the criteria:
  Mi /M(FY)>Mi /M(BY) and
  (Mij /Mi)?(Mj /M)(FY)<(Mij /Mi)/(Mj /M)(BY).
- A Retreat meets the criteria:
  Mi /M(FY)<Mi /M(BY) and
  (Mij /Mi)/(Mj /M)(FY)<(Mij /Mi)/(Mj /M)(BY).

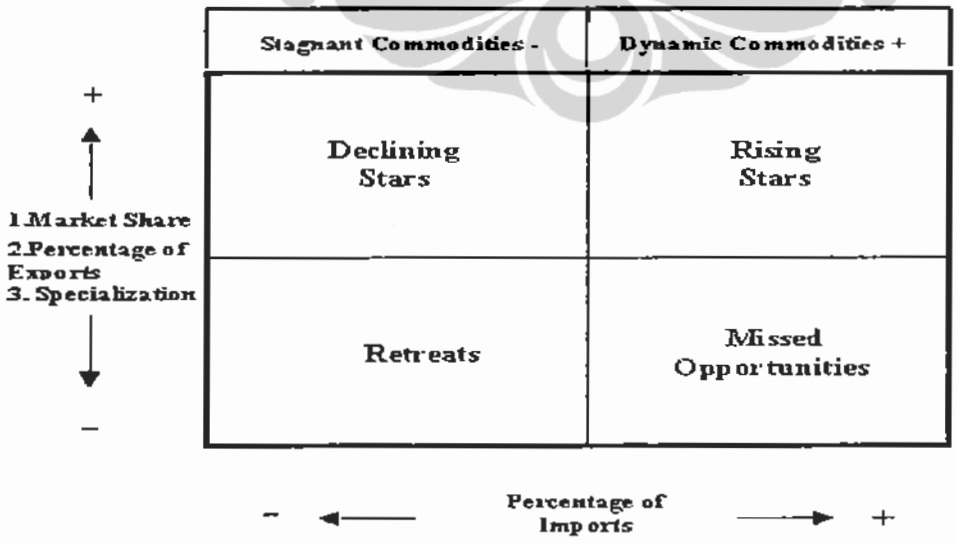


Figure 3.1 The Matrices of Competitive Situations

Source: Trade Can 1999 Edition, World Bank (1999), p. 25

CHAPTER IV

THE ECONOMY AND IMPORT DEVELOPMENT OF TUNISIA AND SOUTH AFRICA

4.1 Economic Overview of Tunisia

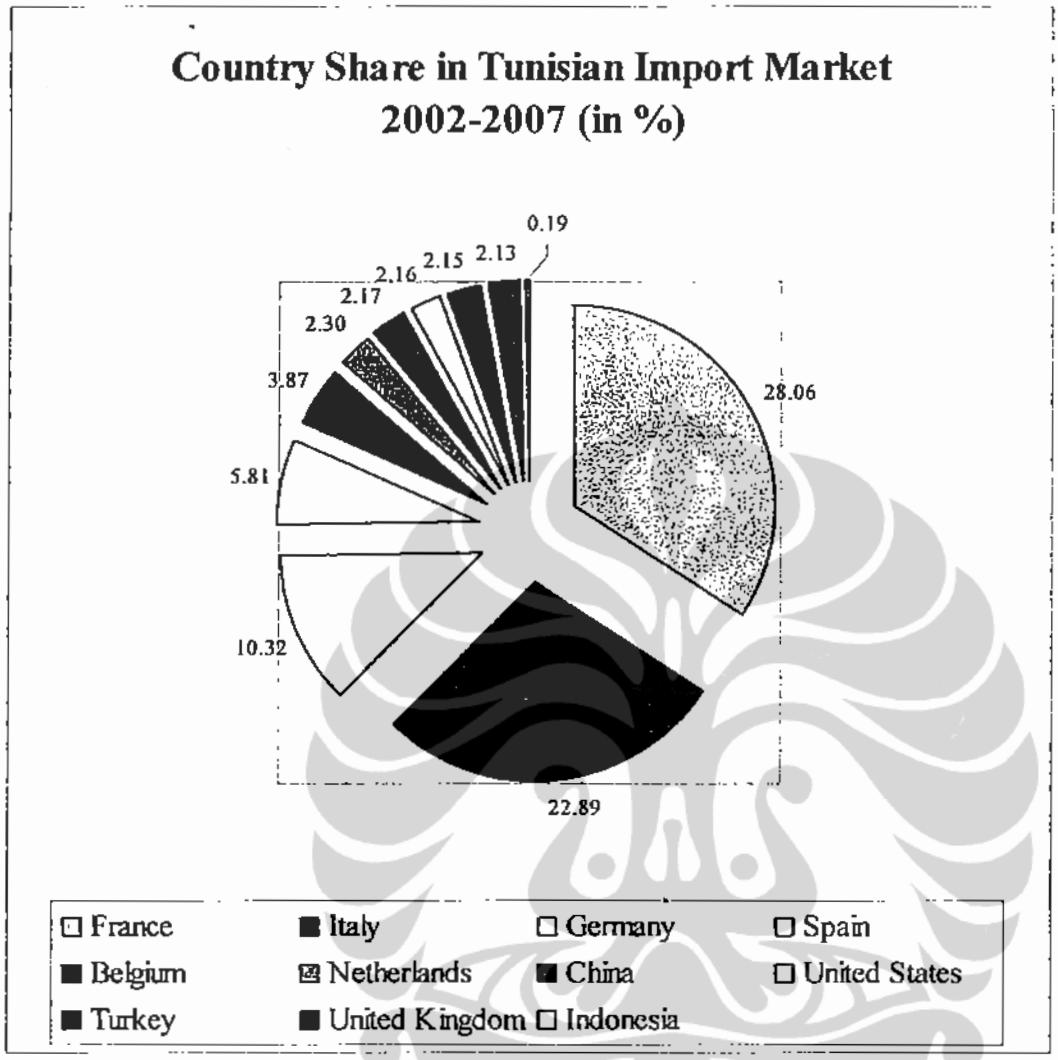
Tunisia is a small and politically stable country on the North African coast. It has the most diversified economy in the region. With 0.989% (2008 est.) of population growth and population of slightly over 10 million, it has one of the highest standards of living on the continent (CIA, 2008). The country does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya, but has prospered under long-standing government policies to develop manufacturing, tourism, and agriculture. At the same time, social programs limit population growth, provide a high standard of education, and ensure a relatively decent standard of living for all. The 74.3% national literacy rate is one of the highest in the Middle East, and the 2006 average annual income per capita reached $2,800. The International Monetary Fund projected that the 2007 per capita Purchasing Power Parity (PPP) was $9,630 (The Department of Commerce of US, 2008, p.2).

The Tunisian economy, which has maintained a steady average annual growth rate of about 4.5% between 2002 and 2006, grew 6.3% in 2007. The GDP compositions by sector were agriculture 11.6%, industry 25.7% and services 62.8% (2007 est). Government of Tunisia (GOT) planners predict that GDP will grow at an annual average rate of 6.1% over the coming five years (CIA, 2008).

Manufacturing industries, producing largely for export, are the motor of Tunisia's economic growth and a major source of foreign currency revenue, accounting for about 77% of exports. Labor-intensive plants, historically producing textiles and, more recently, automobile components, create much-needed jobs. Textiles have long been the primary source of foreign currency revenue and the sector has recovered after a temporary setback due do to increased global competition (The Department of Commerce of US, 2008, p.2).

