

1 INTRODUCTION

1.1 Introduction

International trade is a key for purchasing both goods and services by companies in a different countries. Goods, raw materials, food, machinery are all bought and sold in the international marketplace. This would then allow countries to expand their markets worldwide and raise competitiveness between markets. Developing countries are especially needed of this trading, producing each of their unique commodities in the form of goods to increase their financial sector and market. One of the popular exporting commodities amongst the developing countries is Coffee.

Coffee, a beverage brewed from the roasted and ground seeds of the tropical evergreen coffee plant, is one of the most popular beverages in the world alongside water and tea. To this day, Indonesia is the 4th largest producers and exporters of coffee world-wide and has contributed 6% of world coffee production. **(BPS Statistics Indonesia 2023)**. For the past few years, Indonesia has been exporting coffee to more than 70 countries in the world. Producing their signature coffee beans like Robusta (70%) and Arabica (30%), this type of their coffee are gaining popularity throughout the world. The top 5 importer in the world are United States, Italy, Malaysia, Egypt and Japan. Though not as popular as the other top 5 importer, The European market was one of the popular destination of Indonesia's coffee export, this is because café culture is a huge deal in European countries since it was introduced back in the 16th and 17th centuries and has flourished across the continental Europe. Consumption of coffee bags are high across the European continent which could total up to one third of the world's coffee. Countries like Sweden and Finland are heavy coffee drinkers, hence why Indonesia made European market its target for coffee exports. Most popular option of Indonesia's type of coffee beans are the *Mandheling* (or *Mandailing*) coffee, *Sulawesi Toraja*, *Bali Kintamani* and *Luwak* coffee which were mostly exported from Sumatra, Sulawesi and Java Island.

1.2 Research Objectives

Indonesia is recognized as one of the largest coffee producers, supported by its abundant land and labor resources. With a long history of cultivation and a wide variety of unique coffee types, Indonesia holds strong potential in the international coffee trade. The European market, known for its high coffee consumption and growing interest in specialty products, represents a valuable export destination for Indonesian coffee. However, despite this opportunity, Indonesia's performance in the European coffee market has not always been consistent. Various factors—ranging from trade policies and market competition to production challenges and shifting consumer preferences—may influence its export competitiveness. Additionally, stricter sustainability standards and quality expectations in Europe have increased the pressure on exporters, especially smallholder farmers. To better understand Indonesia's position, this research compares its coffee export performance with other major producers, specifically Brazil and India. This comparison helps highlight strengths, weaknesses, and areas where Indonesia can improve in order to remain competitive in the European market.

This study aims to:

- **Analyze Competitiveness Trends:** Track the evolution of Indonesia's market share, revealed comparative advantage (RCA), and trade complementarity with European countries from 2013 to 2023.
- **Identify Influencing Factors:** Assess how economic conditions, EU regulations, consumer preferences, and supply-side dynamics impact the competitiveness indicators.
- **Benchmark Performance:** Compare Indonesia's position with other major coffee exporters—such as Brazil and India—to highlight strengths and weaknesses.
- **Expose Strategic Gaps:** Determine the key shortcomings (e.g., branding, certification, supply consistency) that hinder Indonesia's ability to expand in the European market.
- **Recommend Improvement Strategies:** Propose actionable solutions—such as enhancing farmer capacity, promoting sustainable certification, and strengthening marketing—to improve long-term competitiveness

1.3 Research Method

This research uses a **descriptive and quantitative method** to analyze how competitive Indonesia's coffee exports are in the European market from 2013 to 2023. The goal is to explain trends, compare data, and understand the factors affecting Indonesia's performance.

1.3.1 Method and Data

The study mainly uses **secondary data**—meaning the information is taken from official sources like:

- BPS Statistics Indonesia
- UN Comtrade

The data includes export values, export quantities, market share, and trade indicators between Indonesia and five European countries: Germany, Italy, Netherlands, Belgium, and Russia.

1.3.2 Analysis Tools

To measure Indonesia's competitiveness, the study uses three main tools:

- **Market Share (MS)** – shows how big Indonesia's share is in the European coffee market.
- **Revealed Comparative Advantage (RCA)** – shows if Indonesia is good at exporting coffee compared to other products.
- **Trade Complementarity Index (TC)** – shows how well Indonesia's exports match what Europe needs.

Besides these, the study also uses:

- **Heckscher-Ohlin Theory** – to explain why Indonesia exports coffee based on its resources (like land and labor).
- **Porter's Five Forces** – to understand the level of competition and market pressure in the European coffee industry.

1.3.3 Time Frame

The research focuses on data from **2013 to 2023**, giving a full picture of how Indonesia's coffee exports have changed over 11 years.

