

CHAPTER II

LITERATURE REVIEW

A. Theoretical Basis

The emergence of mercantilism is the beginning of the period of international trade. This mercantilism economic system holds that one country's profits are the losses of other countries. This view that led to international trade at that time known as Fear Trade, where the European countries continue to expand its power by expanding its territory by colonizing the countries of the world.

1. Export Theory

Export is the sale of goods produced by a country to another country. A country may export the goods it produces to other countries that cannot produce their own goods produced by the exporting country. In international trade especially export has an important role, namely as a motor of national economy. For exports can generate foreign exchange, which can then be used to finance the import and finance the development of sectors in the country (Lipsey *et al.*, 1995).

Another definition of export can be interpreted as an activity related to the production of goods and services produced in a country to be consumed outside the borders of the country (Triyaso, 1994). Clearly, adds that exports are an overproduction of domestic production which then excess production is marketed abroad. (Deliarnov, 1995)

Export Supply Theory

Supply of a commodity is the quantity of commodity offered by the producer to the consumer in a market at a certain price and time level. Several factors that influence the supply of a commodity are the price of the commodity concerned, the price of the factor of production, the level of technology, taxes and subsidies (Lipsey *et al.*, 1995).

Export of a commodity other than to meet domestic demand, the supply of a commodity is also intended to meet the demand of the foreign community. The export offer of a commodity from a country is the difference between domestic supply and domestic demand. On the other hand, other countries need such commodities as a result of excess demand in the country. Based on the description, the export supply theory aims to determine the factors that affect the export offer of a country.

Systematically can be formulated as follows:

$$SXt = Qt - Ct + St - 1$$

Where:

SXt = Total commodity export time period t

Qt = Total domestic production time period t

Ct = Total domestic consumption period t

$St - 1$ = Stock of previous time period ($t-1$)

Export Demand Theory

The demand for the export of a commodity is a comprehensive relationship between the quantities of commodity to be purchased by consumers over a given period at a price level. The market demand of a commodity is the horizontal sum of the individual demands of a commodity (Lipsey *et al.*, 1995).

In terms of demand, export activities are assumed as a function of international market demand for a commodity produced by a country. Export demand is the demand of a certain international or country market for a commodity. Export demand theory aims to determine the factors that affect a country's export demand.

As a request, the export of a country is affected by several factors, including the domestic price of the export destination country ($HDIt$), the import price of the destination country ($HIIt$), the income per capita of the export destination country ($YPIIt$) and the taste of the destination country community ($CPIIt$).

Overall function of export demand of a commodity can be formulated as follows:

$$PXt = f (HDIt, HIIt, YPIIt, CPIIt)$$

2. International Trade Theory

International trade has existed long ago but in limited quantities and scope, where the fulfillment of domestic unproductive needs of each country involved in the trade is met by means of barter. Initially, international trade was the exchange or trade of labor with other goods and services, followed by trade in goods and services now with compensation for goods and services in the future. It eventually develops to exchange countries with riskier assets, such as shares, mutually beneficial foreign exchange of both parties and even all the countries involved. This allows each country to diversify or diversify its trading activities that can increase their revenues through the expansion of export commodities and increase foreign exchange earnings.

Along with the growing number of population and increasing the standard of living along with the progress of information technology led to an increase in community needs. Then international trade becomes an important thing. At this time no country is in an autarchic country that is an isolated country, without any economic links.

There are several things that encourage the occurrence of international trade because of differences in demand and supply between countries also contributed to the occurrence of international trade. This difference occurs because: (a) not all countries have and

are capable of producing traded commodities, because natural factors of the country do not support, such as geographical location and their earth content and (b) differences in a country's ability to absorb certain commodities at the level which is more efficient.

Classical Theory

a. Mercantilism

Mercantilism is an economic system centered on the belief that governments can regulate trade by using tariffs and other safeguards to achieve a balance of exports over imports. When the government establishes trade rules and imposes tariffs to ensure that there is an appropriate balance between export and import, this government method is an example of mercantilism. The theory of international trade of mercantilism is economic practice and theory, dominant in Europe from the 16th to the 18th century, promoting the economic rule of a country's government at the expense of its rival national power. It is a partner of economic politics of absolutism or absolute monarchy.