Tourism as well as mechanical and electrical equipment sales is the next largest sources of foreign currency revenue. About 6.7 million tourists visited Tunisia in 2007 bringing in nearly $2.5 billion in convertible currency. Agriculture also plays a major role in Tunisia and employs approximately one-fifth of the population. Agriculture accounts for nearly 12% of GDP and comprises about 6% of exports. In 2007, Tunisia exported nearly $969 million of agricultural products, mainly olive oil, seafood, dates and citrus (The Department of Commerce of US, 2008, p.2-3).

Geographically part of Africa but culturally more Mediterranean or Middle Eastern, this former French protectorate has extremely close ties with Europe. These have been reinforced by Tunisia's Association Agreement with the European Union (EU), which created a free trade zone for many products in January 2008. Over 70% of Tunisia's foreign trade is with Europe. In 2007, the biggest exports partners of Tunisia were France (30.6%), Italy (20.5%), Germany (8.4%), Spain (5.4%), and Libya (5.1%), whereas the biggest imports partners of Tunisia are France (24%), Italy (22.2%), Germany 9.8%, and Spain (5.1%). Total Tunisian imports were $20.4 billion and exports totaled $15.6 billion (CIA, 2008). On period 2002-2007, the average share of Tunisian import is showed in picture 4.1. Indonesia only has 0.19% share in Tunisian market.



Picture 4.1 Average Import Share in Tunisian Market period 2002-2007
Source: WITS (processed)

Tunisia is publicly committed to a free trade regime and export-led growth. The GOT would like to expand trade and investment ties beyond Europe.

Tunisia is a member of the Arab Maghreb Union (UMA - Union du Maghreb Arabe), a political-economic grouping of Tunisia, Algeria, Morocco, Mauritania, and Libya. It is also a signatory to several bilateral and multilateral trade agreements, including the Agadir Agreement. This agreement, a framework for a free trade area with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people. Tunisia's commercial ties with the United Arab Emirates (UAE) have taken

a leap forward since 2006 with the announcement of plans by several Dubai-based companies to invest some $20 billion in real estate, tourism, and commerce in Tunisia over the next few years. Tunisia regularly attracts about $750 million in FDI annually, two thirds of which comes from Europe (The Department of Commerce of US, 2008, p.3).

Government of Indonesia (GOI) did Joint Commission Council (*Sidang Komisi Bersama/SKB*) 8th with Government of Tunisia in Bali on 2006. Both of Minister of Foreign Affairs agreed to form Joint Study Group (JSG) to look the prospect of Free Trade Agreement (FTA) between Indonesia and Tunisia.

Indonesia is not a major goods supplier to Tunisia. Ministry of Trade statistics for the first six months of 2008 show Indonesia export to Tunisian at $40.4 million and Indonesia import from Tunisian at $4.7 million (MoT, 2008).

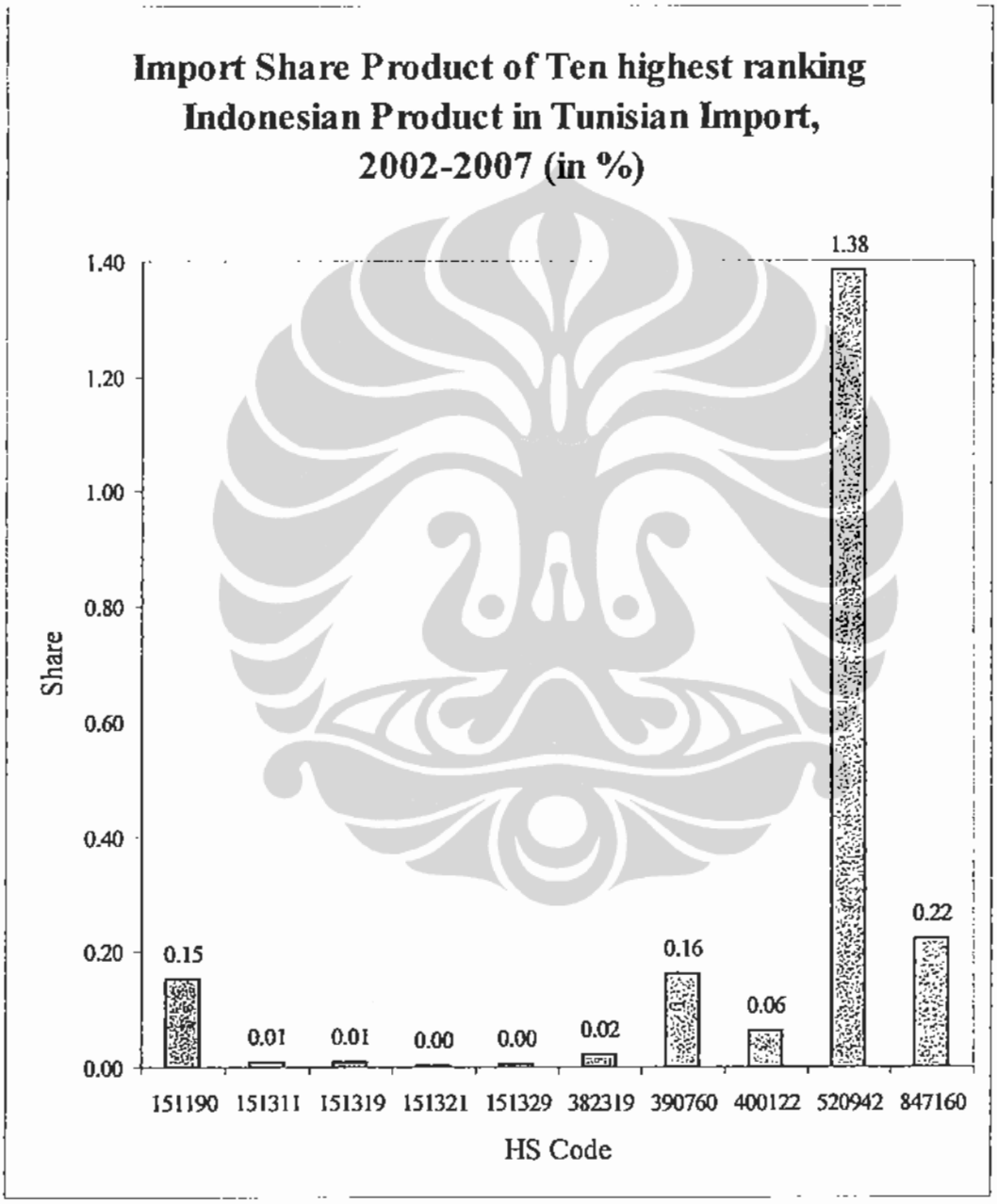
According to chapter 1, the ten highest ranking export products of Indonesia to Tunisia were mentioned in table 4.1.

Table 4.1 10 highest ranking Indonesia's export products to Tunisia, 2002-2007

No	HS	Product Description
1	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other
2	151311	Coconut (copra) oil and its fractions : -- Crude Oil
3	151319	Coconut (copra) oil and its fractions : -- Other
4	151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil
5	151329	Palm kernel or babassu oil and fractions thereof : -- Other
6	382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other
7	390760	Polyethylene terephthalate
8	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)
9	520942	Of yarns of different colours :-- Denim
10	847160	Input or output units, whether or nor not containing storage units in the same housing

Source: WITS

The ten highest ranking export products from Indonesia to Tunisia is not the highest share import product in Tunisian market. It showed in picture 4.2.



