

CHAPTER 1

INTRODUCTION

1.1 BACKGROUNDS

Indonesia stands as one of the greatest coal exporters in the world, ranking fifth with a production of 557 million metric tons and an export value of 408 million metric tons (PwC, 2022). Evidently, it is an indispensable player within the global coal market; however, several issues have recently caused its industry to falter. Declining prices, mounting concerns over environmental hazards and alterations to worldwide energy policies have put a strain on Indonesia's coal trade and have prompted them to increasingly depend upon renewable sources. Even though there are conflicts surrounding this mineral resource and its usage in various economies, Indonesia remains unconquered in terms of leadership on the global energy front.

The COVID-19 pandemic has caused devastation on the global economy and put a kink in supply lines all over the world, including the coal sector. As a consequence of the pandemic, coal usage has decreased worldwide, and many countries have looked to renewable energy sources to reduce their carbon impacts. The International Energy Agency (IEA) reports that in 2020, worldwide coal consumption dropped by 4 percent, and its future is cloudy (IEA, 2021). Exports of coal from Indonesia have been hampered by the pandemic. The biggest market for Indonesian coal shipments is China, where sales fell by 24% in 2020, according to the Indonesian Coal Mining Association (APBI) (APBI, 2021). The lockdowns and travel limits implemented by many nations to contain the spread of the virus have interrupted supply lines and operations, leading to a decrease in exports.

Amidst ongoing geopolitical conflict and a global pandemic, the coal market has experienced significant disruption. Tensions arising from the conflict between Russia and Ukraine have fueled uncertainty across the coal market on a global level. According to the IEA, the conflict has caused a decline in Russia's coal exports, resulting in interruptions in the flow of coal to Europe (IEA, 2022). As a consequence, demand for coal has increased from other nations, including Indonesia. The coal industry is of great importance to both Indonesia's economy and the global energy market, however it faces numerous challenges such as declining prices, growing environmental concerns, and evolving international energy policies. These challenges have been exacerbated by the ongoing COVID-19 pandemic and the geopolitical conflict between Russia and Ukraine, which have resulted in reduced revenue for Indonesia from coal exports and created disruptions in the global

coal market. Evaluating Indonesia's coal export prospects in the face of these challenges is crucial in identifying opportunities and devising strategies to enhance its competitiveness on the global stage.

1.2 PROBLEM FORMULATION

As one of the largest coal exporters in the worlds, Indonesia coal export competitiveness has been hampered by external factor that happen in the past year such as COVID-19 pandemic and the Russian-Ukraine conflict. This research aims to understand the extent of the effect that both instances has on the performance and the competitiveness of Indonesia coal export and the variables that affect it to such extent.

1.3 RESEARCH OBJECTIVES AND BENEFITS

The main objectives of this research are to analyze the Indonesia coal export competitiveness during COVID-19 and Russian-Ukraine conflict and what factor affect it. In specific, the research aims to:

- a. To analyze the impact of COVID-19 on Indonesia coal export competitiveness
- b. To study the effect of Russian-Ukraine conflict on Indonesia coal export competitiveness
- c. To find what variable or factor affecting Indonesia coal export competitiveness
- d. To examine Indonesia coal export competitiveness before, during and after said instance
- e. To evaluate Indonesia governmental decision or changes in coal export regulation or law.

The benefit of this research may include:

- a. Providing context and insight into Indonesia coal performance during the COVID-19 and Russian-Ukraine conflict
- b. To give suggestion to policymakers and the industry in developing strategies for Indonesia Coal export

- c. Contribute to international trade and export competitiveness literature
- d. Lays a foundation for future research on coal export competitiveness in Indonesia or in another emerging countries.

1.4 SYSTEMATICS OF WRITING

This section provides an in-depth overview of the thesis's organization and structure. The thesis has been separated into five distinct chapters, each of which serves a specific purpose and aids in achieving the overarching research goal. The contents of each chapter are described in detail below for a comprehensive understanding of the thesis's organization.

Chapter 1 provides the background of the research, including an overview of the Indonesia coal industry and its impact on Indonesia economy. It also explains how COVID-19 Pandemic and Russian-Ukraine conflict have affected Indonesia performance in its coal export competitiveness. The problem formulation explains the research objectives and what it trying to address. The research objectives and benefit highlight the specific goal of this research and its importance on the topic of Indonesia coal export competitiveness. The systematic of writing includes brief summary of the structure and the content of thesis.

In the second chapter, we will explore the theoretical underpinnings of past research, studies, and papers pertaining to coal, international trade, the benefits of exporting, measuring export performance, and evaluating competitiveness. This chapter will furnish the framework, concepts, and theories that will serve as the foundation and model for the analysis of this research.

The Third chapter delves into the research framework, unveiling the design and methodology used to investigate the coal export competitiveness of Indonesia. This chapter elaborates on the data sources and collection methods utilized to acquire data on Indonesia's coal exports, as well as the analytical techniques employed to assess the performance and competitiveness of Indonesia's coal export market. The methods employed include the well-regarded Porter's Five Forces Analysis and Export Competitiveness Indicators, which furnish a comprehensive framework for the comprehensive evaluation of Indonesia's coal export competitiveness.

In the fourth chapter part one, the section scrutinizes the performance of Indonesia's coal exports, both past and present, scrutinizing the diversity in the quantity, worth, and locations it was transported to. Additionally, the section delves into the impact of the revised coal export laws on the industry. Furthermore, the assessment brings to the forefront the tribulations endured by the sector due to the pandemic and the Russia-Ukraine altercation. In conclusion, the investigation identifies the constituents that have contributed to the performance of Indonesia's coal export industry.

In the fourth chapter part two, the competitive state of Indonesia's coal export is scrutinized using Porter's Five Forces Model, which covers a wide range of factors such as the possibility of new contenders, the bargaining power of buyers, substitute products and the competition between the industry's competitors. This chapter sheds light on the competitive standing of Indonesia's coal sector in the global market, while also keeping in mind the difficulties posed by the Russia-Ukraine crisis and COVID-19. The analysis provides an insight into the strengths and weaknesses of the competitive landscape of Indonesia's coal industry.

In the fourth chapter part three, there is an assessment of Indonesia's ability to compete in the coal export market through the examination of various indicators like market share and revealed comparative advantage index. Furthermore, a comparative analysis of Indonesia's performance against other countries that export coal is conducted, with a focus on identifying the factors that have impacted Indonesia's competitive edge positively or negatively. Through this analysis, there is a thorough evaluation of the relative strengths and weaknesses of Indonesia's coal industry.

The last chapter presents the results of the investigation, draws inferences, and provides recommendations for future research and policy. The chapter discusses the research implications for policymakers, industry players, and researchers, highlighting the crucial difficulties and prospects for Indonesia's coal industry in the international market. The chapter ends by analyzing the shortcomings of the study and the extent for future research.