Mercantilism includes national economic policies aimed at collecting monetary reserves through a positive trade balance, especially finished goods. Historically, the policy often led to wars and was also motivated to expand colonial expansion. A Mercantilist view of international trade that the only way for a country to get rich is to do as much as possible and import as little as possible. Surplus

exports are more formed in the flow of gold bullion, or precious metals especially gold and silver.

Any country can not simultaneously produce an export surplus, also because the amount of gold and silver is fixed at a certain moment, then a country can only make a profit at the expense of another country. Therefore, these Mercantilist disseminate economic nationalism and believe that here will arise conflicts of national interest.

b. Absolute Advantage

According to Adam Smith, a country will benefit from international trade by exporting if it has absolute advantage and imports if it has no absolute disadvantage. Adam Smith's absolute advantage is the ability of a country to produce goods and services per unit using fewer resources than the ability of other countries (Deliarnov, 1995).

If there is trade between the two countries, such as country A and B, then in absolute excellence A country will specialize by producing only on certain commodities, commodity x which has an absolute advantage to country B so that the production of goods or commodities x is more then sell it to country B, while country A purchases goods or commodities owned by country B which has an absolute advantage in the goods or commodities in country A, e.g. commodity y. By conducting such a trade it is expected that

efficiency in production will occur so that both commodities between x and y owned by both countries A and B are more than producing both of these commodities only in a country.

Adam Smith challenged Mercantilism thought that a country would benefit from trade only from other countries' spending and the government made strict controls over its economic and commercial activities. But the weakness of Adam Smith's Theory is that trade between two countries would be advantageous if the two countries had a distinct absolute advantage, if only one country had an absolute advantage for both types of products then the gain from trade would not be obtained. So about the theory of absolute superiority criticized by David Ricardo an economist derived from the English with the notion of the theory of trade of comparative advantage.

Modern Theory

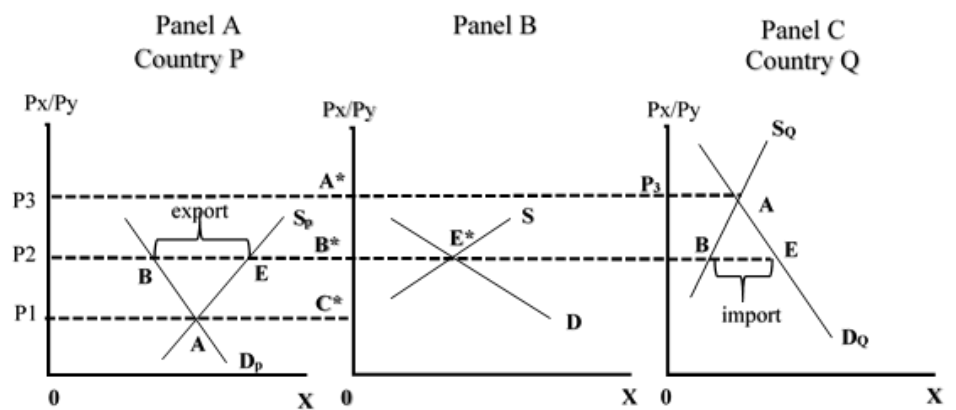
a. Heckscher-Ohlin Theory

According to Heckscher-Ohlin theory there are differences in the opportunity cost of a product between countries with other countries due to the difference in the number or proportion of each country. Countries that have relatively large and inexpensive production factors in their production will specialize in the production and export of goods. On the contrary, each country will

import certain goods if the country has a relatively rare and expensive production factor in its production (Hady *et al.*, 2004).

International trade between two countries resulting from differences in demand and supply can be seen in *Figure 2. 1* which describes trade between Country P and Country Q. DP and SP is the supply curve for Country P and DQ and SQ is the supply curve for Country Q.

In conditions where the two countries are not in trade, the production and consumption of the Country P for a commodity is at equilibrium at point A, based on the relative price of P1. In Country Q production and consumption occur at the point of equilibrium A 'with the P3 price level. This condition assumes that the domestic price in Country P is lower than the price in Country Q ($P1 < P3$).