Picture 4.2 Import Share Product of Ten highest rank export Indonesia Product in Tunisian import for period 2002-2007

Source: WITS (processed)

In term of value, Indonesia is the main exporter to Tunisia market for product palm oil (HS 151190), crude oil of copra oil (HS 151311), other form of copra oil (HS 151319), crude oil of palm kernel (HS 151321) and other form of palm kernel (HS 151329). It is showed in Annex 13. For the five other products, Indonesia is not the main exporter to Tunisia market. The main competitors for industrial monocarboxylic fatty acid (HS 382319) are Argentina, Germany, Italy, Malaysia and Netherlands. The main competitors of polyethylene terephthalate (HS 390760) are India and Korea, Rep. the main competitor for TSNR (HS 400122) is Malaysia. The main competitors of denim (HS 520942) are Italy, France and Germany. The main competitors of input or output units (HS 847160) are France, China and Netherlands.

4.2 Economic Overview of South Africa

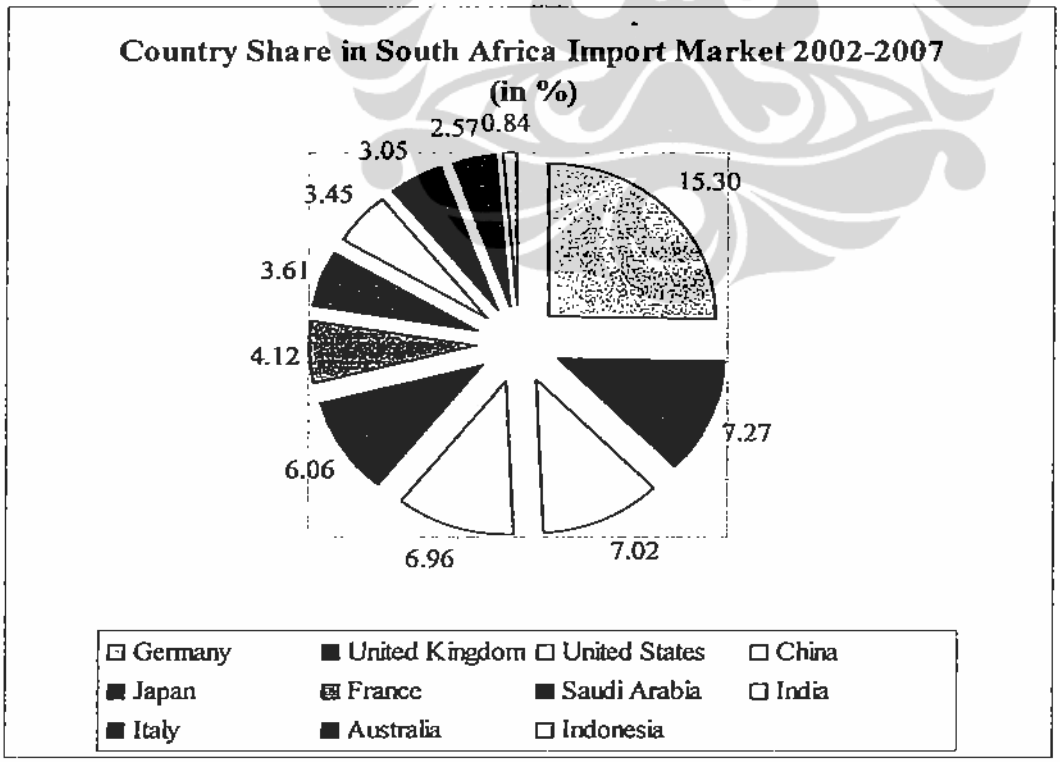
South Africa has the largest; most advanced and diversified economy in Africa. South Africa has a population of approximately 48.8 million people (CIA, 2008). South Africa is one of the world's most promising emerging markets (Agricultural and Agri-Food Canada, 2007, p. 2).

South Africa is rich in mineral resources, has a well-developed mining industry and is one of the world's largest producers of minerals. It has a broad-based industrial manufacturing centre, making it the largest and most industrially developed economy in Africa, and it generates some 40% of the continent's electricity output. Agriculture is an important component of the economy and the country is a net exporter of food (Gilfillan, 2006, p. 8).

South Africa is a net agricultural exporter with an agri-food and seafood trade surplus of $2 billion. In 2005, the country exported $5.4 billion of agri-food and seafood. Agricultural products make up 8% of South Africa's total exports. South Africa is the world's top exporter of avocado, tangerine, and ostrich products. The country is ranked as the

world's 2nd largest exporter of grapefruit, 3rd for plums and pears, and 4th for table grapes. Other major export commodities include wine, citrus, sugar, grapes, maize, fruit juice, wool, and deciduous fruit (Agricultural and Adri-Food Canada, 2007, p. 3).

South Africa's GDP real growth rate was 5.1% on 2007 and GDP per capita $ 9,700. The compositions of GDP were agriculture 3.2%, industry 31.3% and services 65.5%. In 2007, the biggest exports partners of South Africa were US (11.9%), Japan (11.1%), Germany (8%), UK (7.7%), China (6.6%) and Netherland (4.5%), whereas the biggest imports partners of South Africa were Germany (10.9%), China (10%), Spain (8.2%), Japan (6.1%), UK (4.5%) and Saudi Arabia (4.2%). Total South Africa imports were $81.9 billion and exports totaled $76.2 billion (CIA, 2007). On period 2002-2007, the average share of South Africa import is showed in picture 4.3. Indonesia only has 0.84% share in South Africa market.



Picture 4.3 Average Import Share in South Africa Market period 2002-2007
Source: WITS (processed)

South Africa is a potential market to become the main consideration of Indonesia to penetrate. It has a strategic position in Africa both politically and economically. It is the third country among 14 members of the Southern Africa Development Community (SADC). South Africa is a distribution center of through which commodities from other countries enter southern African landlocked areas such as Botswana and Somalia. It can also be used by those countries to export their commodities to the rest of the world. In short, Indonesia can used South Africa to export its products to the 14 SADC members, which have an over 165 million of population. In addition, South Africa is a member of the Southern African Custom Union (SACU) and the Common Market for Eastern and Southern, which good traded in both areas is free from any taxes. Indonesia may benefit from the free trade arrangement as Indonesia may enjoy tax facilities granted to the country (Fitria, 2008, p.63).

On 2008, Ministry of Trade statistics for the first six months show Indonesia export to South Africa at $320.6 million and Indonesia import from South Africa at $164.4 million (MoT, 2008).

According to chapter 1, the ten highest rank export products of Indonesia to South Africa were mentioned in table 4.1.

Table 4.2 10 Highest Ranking Indonesia's export products to South Africa, 2002-2007

