

CHAPTER 1

PRELIMINARY

1.1 Background

In this increasingly developing era, every aspect of our lives will not be separated from the process of globalization. According to Emanuel Ritcher, an Academic of Political Science from the University of Aachen, the idea is that globalization is a network in a global scope that is carried out simultaneously which unites people who have previously been scattered and isolated in world unity and interdependence with one another. Meanwhile, according to Princeton N. Lyman, a diplomacy expert from the United States, he also initiated that globalization is a growth that is taking place rapidly which is interdependence between several countries in the world in terms of trade and finance. The era of globalization makes countries dependent on each other and unable to stand alone without interference from other countries (Riska, 2018). The massive globalization that is developing in all instruments and aspects has an impact on facilitating trade circulation to several other countries out there in line with the progress and development of information and transportation technology. So that as time goes by, globalization opens up great opportunities to make the trade process more global.

Basically, the scope of the economy cannot only occur within the country, but the scope of the economy also needs to occur abroad in order to be able to obtain foreign exchange income from outside the country itself. With the development of globalization, economic cooperation and trade relations between countries have increased and are important for the survival of a country. Moreover, a country cannot always continuously meet the needs of its own people so it really needs the presence of other country partners to be able to carry out its economic activities. Therefore, countries need to carry out cooperative relations or usually referred to as international trade. According to Huala Adolf, a professor from Padjadjaran University, he revealed that international trade is an activity of exchanging or even buying and selling transactions that occur between countries which is one of the efforts to gain profits from these trading activities. International trade itself consists of import activities and export activities. Indonesia itself has long carried out trade cooperation with other countries. According to a report from the Indonesian Central Bureau of Statistics, overall, the total value of Indonesia's export activities from January to April 2022 has reached

US\$93.47 billion, an increase of 38.68 percent compared to January to April in 2021. In addition, when viewed from the value of non-oil exports reached US \$ 88.73 or an increase of up to 39.12 percent. Based on the online page of the Ministry of Trade of the Republic of Indonesia, Indonesia has several superior products that are exported to several countries in the world, namely shrimp, coffee, palm oil, cocoa, rubber and rubber products. This shows that Indonesia has a major export commodity in the agricultural sector. This statement is also reinforced by the Government of Indonesia through the Ministry of Agriculture which continues to increase the acceleration of exports to many major countries in the world.

Reported on the official website belonging to the Ministry of Trade of the Republic of Indonesia, the second largest export commodity from Indonesia is palm oil. The page also states that Indonesia has exported palm oil to several major countries in the world such as India, China, Malaysia, Pakistan, Singapore, Bangladesh, Germany, Russia, to the United States. Export of Palm Oil has a sizable impact on the Indonesian economy when viewed from the amount of export foreign exchange for this product in 2014 which reached up to US \$ 19.56 billion or equivalent to Rp. 250 trillion by contributing more than 10 percent of the income and expenditure budget of the Indonesian country.

Table 1. Main Exports of Non-Oil and Gas Commodities in January to August 2021 and 2022

Commodity		FOB value (million US\$)		% Role in 2022 (Towards Non-Oil and Gas)
		2021	2022	
1	Coal	14,555.6	30,291.2	16.49
2	Palm oil	18,624.9	19,367.6	10.54
3	Steel	12,575.8	19,143.5	10.42
4	Copper Ore	3,152.5	6,109.6	3.33
5	Sourced Organic Basic Chemistry	4,368.0	6,054.9	3.30
6	Electrical equipment	4,149.8	5,660.2	3.08
7	Apparel (Convection) from Textiles	4,301.9	5,597.8	3.05
8	Lignite	2,729.7	4,268.6	2.32
9	Sport shoes	2,844.8	4,062.1	2.21
10	4 or More Wheeled Motorized Vehicles	2,408.6	3,728.7	2.03
11	Nickel	630.1	3,587.1	1.95

12	Jewelry and Valuables	1.758,2	2.722,0	1,48
13	Crumb Rubber	2.649,4	2.609,1	1,42
14	Pulp	2.010,1	2.298,0	1,25
15	Fertilizer	1.197,1	2.053,2	1,12
Major Commodity Total		77.956,7	117.553,7	63,99

Source : Publication of foreign trade statistics bulletins by the Central Statistics Agency

As the largest producer and exporter, Indonesia has export competitiveness in crude palm oil commodities. It can be seen from the table above, the export value of commodities has an increasing performance every year so that this can be one of the supporters of export competitiveness in crude palm oil.

1.2 Problem Formulation

In accordance with the background given above and so that the issues to be discussed do not deviate from the topics that have been determined, therefore the formulation of the problem in this thesis is how to analyze to analyze the export competitiveness of crude palm oil.

1.3 Research Objectives and Benefits

Based on the formulation of the problem above, therefore the purpose of this research is to:

1. To find out the results of the analysis of palm oil production in Indonesia.
2. To find out the results of an analysis of how the development of palm oil exports in Indonesia.
3. To find out the results of the analysis of five porter analysis on palm oil export products.
4. To find out the results of Revealed Comparative Advantage, Index Trade Specialization and Market Share Index

In addition, the benefits of this research are in the form of:

1. This research is expected to add insight about Crude Palm Oil for writers and other parties out there.

2. This research is expected to train the author's mindset in developing other research analyzes.
3. This research can be used as a reference source as information material for various parties including writers, readers and other researchers.
4. This research can be one of the applications of knowledge from the author's learning process while studying at Nanjing XiaoZhuang University.

1.4 Systematics of writing

At the writing of this thesis consists of 5 chapters with various discussions consisting of:

Chapter I : Preliminary

This chapter explains the background, problem formulation, benefits and objectives of this research, as well as the systematics of writing.

Chapter II : Literature Review

This chapter contains and describes the theoretical base which discusses theory of international trade, the literature on empirical research that consists of research on crude palm oil, the cause of international trade, the factors of affecting international trade, research on export competitiveness, and international trade in crude palm oil.

Chapter III : Research Methods

This chapter consists of methods for calculating the export competitiveness that consists of revealed comparative advantage, index trade specialization and market share index, porter's five forces, and types and sources of data.

Chapter IV : Result and Discussions

This chapter describes the production of CPO in Indonesia and how the development of CPO exports in Indonesia. In addition, this chapter also discusses the export competitiveness analysis and also the porter's five forces analysis.

Chapter V : Conclusion and Policy Recommendations

This chapter explains the conclusions from the research that has been done as well as the policy recommendations.