Source : Salvatore, 1997

Figure 2.1
Balance in International Trade

If the price condition is above P_1 , then Country P will supply or produce more textile commodity than domestic demand level (consumption) so that it will cause excess supply in country P. The surplus of production will then be exported to Country Q. In other if the current price is less than P_3 , then Country Q will experience an increase in demand (because consumers will demand more at a relatively cheap price level), so the demand rate is higher than its domestic production. This will encourage the Country Q to import the shortage of its needs on the textile commodity from a Country experiencing an overproduction of textile commodity P.

Based on the relative price of P_1 , the quantity of textile commodity offered will be equal to the quantity demanded. At the time of the international trade between Country P and Q the price level stays at point P_2 and takes the assumption that there is no transportation cost in the trade process, then Country P will export its output surplus shown by the BE line. Meanwhile, because the prevailing price level in the international market is lower than the domestic price level of Country Q, then Country Q will import its production deficit as big as B'E 'line. The supply and demand relationship between the two countries at the P_2 price level will lead to an international balance at point E^* (Panel B). The S and D curves in panel B show the level of supply and demand occurring in international trade. At the equilibrium level, the quantity of exports

offered by Country P is the same as that requested by Country Q ($BE = B'E'$).

Countries with many initial resource factors will have the possibility of obtaining economies of scale in the production of goods or services. Elli Heckscher (1919) and Bertil Ohlin (1933) examine the influence of early resource factors on international trade. The model they developed is known as the Heckscher-Ohlin Model (Widodo, 2010).

The Heckscher-Ohlin (H-O) theory explains some trading patterns well, countries tend to export goods that use relatively abundant production factors intensively. According to Heckscher-Ohlin, a country will trade with other countries because the country has a comparative advantage of excellence in technology and production factor advantages. H-O Theory Hypothesis Before criticizing the H-O theory, the following hypotheses have been produced by H-O Theory, among others:

1. The production of export goods in each country increases, while the production of imported goods in each country decreases.
2. The price or cost of production of an item shall be determined by the amount or proportion of factors of production owned by each country.

3. Labor prices in both countries tend to be the same, the prices of goods A in both countries tend to be the same as well as the prices of goods B in the two countries are the same.
4. Trade will occur between rich countries Capital-rich countries Labor.
5. Each country will tend to specialize in the production and export of certain goods because the country has a relatively large and inexpensive production factor to produce. So that the capital-rich country, the exports are capital-intensive and the imports are labor-intensive, while the labor-rich countries are labor-intensive and their imports are capital-intensive.

Weakness Assumptions H-O Theory To better understand the weaknesses of H-O theory in explaining international trade will be found some of the less valid assumptions:

- a. The assumption that both countries use the same technology in producing is invalid. The facts that exist in the field of the country often use different technologies.
- b. The assumption of perfect competition in all product markets and factors of production is more of a problem. This is because most of the trade is an industrial country product based on product differentiation and economies of scale that can not be explained by the H-O endowment factor model.

- c. The assumption of no international factor mobility. The existence of factor mobility internationally capable of substituting international trade resulting in relative similarity of product price and interstate factor. The meaning is that this is an H-O modification but does not reduce the validity of the H-O model.
- d. The full assumption of a country's specialization in producing a commodity if trading is not entirely applicable since many countries still produce commodities which are predominantly imported.

The initial resource factor determines the trade flows. A country exports relatively excess goods in that country. The essence of this theory is that the tariffs effect, transportation costs, and international differences in taste and efficiency on trade flows are unimportant and negligible. Only the quantity of physical factors of production available in each important country (Hodd, 1967).

There are nine assumptions in the Heckscher-Ohlin model that is, first, there are only two countries, two homogeneous goods, and two homogeneous production factors that have a fixed initial value and are assumed to be relatively different in each country. Second, identical technology in both countries so that the production function is the same in both countries. Third, the production function has a yield-scale characteristic that remains the same for all both

commodities and in both countries. So when the number of factors of production plus as much as " n " times then the amount of output will also increase as much as " n " times. Fourth, the two commodities have different factor intensities and there is no reversal of factor intensity for whatever factor price ratio. Fifth, both countries have the same taste. The preference of the country's horses is homothetic, the proportion of the purchase of goods will be the same regardless of the price of the goods. Sixth, markets in both countries are perfectly competitive markets. Seventh, the factor of production has perfect mobility within the country and has no mobility if between the two countries. Eighth, no transportation costs. Ninth, there is no trade limit and there is no policy that limits the extension of goods between the two countries (Widodo, 2010).