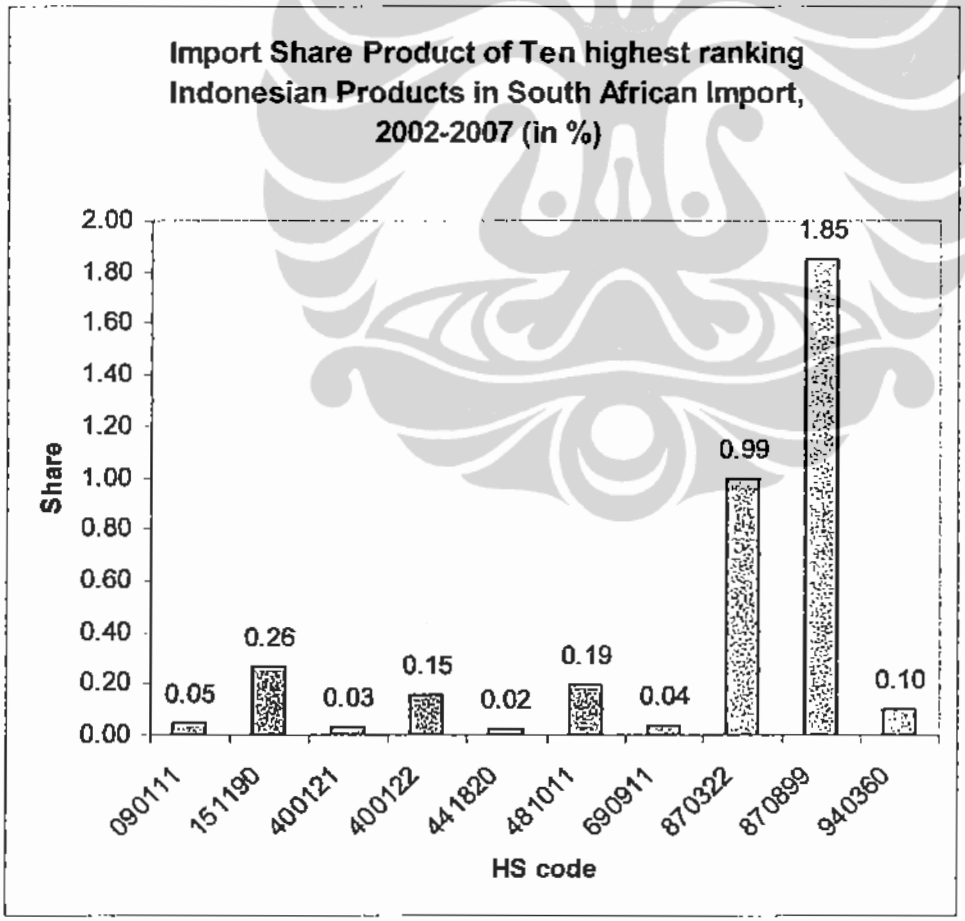
No	HS	Product Description
1	090111	Coffee, not roasted :-- Not decaffeinated
2	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other
3	400121	Natural rubber in other forms :-- Smokes sheet
4	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)
5	441820	Doors and their frames and thresholds
6	481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres
7	690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China

Table 4.2 Continued

No	HS	Product Description
8	870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder
9	870899	Other parts and accessories :-- Other
10	940360	Other wooden furniture

Source: WITS

The ten highest ranking export products from Indonesia to South Africa is not the highest share import product in South Africa market. It showed in picture 4.4.



Picture 4.4 Import Share Product of Ten highest ranking Indonesia Product In South Africa import for period 2002-2007

Source: WITS (processed)

In term of value, Indonesia is the main exporter to South Africa market for product coffee (HS 090111), natural rubber (HS 40121), TSNR (HS 40122), and doors and their frames (HS 441820). It is showed in Annex 14. For the six other products, Indonesia is not the main exporter to South Africa market. The main competitor for other form of palm oil (HS 151190) is Malaysia. The main competitors for paper and paperboard (HS 481011) are Germany and Korea, Rep. The main competitor for Ceramic (HS 690911) is Japan. The main competitors for Cylinder (HS 870322) are Japan, Korea, Rep. France, Germany and Brazil. The main competitors for parts and accessories (HS 870899) are Germany, Japan, Thailand, Brazil, France and China. The main competitors for wooden furniture (HS 940360) are Zimbabwe and China.

CHAPTER V

COMPETITIVENESS ANALYSIS OF INDONESIAN EXPORT PRODUCTS IN THE TUNISIAN AND SOUTH AFRICAN MARKET

5.1 Assessing the Competitiveness of Indonesian Export Products in Tunisian Market.

5.1.1 Constant Market Share Analysis

Constant market share analysis is one of competitiveness analysis which is used to measure the export performance of commodity i to country j especially from the changing in its market share (relative to certain standards).

Standard growth indicates the general standard of export growth of all countries in the world market, or the world to the world export. The growth reflects the export performance of world compared to Indonesia. If the standard growth of export is lower than Indonesia's export growth, it means that the export performance of Indonesia is better than the other countries. In 2002-2007, Indonesia's export growth was higher than standard growth, so it indicates that export performance of Indonesia was better than the world (annex 1).

According to Constant Market Share Analysis, export growth of Indonesia's products in Tunisia was positive during 2002-2007 (annex 1). Therefore, it is important to know the component which influences the increasing of export growth.

Market distribution can be defined as the effect of a general increase in demand for import in the given market. The value of the market distribution effect can be positive or negative. If the value of the market distribution effect is positive, it means that destination market is a potential market for it. Other form of palm oil (HS 151190), crude oil of copra oil (HS 151311), other form of copra oil (HS 151319), crude oil of palm kernel (HS 151321), other form of palm kernel (HS 151329), Polyethylene terephthalate (HS 390760) and Input or output units (HS 847160) had

positive sign. It means that seven of Indonesia's products were distributed well in Tunisia market. On the other hand, Industrial monocarboxylic fatty acid (HS 382319), TSNR (HS 400122) and Denim (HS 520942) had negative value of market distribution. It means that export demand for these products decreased in Tunisia market (annex 3).

On period 2002-2007, the competitiveness effect of other form of copra oil (HS 151319) had negative value. It means this product was weak competitiveness compare than competitor in Tunisia market. Other form of palm oil (HS 151190), crude oil of copra oil (HS 151311), crude oil of palm kernel (HS 151321), other form of palm kernel (HS 151329), Industrial monocarboxylic fatty acid (HS 382319), Polyethylene terephthalate (HS 390760), TSNR (HS 400122), Denim (HS 520942) and Input or output units (HS 847160) had positive sign (annex 4). It means this product was high competitiveness than competitor in Tunisian market.

Therefore, export growth of Indonesia's products in Tunisia was positive during 2002-2007, because a lot of product had positive value in market distribution and competitiveness effect.

On period 2002-2007, the commodity composition effect of Denim (HS 520942) and Input or output units (HS 847160) had negative value. The weakness of commodity composition effect indicates the weakness of Indonesian market intelligent, so the supply and demand of product in the world was not observed properly (Hadi and Mardianto, 2004, p. 55). Other form of palm oil (HS 151190), crude oil of copra oil (HS 151311), other form of copra oil (HS 151319), crude oil of palm kernel (HS 151321), other form of palm kernel (HS 151329), Industrial monocarboxylic fatty acid (HS 382319), Polyethylene terephthalate (HS 390760), TSNR (HS 400122) had positive value (annex 2). It indicates that composition of its product met with the consumer demands and market requirement. Some of them are the main Indonesian export.

5.1.2 Competitiveness Matrix

The methodology allows classifying the exporting sector as Rising Star, Declining Star, Missed opportunity, and Retreat. There are three variables used on this methodology, which are change in market share, change in percentage of exports and change in specialization.

For the change in market share, the category can be read in Annex 5. The rising star products are other form of palm oil (HS 151190), crude oil of copra oil (HS 151311), crude oil of palm kernel (HS 151321), other form of palm kernel (HS 151329), industrial monocarboxylic fatty acids (HS 382319), polyethylene terephthalate (HS 390760), and TSNR (HS 400122). It means Indonesia gains market share in dynamic commodity market. The declining star products are denim (HS 520942) and input or output unit (HS 847160). It means Indonesia gains market share in a stagnant commodity market. Other form of copra oil (HS 151319) is categorized missed opportunity. It means Indonesia losses market share in a dynamic commodity market.

For the change in percentage of export, the complete category can be read in Annex 6. Other form of palm oil (HS 151190), crude oil of copra oil (HS 151311), crude oil of palm kernel (HS 151321), other form of palm kernel (HS 151329), industrial monocarboxylic fatty acids (HS 382319), polyethylene terephthalate (HS 390760), and TSNR (HS 400122) are categorized rising star. It means these commodities that increase their percentage of countries export and are in dynamic demand on the import market. The declining star product is input or output unit (HS 847160). It means this commodity that increases its percentage of countries export and is in stagnant demand on the import market. Other form of copra oil (HS 151319) is categorized missed opportunity. It means this commodity that decreases its percentage of countries export and is in dynamic demand on the import market. Denim (HS 520942) is categorized retreat, which means commodity that decreases its percentage of countries exports and is in stagnant demand on the import market.

For the change in specialization can be read in Annex 7. The rising star is Polyethylene terephthalate (HS 390760). It means commodity an Indonesia is specializing in and that is in dynamic demand on the Tunisia market. Most of the commodities are categorized missed opportunity. They are other form of palm oil (HS 151190), crude oil of copra oil (HS 151311), other form of copra oil (HS 151319), crude oil of palm kernel (HS 151321), other form of palm kernel (HS 151329), industrial monocarboxylic fatty acids (HS 382319), and TSNR (HS 400122). It means commodities an Indonesia is unspecializing in and those are in dynamic demand on Tunisia market. The declining star product is input or output unit (HS 847160), it means commodity an Indonesia is specializing in and that is in stagnant demand on Tunisia market. Denim (HS 520942) is categorized retreat, which commodities an Indonesia is unspecializing in and that is in stagnant demand on Tunisia market.

It can be resulted that Polyethylene terephthalate (HS 390760) has better performance, because for market share, percentage of export, and specialization it is on rising star category.

5.2 Assessing the Competitiveness of Indonesian Export Products in South Africa Market.

5.2.1 Constant Market Share Analysis

According to Constant Market Share Analysis, export growth of Indonesia's products in South Africa was positive during 2002-2007 (annex 1). Therefore, it is important to know the component which influences the increasing of export growth.

On period 2002-2007, the market distribution effect of TSNR (HS 400122) had negative value. Coffee (HS 090111), other form of palm oil (HS 151190), Natural rubber (HS 400121), doors and their frames (HS 441820), Paper and paperboard (HS 481011), ceramic (HS 690911), cylinder (HS 870322), other parts and accessories (HS 870899), and other wooden furniture (HS 940360) had positive value (annex 9). It means

Indonesia export it to South Africa when it has a growing demand in these products.

In South African market, other form of palm oil (HS 151190) is weak competitiveness compare than competitor. It is showed by the negative value of competitiveness effect. Otherwise, coffee (HS 090111), Natural rubber (HS 400121), TSNR (HS 400122), doors and their frames (HS 441820), Paper and paperboard (HS 481011), ceramic (HS 690911), cylinder (HS 870322), other parts and accessories (HS 870899), and other wooden furniture (HS 940360) have better competitiveness than its competitor. It is showed by the positive sign of competitiveness effect (annex 10).

Therefore, export growth of Indonesia's products in South Africa was positive, because a lot of them had positive value in market distribution and competitiveness effect.

On period 2002-2007, the commodity composition effect of Paper and paperboard (HS 481011) and other parts and accessories (HS 870899) had negative value. The negative value means that a composition of product does not meet the consumer demand and market requirement. The weakness of commodity composition effect indicates the weakness of Indonesian market intelligent, so the supply and demand of product in the world was not observed properly (Hadi and Mardianto, 2004, p. 55). The positive value indicates that composition of its product meets with the consumer demands and market requirement. They are coffee (HS 090111), other form of palm oil (HS 151190), Natural rubber (HS 400121), TSNR (HS 400122), doors and their frames (HS 441820), ceramic (HS 690911), cylinder (HS 870322), and Other wooden furniture (HS 940360) (annex 8).

5.2.2 Competitiveness Matrix

On the change in market share variable, coffee (HS 090111), natural rubber (HS 400121), TSNR (HS 400122), doors and their frames (HS 441820), ceramic (HS 690911), cylinder (HS 870322), and Other wooden furniture (HS 940360) are categorized rising star. It means Indonesia gains market share in dynamic commodity market. Paper and paperboard (HS 481011) and other parts and accessories (HS 870899) are categorized declining star. It means Indonesia gains market share in a stagnant commodity market. Other form of palm oil (HS 151190) is categorized missed opportunity, so we can say that Indonesia losses market share in a dynamic commodity market. We can read the categorized in annex 11.

We can read the category of percentage of export in annex 12. Coffee (HS 090111), natural rubber (HS 400121), TSNR (HS 400122), doors and their frames (HS 441820), ceramic (HS 690911), cylinder (HS 870322), and Other wooden furniture (HS 940360) are categorized rising star. It means these commodities that increase their percentage of countries export and are in dynamic demand on the import market. Paper and paperboard (HS 481011) and other parts and accessories (HS 870899) are categorized declining star. It means these commodities that increase their percentage of countries export and are in stagnant demand on the import market. Other form of palm oil (HS 151190) is categorized missed opportunity. It means this commodity that decreases its percentage of countries export and is in dynamic demand on the import market.

We can read the category of specialization in annex 13. Most of the commodity is categorized as missed opportunity, which means commodities an Indonesia is unspecializing in and that are in dynamic demand on South Africa market. They are coffee (HS 090111), other form of palm oil (HS 151190), natural rubber (HS 400121), TSNR (HS 400122), doors and their frames (HS 441820), and other wooden furniture (HS 940360). Ceramic (HS 690911) and cylinder (HS 870322) are categorized rising star. It means that commodities an Indonesia is specializing in and that are in dynamic

demand on the South Africa market. The declining stars are paper and paperboard (HS 481011) and other parts and accessories (HS 870899). It means that commodities an Indonesia is specializing in and that are in stagnant demand on South Africa market.

It can be resulted that ceramic (HS 690911) and cylinder (HS 870322) have better performance in market share, percentage of export and specialization variable, because they are categorized rising star.

CHAPTER VI
CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Indonesia is not the major exporter in Tunisia and South Africa market. The share of Indonesian value to Tunisia import market is 0.19% for period 2002-2007. The main exporters of Tunisia market are France, Italy and Germany. The share of Indonesia value to South Africa import market is 0.84%. The main exporters of South Africa market are Germany, UK, US, China, and Japan.

For ten highest rank Indonesian product export to Tunisia, in term of value, Indonesia is the main exporter for product palm oil (HS 151190), crude oil of copra oil (HS 151311), other form of copra oil (HS 151319), crude oil of palm kernel (HS 151321) and other form of palm kernel (HS 151329). The main competitors for industrial monocarboxylic fatty acid (HS 382319) are Argentina, Germany, Italy, Malaysia and Netherlands. The main competitors of polyethylene terephthalate (HS 390760) are India and Korea, Rep. the main competitor for TSNR (HS 400122) is Malaysia. The main competitors of denim (HS 520942) are Italy, France and Germany. The main competitors of input or output units (HS 847160) are France, China and Netherlands.

For ten highest rank Indonesian product export to South Africa, Indonesia is the main exporters to South Africa market for product coffee (HS 090111), natural rubber (HS 40121), TSNR (HS 40122), and doors and their frames (HS 441820). The main competitor for other form of palm oil (HS 151190) is Malaysia. The main competitors for paper and paperboard (HS 481011) are Germany and Korea, Rep. The main competitor for Ceramic (HS 690911) is Japan. The main competitors for Cylinder (HS 870322) are Japan, Korea, Rep. France, Germany and Brazil. The main competitors for parts and accessories (HS 870899) are Germany, Japan, Thailand, Brazil, France and China. The main competitors for wooden furniture (HS 940360) are Zimbabwe and China.

Based on the Constant Market Share analysis, in 2002-2007, Indonesia's export growth in Tunisia was positive, even Industrial monocarboxylic fatty acid (HS 382319), TSNR (HS 400122) and Denim (HS 520942) was weakness in market distribution and other form of copra oil (HS 151319) was weak competitiveness.