b. Ricardian Model (Comparative advantage)

Another international trade theory was introduced by David Ricardo. The theory is known as the theory of comparative advantage or Ricardian Model. In contrast to absolute excellence theory which prioritizes absolute superiority in certain production owned by a country compared to other countries, this theory argues that international trade can occur even if one country has no absolute advantage, provided that the comparative price in both countries is different. Ricardo argues that it is better for all countries to specialize in commodities where it has a comparative advantage and

imports only other commodities. This theory emphasizes that international trade can be mutually beneficial if one country does not have an absolute advantage over a commodity as expressed by Adam Smith, but rather has a comparative advantage in which the price for a commodity in one country is relatively different. Trade between two countries can benefit both countries if each country exports goods that have a comparative advantage (Krugman *et al.*, 2012).

B. Previous Research

Research with Constant Market Share Analysis method in the world quite a lot, among others is research on export competitiveness of Pakistan conducted by Arsalan Ahmed and Shahidat Wizarat (2015) entitled "Constant Market Share Analysis for Exports of Pakistan: Case of Developed Market Economies", which shows that Pakistan has the potential to improve its export performance to developed countries which are the main export destination of commodities from Pakistan, such as the United States, European Union, Japan and other developed countries called DME (Developed Market Economies). But the diversification that needs to be targeted in relation to Pakistan commodities and exports is more competitive in DME. As well as finding that the United States and the EU have a 90% share of total exports from Pakistan to DME and the exchange rate between Pakistan and DME is very high because DME

imports into Pakistan are relatively cheap giving Pakistan exporters a large competitive advantage.

In a study entitled "Regional Free Trade and Export Competitiveness: The Case of Indonesia" by Amalia Adininggar Widyasanti (2010) provides some analysis on the competitiveness of Indonesian export products in ASEAN and China, after the implementation of ASEAN FTA and ASEAN-China FTA. The competitiveness indicators used are market share, export intensity index and dynamic RCA (Revealed Comparative Advantage). The results show that Indonesia is in good shape and has opened its own market share for some products. However, some policy strategies are needed for these products, especially for vegetable products that have lost their chances in the ASEAN market. Some of the required policies include product diversification, quality control improvement and health related issues. Products lagging opportunity, are animal and vegetable oils and fats, and food products, which means Indonesia can still make improvements to optimize this opportunity, where export growth rates for these products are still below market demand. Most Indonesian export products in the Chinese market are categorized as leading retreat and lagging retreat. In the case of ACFTA (ASEAN-China Free Trade Area), Indonesia can still improve its export performance in the Chinese market.

Rodney, *et al.* (1987) in the article entitled "ASEAN and China Exports of Labor Intensive Manufactures: performance and Prospects"

examine the exports of ASEAN and Chinese countries to labor-intensive manufacturing in 1970 to 1981 using CMS analysis. In the study it was suggested that the labor intensive manufacturing of labor intensified from 1975 to 1978 was largely influenced by the Commodity Composition Effect and Market Distribution Effect while in 1978-1981 it was largely influenced by the Market Distribution Effect.

Widodo (2009) in a study titled "Comparative Advantage: Theory, Empirical Measures and Case Studies" Using the RSCA and TBI indices to find out the comparative advantages of the five ASEAN countries, namely Indonesia, Malaysia, Thailand, Singapore and Philippines in 1986 and 2005. The calculation by Tri Widodo (2009) divides commodities into four groups A, B, C, and D. Group A is a commodity group that has comparative advantage and becomes an export specialization. Group B is a group that has a comparative advantage but is not a commodity of export specialization. Group C is a commodity group that does not have a comparative advantage but is a commodity specializing in exports. Group D is a group that does not have a comparative advantage and does not become an export specialization commodity.

Laursen (2000) in his research entitled "Do Export and Technological Specialization Patterns Co-Evolve in terms of Convergence or Divergence? Evidence from 19 OECD Countries, 1971-1991" concludes that OECD countries tend not to specialize in their export

products or commodities (export despecialisation). However there are some OECD countries researched to specialize. however, overall despecialisation.