On Tunisia market, based on competitiveness matrix, in 2002-2007, Polyethylene terephthalate (HS 390760) has better performance in Tunisian market, because its market share, percentage of export and specialization is categorized rising star.

In 2002-2007, Indonesia's export growth in South Africa was positive, even TSNR (HS 400122) was weakness in market distribution and other form of palm oil (HS 151190) was weak competitiveness compare than competitor.

Based on competitiveness matrix, in 2002-2007, ceramic (HS 690911) and cylinder (HS 870322) have better performance in South African market, because its market share, percentage of export and specialization is categorized rising star.

5.2 Recommendation

In Tunisian market, based on constant market share analysis and competitive matrix analysis, other form of copra oil (HS 151319) is weak competitiveness and is categorized missed opportunity in market share, in percentage of export and in specialization. The stake holder is suggested to increase the competitiveness of this product, and to look for the kind of this product which Tunisian market wants. The prospect export of Polyethylene terephthalate (HS 390760) to Tunisian market is good. It is showed by the positive sign of competitiveness effect and rising star category in market share, percentage of export, and specialization. The stake holder is suggested to maintain this performance.

Otherwise in South African market, other form of palm oil (HS 151190) is weak competitiveness and is categorized missed opportunity in market share, in percentage of export and in specialization. The stake holder is suggested to concern increasing the competitiveness of this product and to look for the requirement of South Africa market. The prospect export of ceramic (HS 690911) and cylinder (HS 870322) to South African market is good. It is showed by the positive sign of competitiveness effect and rising star category in market share, percentage of export, and specialization. The stake holder is suggested to maintain this performance.

To further researcher, to look the prospect of Indonesia's products in Tunisia and South Africa market should take volume of export as the consideration. because from the volume can be contrary to the value of export.

REFERENCES

Agricultural and Agri-Food Canada. (2007). *Agri-food past, present & future report South Africa.* http://www.ats.agr.gc.ca/sahara/4308_e.pdf

Andriansyah, Mohammad. (2008). A competitiveness analysis of safeguard measures on indonesia's products - the case of the philippines. *Thesis.* Depok: Magister Perencanaan & Kebijakan Publik FEUI.

BPS. (2008). *Berita resmi statistik: Pertumbuhan ekonomi indonesia tahun 2007.* No. 10/02/Th.XI, 15 Februari 2008 ed. http://www.bps.go.id/releases/New/15-Feb-2008.htm

BPS. (2008). *Berita resmi statistik: Perkembangan ekspor dan import indonesia 2008.* No. 18/04/Th.XI, 1 April 2008 ed. http://www.bps.go.id/releases/New/1-Apr-2008.htm

CIA. (2008). The World Factbook: South Africa. https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html

CIA. (2008). The World Factbook: Tunisia. https://www.cia.gov/library/publications/the-world-factbook/geos/ts.html

Departemen Perdagangan. (2008). Briefing awal tahun menteri perdagangan RI: Kinerja sektor perdagangan tahun 2007 dan rencana kerja tahun 2008. *Siaran Pers*, 4 Januari 2008. http://www.depdag.go.id/index.php?option=siaran_pers&task=detil&id=2992

Departemen Perdagangan. (2008). *Neraca perdagangan Indonesia dengan Republik Africa Selatan 2003 - 2008.* http://www.depdag.go.id/index.php?option=statistik&task=table&itemid=06010202

Departemen Perdagangan. (2008). *Neraca perdagangan Indonesia dengan Tunisia 2003 - 2008.* http://www.depdag.go.id/index.php?option=statistik&task=table&itemid=06010202

Esterhuizen. A. (2006). An evaluation of the competitiveness of THE South African agribusiness sector. *PhD Dissertation*. University of Pretoria. http://upetd.up.ac.za/thesis/available/etd-12082006-144349/unrestricted/00front.pdf

Fahreiza, Youshy. (2008). Indonesia's foreign trade policy: The possible impact of Indonesia-Japan Economic Partnership Agreement an Indonesia's competitiveness in textile and textile products. *Thesis*. Depok: Magister Perencanaan & Kebijakan Publik FEUI.

Fitria, Hikmah. (2008). The analysis of policy strategy of Indonesia Trade Promotion Center (ITPC) through determinant of indonesia comparative advantage products. *Thesis*. Depok: Magister Perencanaan & Kebijakan Publik FEUI.

Gilfillan, Bowman. (2006). Doing business in South Africa. www.lexmundi.com/images/lexmundi/PDF/guide_southafrica.pdf

Hadi, Prajogo U. and Mardianto, Sudi. (2004). Analisis komparasi daya saing produk ekspor pertanian antar negara asean dalam era perdagangan bebas AFTA. *Jurnal Agro Ekonomi*, 46-73. Vol 22 No 1. Mei 2004. *pse.litbang.deptan.go.id/ind/pdffiles/JAE-22-1-3.pdf*

Lacayo, Ramon and Morales, Cristian. (2007). An analysis of the performance of chilean agricultural exports (1994-2004). *Interciencia,* 296-302. Vol 32. No 5. May 2007. www.interciencia.org/v32_05/296.pdf

Poter, ME. (1990). *The competitive advantage of nations*. London: Macmillan.

Rachman, Hermanto. (2005). *Analyzing the competitiveness of indonesian agricultural commodities under wto commitments*. October 26. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=835825.

Suprihatini, Rohayati. (2005). Daya saing ekspor teh indonesia di pasar teh dunia. *jurnal agro ekonomi*, 1-33. Vol 23 No 1. Mei 2005. *pse.litbang.deptan.go.id/ind/pdffiles/JAE%2023-1a.pdf*

The Department of Commerce of US . (2008). *Doing business in Tunisia: 2008 country commercial guide for U.S. companies.* http://www.buyusainfo.net/docs/x_6792506.pdf

The International Bank for Reconstruction and Development. (1999). *TradeCAN*. Washington, D.C.: World Bank.

Wijayanto. (2008). Assessing Indonesia's coffee export competitiveness. *Thesis*. Depok: Magister Perencanaan & Kebijakan Publik FEUI.

Sledge, Sally. (2003). The competitive advantage of nations: Empirical evidence from the banking industry. *AIB-SE (USA) 2003 Annual Meeting Clearwater-FL*. http://www.aibse.org/Proceedings/Proceedings%202003/The%20Competitive%20advantage%20of%20nations%20print.doc.

Annex 1. Export and Standard growth, 2002-2007

Component	2002-2007
export growth of Indonesia's product to world	1.00
standard growth	-0.79
export growth of Indonesia's product to Tunisia	2.96
export growth of Indonesia's product to South Africa	2.33

Source: Processed based on WITS

Annex 2. Commodity Composition Effect

HS	Product Description	2002-2007
151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	0.0454
151311	Coconut (copra) oil and its fractions : -- Crude Oil	0.0044
151319	Coconut (copra) oil and its fractions : -- Other	0.0009
151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil	0.0120
151329	Palm kernel or babassu oil and fractions thereof : -- Other	0.0019
382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other	0.0006
390760	Polyethylene terephthalate	0.0016
400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	0.0551
520942	Of yarns of different colours :-- Denim	-0.0001
847160	Input or output units, whether or nor not containing storage units in the same housing	-0.0011

Source: Processed based on WITS

Annex 3. Tunisia's CMS: Market Distribution Effect

HS	Product Description	2002-2007
151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	0.000133
151311	Coconut (copra) oil and its fractions : -- Crude Oil	0.000007
151319	Coconut (copra) oil and its fractions : -- Other	0.000002
151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil	0.000008
151329	Palm kernel or babassu oil and fractions thereof : -- Other	0.000024
382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other	-0.000001
390760	Polyethylene terephthalate	0.000000
400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	-0.000001
520942	Of yarns of different colours :-- Denim	-0.000002
847160	Input or output units, whether or nor not containing storage units in the same housing	0.000000

Source: Processed based on WITS

Annex 4. Tunisia's CMS: Competitiveness Effect

HS	Product Description	2002-2007
151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	0.000270
151311	Coconut (copra) oil and its fractions : -- Crude Oil	0.000000
151319	Coconut (copra) oil and its fractions : -- Other	-0.000002
151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil	0.000000
151329	Palm kernel or babassu oil and fractions thereof : -- Other	0.000000
382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other	0.000016
390760	Polyethylene terephthalate	0.000000
400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	0.000003
520942	Of yarns of different colours :-- Denim	0.000001
847160	Input or output units, whether or nor not containing storage units in the same housing	0.000000

Source: Processed based on WITS

Annex 5. Tunisia's Competitiveness Matrix: Market Share

No	HS	Product Description	2002-2007
1	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	Rising Star
2	151311	Coconut (copra) oil and its fractions : -- Crude Oil	Rising Star
3	151319	Coconut (copra) oil and its fractions : -- Other	Missed Opportunity
4	151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil	Rising Star
5	151329	Palm kernel or babassu oil and fractions thereof : -- Other	Rising Star
6	382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other	Rising Star
7	390760	Polyethylene terephthalate	Rising Star
8	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	Rising Star
9	520942	Of yarns of different colours :-- Denim	Declining Star
10	847160	Input or output units, whether or nor not containing storage units in the same housing	Declining Star

Source: Processed based on WITS

Annex 6. Tunisia's Competitiveness Matrix: Percentage of Export

No	HS	Product Description	2002-2007
1	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	Rising Star
2	151311	Coconut (copra) oil and its fractions : -- Crude Oil	Rising Star
3	151319	Coconut (copra) oil and its fractions : -- Other	Missed Opportunity
4	151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil	Rising Star
5	151329	Palm kernel or babassu oil and fractions thereof : -- Other	Rising Star
6	382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other	Rising Star
7	390760	Polyethylene terephthalate	Rising Star
8	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	Rising Star
9	520942	Of yarns of different colours :-- Denim	Retreat
10	847160	Input or output units, whether or nor not containing storage units in the same housing	Declining Star

Source: Processed based on WITS

Annex 7. Tunisia's Competitiveness Matrix: Specialization

No	HS	Product Description	2002-2007
1	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	Missed Opportunity
2	151311	Coconut (copra) oil and its fractions : -- Crude Oil	Missed Opportunity
3	151319	Coconut (copra) oil and its fractions : -- Other	Missed Opportunity
4	151321	Palm kernel or babassu oil and fractions thereof : -- Crude oil	Missed Opportunity
5	151329	Palm kernel or babassu oil and fractions thereof : -- Other	Missed Opportunity
6	382319	Industrial monocarboxylic fatty acids; acid oil from refining : -- Other	Missed Opportunity
7	390760	Polyethylene terephthalate	Rising Star
8	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	Missed Opportunity
9	520942	Of yarns of different colours :-- Denim	Retreat
10	847160	Input or output units, whether or nor not containing storage units in the same housing	Declining Star

Source: Processed based on WITS

Annex 8. South Africa's CMS: Commodity Composition Effect

HS	Product Description	2002-2007
090111	Coffee, not roasted :-- Not decaffeinated	0.0016
151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	0.0454
400121	Natural rubber in other forms :-- Smokes sheet	0.0002
400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	0.0551
441820	Doors and their frames and thresholds	0.0000
481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres	-0.0004
690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China	0.0000
870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder	0.0000
870899	Other parts and accessories :-- Other	-0.0002
940360	Other wooden furniture	0.0001

Source: Processed based on WITS

Annex 9. South Africa's CMS: Market Distribution Effect

HS	Product Description	2002-2007
090111	Coffee, not roasted :-- Not decaffeinated	0.000064
151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	0.000109
400121	Natural rubber in other forms :-- Smokes sheet	0.000050
400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	-0.000269
441820	Doors and their frames and thresholds	0.000110
481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres	0.000011
690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China	0.000000
870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder	0.000000
870899	Other parts and accessories :-- Other	0.000001
940360	Other wooden furniture	0.000061

Source: Processed based on WITS

Annex 10. South Africa's CMS: Competitiveness Effect

HS	Product Description	2002-2007
090111	Coffee, not roasted :-- Not decaffeinated	0.000147
151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	-0.000131
400121	Natural rubber in other forms :-- Smokes sheet	0.000237
400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	0.000241
441820	Doors and their frames and thresholds	0.000058
481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres	0.000206
690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China	0.000276
870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder	0.001674
870899	Other parts and accessories :-- Other	0.000349
940360	Other wooden furniture	0.000054

Source: Processed based on WITS

Annex 11. South Africa's Competitiveness Matrix: Market Share

No	HS	Product Description	2002-2007
1	090111	Coffee, not roasted :-- Not decaffeinated	Rising Star
2	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	Missed Opportunity
3	400121	Natural rubber in other forms :-- Smokes sheet	Rising Star
4	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	Rising Star
5	441820	Doors and their frames and thresholds	Rising Star
6	481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres	Declining Star
7	690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China	Rising Star
8	870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder	Rising Star
9	870899	Other parts and accessories :-- Other	Declining Star
10	940360	Other wooden furniture	Rising Star

Source: Processed based on WITS

Annex 12. South Africa's Competitiveness Matrix: Percentage of Export

No	HS	Product Description	2002-2007
1	090111	Coffee, not roasted :-- Not decaffeinated	Rising Star
2	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	Missed Opportunity
3	400121	Natural rubber in other forms :-- Smokes sheet	Rising Star
4	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	Rising Star
5	441820	Doors and their frames and thresholds	Rising Star
6	481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres	Declining Star
7	690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China	Rising Star
8	870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder	Rising Star
9	870899	Other parts and accessories :-- Other	Declining Star
10	940360	Other wooden furniture	Rising Star