Marcia (2013) in his study entitled "Analysis of the Role of the World Export Growth Effect, Composite Commodity Effect, Market Distribution Effect, and Effect of Competitiveness in Increasing Exports of Seven Leading Commodities of Indonesian Agriculture Sector to EU: Constant Market Share (CMS) In 2005-2008 and 2008-2011" concluded that the seven commodities are less desirable to the European union and have weak competitiveness. However seven commodities are successfully reaching the entire European market nicely because the distribution effect is positive and export growth tends to increase as driven by the growth of world exports.

Renjana (2010) in his study entitled "Analysis of Export Competitiveness of Textile and Textile Products Indonesia compared to China in USA Market 2001-2008" using CMS and RCA method concluded that the effect of competitiveness and import growth effect is the most decisive effect in the increase or decrease of Indonesian and Chinese apparel exports in the United States market compared to the Commodity Composition Effect . The effect of competitiveness of Indonesian apparel commodities is lower than that of China in providing export contribution.

Mucavele (2000) examines the comparative advantages of agricultural products in Mozambique using the Domestic Resource Cost (DRC) and Effective Policy Coefficient (EPC) methods. From the results of the analysis, it can be concluded that from the analysis of agricultural production in Mozambique has a comparison of benefits in northern agroecological zones, such as in Cabo Delgado, Nampula, Niassa, and Zambézia have very strongly verified DRC values. The use of potential technology can enhance the comparative advantages of various provinces located in agroecological zones in the north and central regions.

Satryana, *et al.* (2014) in an article entitled "Analysis of Indonesia Tea Export Competitiveness to ASEAN Market Period 2004-2013" analyzes the strength of competitiveness, market share and stability of Indonesian tea export competitiveness in ASEAN region using Revealed Comparative Advantage (RCA) and Constant Market Share Analysis (CMS). Researchers compare Indonesia to other ASEAN countries. Calculation shows that the average value of RCA Indonesia period 2004-2013 of 2,184 can be interpreted that Indonesian tea has a strong competitiveness in the ASEAN region. The value of CMS states that Indonesian tea is less desirable in ASEAN Market due to negative commodity composition effect, but Indonesian tea export is distributed to countries with fast import growth and strong competitiveness in ASEAN Market.

Sundari (2016) examined the Competitiveness and Strategy of Natural Rubber Export Development of Indonesia and Thailand in the International Trade Era in 1999-2012 using the CMS method approach shows that the growth of Indonesian natural rubber exports is higher than the growth of world natural rubber exports except for several years. Likewise with Thailand, natural rubber export growth is higher compared to world rubber export growth except for several years. the growth of natural rubber exports of Indonesia and Thailand has decreased every year. This happens because of several factors such as the weakening of the automotive industry in export destination countries. This is also the cause of the plummeting of world rubber price at the moment, which also affect the decline of natural rubber production in natural rubber producing countries especially Indonesia. Another reason for the low growth of Indonesia and Thailand natural rubber exports is the production of natural rubber from each country. EFE (External Factor Evaluation) method shows that the Indonesian state has internal strengths and weaknesses above the average of 3.26. Likewise with the Thai state that has internal strengths and weaknesses of 3.30. While EFE analysis shows that Indonesia and Thailand have external opportunities and threats of 2.93. In other words, Indonesia and Thailand have strong internal and external circumstances to support the development of natural rubber exports of each country.

In the case of the competitiveness of the Indonesian steel industry against ACFTA by Cahyani (2014) the researcher concludes that the effect of competitiveness of most of Indonesia market share is taken over by competitor countries. The effect of the average market distribution over the years 2003-2012 yields a positive value indicates that when ACFTA imports the market increased the growth of Indonesia responded by increasing the volume of the steel industry. Suggestions given the need for expansion of coverage on world markets, to reduce dependence on Indonesia to other imported countries.

Irmawati (2015) in his research conducts research on the industry's superior competitiveness strategy in dealing with the AEC. This research method using SLQ (Static Location Quotient), DLQ (Dynamic Location Quotient), Shift Share, RCA, and SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. The results of this study, the types of industries which are the leading industries in Central Java Province are beverage industry, tobacco processing, textile, apparel, wood, printing, furniture industry, and also other processing industries. For the five leading industries in the form of textile, wood, apparel, printing, and furniture industries are able to compete at the national level and at the ASEAN level. Meanwhile, for the beverage industry can only compete at the national level. For tobacco processing industries do not yet have the power of competitiveness at both levels, both national and ASEAN. Strategies undertaken to improve its competitiveness, S-O

Strategy: optimize use for domestic raw materials in the creation of more creative products. W-O strategy: production effectiveness in order to optimize energy use. S-T Strategy: Increasing production quality. W-T Strategy: Positive logistical mapping.

Tseuao, *et al.* (2012) in his research entitled "The Impact of The AANZFTA on The Beef Industry in Indonesia" that the removal of imported beef imports for Australia and New Zealand imports under AANZFTA will reduce the production of beef in increasing both beef imports and domestic beef supply, leading to decline in domestic beef prices, AANZFTA increased demand for beef will increase consumer surplus and reduce surplus producers. Reduction of beef imports in terms of imports from Australia, New Zealand, worldwide and import Livestock feeder will produce the highest producer surplus, but domestic beef production does not increase significantly Combination of interest rate reduction, increase in imported breeds, artificial insemination technology and tariffs imports of beef for imports from Australia and New Zealand, the best policy alternative to increase domestic beef production and be able to reduce beef imports. Therefore special policies are needed to make AANZFTA more effective and efficient.

Summary of Previous Research

No.	Books and Journals	Analysis Tools	Research Output
1	Ahmed, Arsalan and Wizarat, Shahidat (2015) <i>"Constant Market Share Analysis for Exports of Pakistan: Case of Developed Market Economies"</i>	Quantitative method with Constant Market Share (CMS)	The United States and the EU (Europe Union) have a 90% share of total exports from Pakistan to DME (develop market economies) Countries and the exchange rate between Pakistan and DME is very high because DME imports into Pakistan are relatively cheap giving Pakistani exporters a large competitive advantage.
2	Widyasanti, Amalia Adininggar (2010) <i>"Perdagangan Bebas Regional dan Daya Saing Ekspor: Kasus Indonesia"</i>	Quantitative method with Export Intensity Index (EII), Constant Market Share (CMS), And Revealed Dynamic Comparative Advantage (RDCA)	Indonesia is in good shape and has opened its own market share for some products. In the Chinese market, Indonesia managed to seize the market only for plastic and rubber products, mineral products and footwear. Most Indonesian export products in the Chinese market are categorized as leading retreat and lagging retreat.

No.	Books and Journals	Analysis Tools	Research Output
3	Rodney Tyres, Prue Philips and Christopher Findlay (1987) <i>“ASEAN and China Exports of Labour Intensive Manufactures : performance and Prospects”</i>	Quantitative method with Constant Market Share (CMS) Analysis	The manufacturing exports of labor intensive in 1975 to 1978 were largely influenced by the commodity composition effect and the market distribution effect while in 1978-1981 were largely influenced by the market distribution effect.
4	Tri Widodo (2009) <i>“Comparative advantage : Theory , Empirical measures and Case Studies”</i>	Quantitative method with Revealed Symmetric Comparative Advantage (RSCA) and Trade Balance Indeks (TBI)	The comparative advantages of ASEAN-5 countries, (Indonesia, Malaysia, Thailand, Singapore and Philippines) in 1986 and 2005 there was a change of primary commodity groups in ASEAN-5 countries.
5	Nathania Marcia (2013) <i>“Analisis Peran efek Pertumbuhan ekspor Dunia, efek Komposisi komoditas, efek Distribusi pasar, dan efek daya saing dalam peningkatan Ekspor Tujuh Komoditas Unggulan sektor Pertanian Indonesia ke Uni Eropa “</i>	Quantitative method with Constant Market Share (CMS) Analysis	The seven commodities are less desirable to the European union and have weak competitiveness. However, these seven commodities have successfully reached the entire European market nicely because the distribution effect is positive and export growth tends to increase due to the growth of world exports.