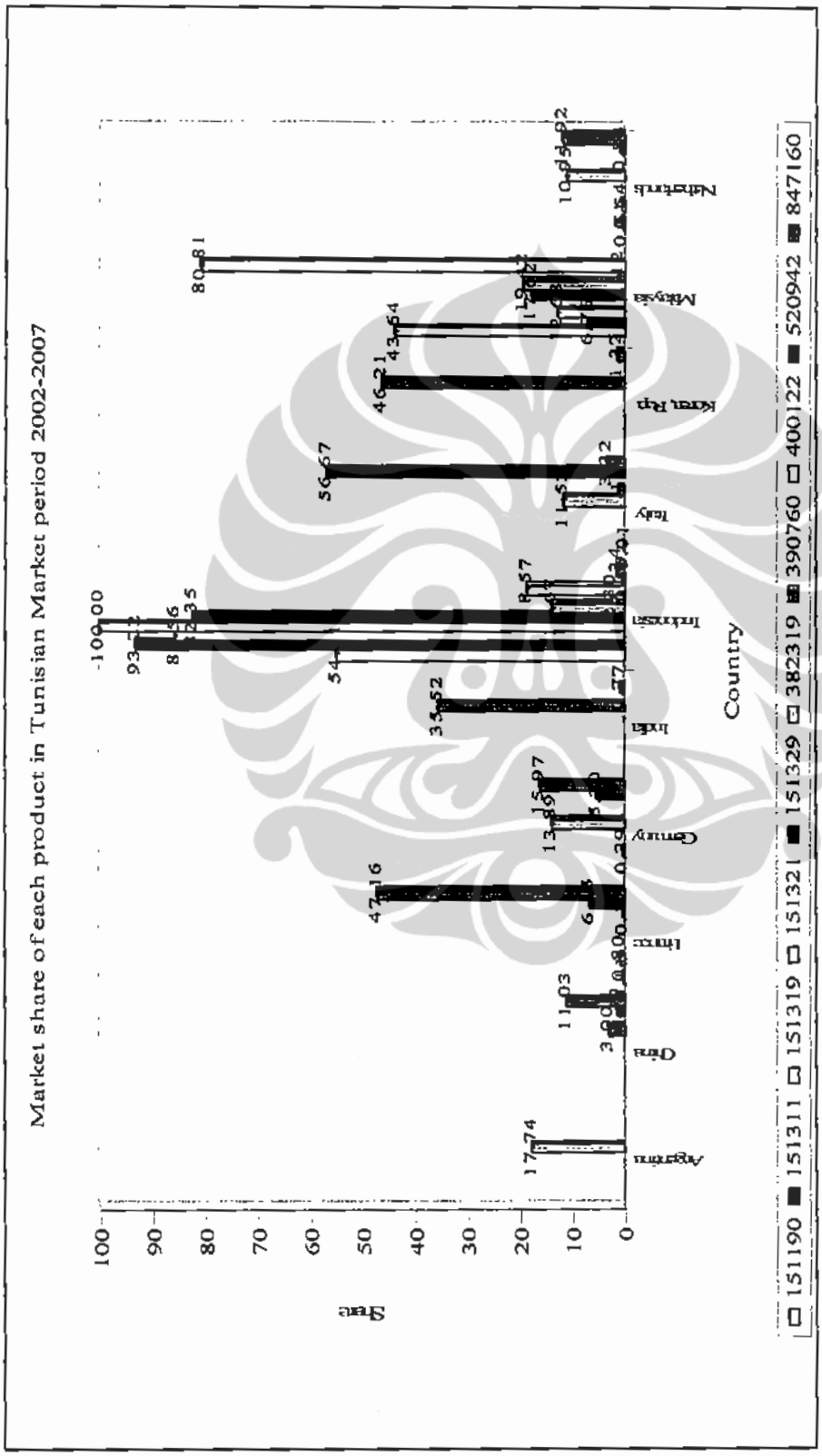
Source: Processed based on WITS

Annex 13. South Africa's Competitiveness Matrix: Specialization

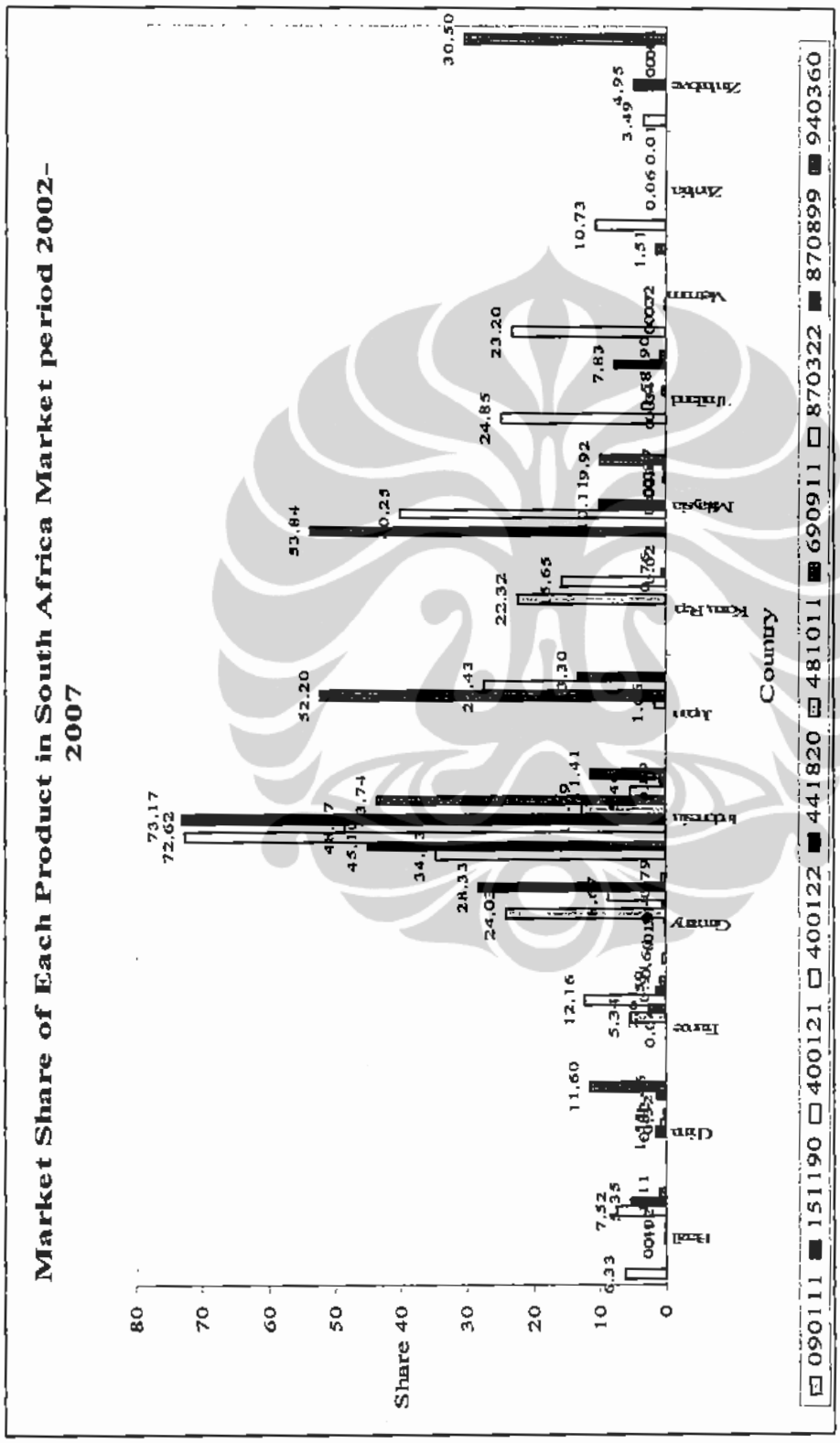
No	HS	Product Description	2002-2007
1	090111	Coffee, not roasted :-- Not decaffeinated	Missed Opportunity
2	151190	Palm oil and its faction, whether or not refines but not chemical modified : - Other	Missed Opportunity
3	400121	Natural rubber in other forms :-- Smokes sheet	Missed Opportunity
4	400122	Natural rubber in other forms :-- Technically specied natural rubber (TSNR)	Missed Opportunity
5	441820	Doors and their frames and thresholds	Missed Opportunity
6	481011	Paper and paperboard of a kind used for writing, printing or other graphic purposes, not containing fibres	Declining Star
7	690911	Ceramic wares for laboratory, chemical or other technical uses: -- Of porcelain or China	Rising Star
8	870322	Other vehicles, with spark-ignition internal combustion reciprocating piston engine : of a cylinder	Rising Star
9	870899	Other parts and accessories :-- Other	Declining Star
10	940360	Other wooden furniture	Missed Opportunity

Source: Processed based on WITS

Annex 14. Market Share of Each Product in Tunisian Market period 2002-2007



Annex 15. Market Share of Each Product in South Africa Market period 2002-2007



Source: Processed based on WITS