No.	Books and Journals	Analysis Tools	Research Output
6	Renjana, Ryan (2010) <i>“Analisis Daya Saing Ekspor Tekstil dan Produk Tekstil Indonesia Dibandingkan dengan Cina di Pasar Amerika Serikat tahun 2001-2008”</i>	Quantitative method with Revealed Comparative Advantage (RCA) and Constant Market Share (CMS)	The effect of competitiveness and the effect of import growth is the most decisive effect in the increase or decrease of apparel exports of Indonesia and China in US market compared to commodity composition effect. Effect of commodity competitiveness of clothing. So Indonesia is lower than China in contributing to exports.
7	Mucavele, Firmino G (2000) <i>“Analysis of Comparative Advantage and Agricultural Trade in Mozambique”</i>	Quantitative method with Domestic Resource Cost (DRC) and Effective Policy Coefficient (EPC)	Agricultural production in mozambique has a comparative advantage in the northern agro ecological zone, especially in Cabo Delgado, Nampula, Niassa and Zambézia Province where strong DRCS is verified. The use of potential technologies increases the comparative advantage of the provinces in the northern and central agro ecological zones. In the southern agro ecological zone, the introduction of improved and potential technologies barely improved DRCS.

No.	Books and Journals	Analysis Tools	Research Output
12	Laursen, keld (2000) <i>“Do ekport and tecnological Specialisation Patterns Co-Evolve in terms of Convergence or Divergence? Evidance from 19 OECD Countries, 1971-1991”</i>	Descriptive statistics	OECD (Organization for Economic Co-operation and Development) countries tend not to specialize in their export products or commodities (export descriptions). However there are some OECD countries researched to specialize. however, overall despesialisation.
8	Sundari, Yuanita Mega (2016) <i>“Analisis Daya Saing dan Strategi Pengembangan Ekspor Karet Alam Indonesia dan Thailand di Era Perdagangan Internasional”</i>	Quantitative method with Constant Market Share (CMS) Internal Factor Evaluation (IFE), and SWOT (Strengths, weakness, Opportunity, Threat)	Indonesia and Thailand share the same competitiveness in the export of natural rubber in the world. Indonesia still has several obligations for the sustainability of its natural rubber exports. While Thailand policy taken by government has been very good for the sake of the export of natural rubber.
9	Satryana, Made Hadi and Karmini, Ni Luh (2014) <i>“Analisis Daya Saing Ekspor Teh Indonesia ke Pasar ASEAN Periode 2004-2013”</i>	Quantitative method with Revealed Comparative Advantage (RCA) and Constant Market Share (CMS)	Indonesian tea has a strong competitiveness in the ASEAN region. CMS value states that Indonesian tea is less desirable in ASEAN Market due to negative commodity composition effect, but exports Indonesian tea is distributed to countries with fast import growth and strong competitiveness in ASEAN.

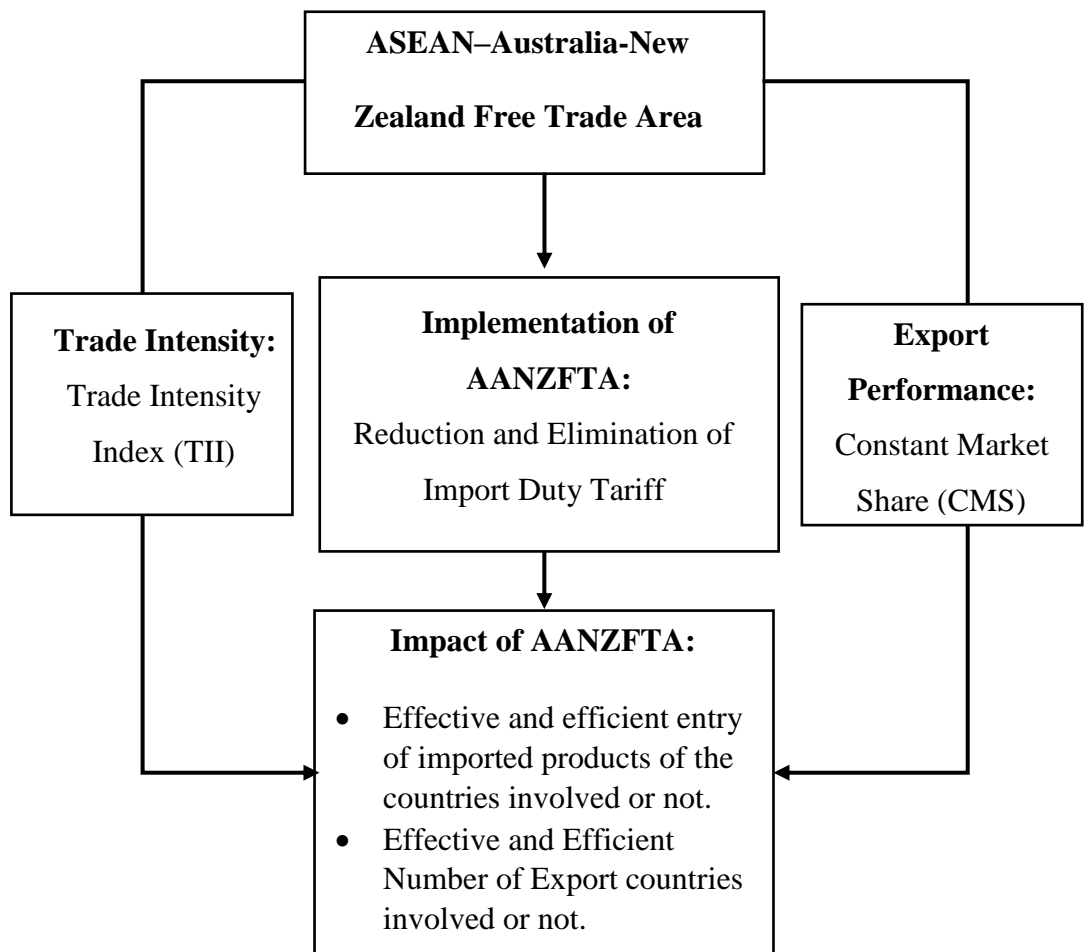
No.	Books and Journals	Analysis Tools	Research Output
10	Cahyani, Chris A (2014) <i>“Analisis Daya Saing Industri Besi Baja Dalam Rangka Menghadapi ACFTA”</i>	Quantitative method with Revealed Comparative Advantage (RCA) and Constant Market Share (CMS)	The effect of the average market distribution over the years 2003-2012 yields a positive value indicating that when ACFTA imports the market increased the growth of Indonesia responded by increasing the volume of steel industry Suggested given the need for expansion of coverage in the world market, to reduce dependence on Indonesia to the countries other countries imported.
11	Irmawati, Setyani (2015) <i>“Strategi Peningkatan Daya Saing Industri Unggulan Provinsi Jawa Tengah untuk Menghadapi ASEAN Economic Community (AEC) 2015”</i>	Quantitative method with SLQ (Static Location Quotient), DLQ (Dynamic Location Quotient), Shift Share, RCA (Revealed Comparative Advantage), and SWOT (Strengths, Weaknesses, Opportunities, Threats)	The beverage industry has only competitiveness at the national level, while at the ASEAN level the industry has not been able to compete. While the tobacco processing industry has no competitiveness at both national and ASEAN levels. However, the condition of competitiveness in almost all leading industries is weakening.

No.	Books and Journals	Analysis Tools	Research Output
13	Tseuo, thato(2012) <i>“The Impact Of The Australia And New Zealand Free Trade Agreement On The Beef Industry In Indonesia”</i>	Quantitative method with data existing and table data.	The removal of imported beef (meat) imports from Australia and New Zealand under AANZFTA will increase beef imports from New Zealand and Australia. As a result, domestic beef supply will increase. Consumers will be better because domestic beef prices will decrease as domestic beef supply increases. Despite the decline in domestic beef prices, this policy will not reduce domestic beef production drastically.

C. Research Framework

Free Trade Area is a form of economic integration in which quantitative restrictions and tariff barriers between member countries are abolished; and each country continues to impose its own tariff on non-member countries.

In Figure 2.2 The adoption of AANZFTA resulted in the loss of trade barriers among AANZFTA member countries. The reduction and even abolition of import duty tariffs leads to the increase of products from AANZFTA member countries that enter the domestic market, thus reducing the market share of domestic products.



Source : Inspired by Pratama, 2015

Figure 2.2
Research Framework

However AANZFTA also provides opportunities for expansion of certain domestic commodity market share in the international market. In this study, the authors would like to know the development of export performance and the intensity of trade between all the countries involved (ASEAN-5, Australia and New Zealand) in the free trade area before and after the enactment of AANZFTA, so as to know the impact for the countries involved itself.

