

# The Analysis of New Market Potentials and Determinants of Indonesian Export Commodities in the South Asian Region

Mohammad Ali Nur Sidiq<sup>1</sup>, Muhammad Findi<sup>2</sup>, Muhammad Firdaus<sup>3</sup>

<sup>1</sup>Department of Economics, IPB University, Bogor, Jawa Barat, Indonesia

<sup>2</sup>Lecture, Departement of Economic, Economic and Management Faculty, IPB University, Bogor, Indonesia

<sup>3</sup>Lecture, Departement of Economic, Economic and Management Faculty, IPB University, Bogor, Indonesia

## ABSTRACT

Indonesia's trade performance with traditional countries in the last five years experienced a deficit. This condition has an impact on the emergence of the national trade balance deficit. Ministry of Trade of the Republic of Indonesia in anticipating this implies a Market Diversification strategy. Through this strategy, Indonesia is expected to be able to develop its export performance in several developing countries that have significant market potential to explore. South Asia is one of the regions that have the potential to become Indonesia's new market destination. This study aimed to analyze new export markets, potential export commodities, and Indonesian export determinants in the South Asian region. The analytical methods used in this study included Revealed Comparative Advantage (RCA), Export Product Dynamic (EPD), Intra Industry Trade (IIT), Trade Complamantarity Index (TCI), and Gravity Model. The results show that five countries in the South Asian region have the potential to become Indonesia's new export market, namely India, Pakistan, Bangladesh, Sri Lanka, and Maldives. Indonesia's potential export commodities in each country are in the position of a rising star, falling star, and lost opportunity markets that are potential to be developed. Exports determinants that affect Indonesia's potential commodity exports in South Asia are importers GDP, differences in GDP per capita, geographic distance, commodity prices, real exchange rates, tariff barriers, and non tariff barriers. This results can be used as an insight for the government to create a relevant trade policy in the South Asian region.

**Keywords** : Market diversification, South Asia, RCA, EPD, IIT, TCI, Gravity Model

## I. INTRODUCTION

For the past two decades, Indonesian trade in the global market has only concentrated on traditional markets such as the United States, the European Union, China, Singapore, and Japan. Indonesia's trade performance with traditional countries in the last five years has decreased and tends to the deficit. Indonesia's trade balance deficit in traditional markets causes a deficit in the national trade balance. During 2014 to 2018 Indonesia's trade performance

decreased, the peak was in 2018 where Indonesia experienced a trade deficit reaching US\$ 8.49 Billion (The Ministry of Trade of the Republic of Indonesia, 2019).

A trade balance deficit followed by a negative capital account will cause a deficit in the current account, which in turn will cause a deficit in the balance of payments. In 2018, in line with the trade deficit, Indonesia experienced a deficit in the current account and balance of payments of US\$ 31,060 Million and

US\$ 7,131 Million, respectively (Central Bank of the Republic of Indonesia, 2019). A deficit in the trade balance followed by a deficit in payments can cause a weakening of the exchange rate, trigger inflation, and have an impact on the weakening economy.

The Ministry of Trade of the Republic of Indonesian applies the market diversification trading strategy to anticipate a deficit in Indonesia's trade balance. Through this strategy, the export destination that was previously focused on traditional markets is now shifting to several developing countries that provide significant market potentials, such as Latin American, Middle Eastern, South Asian, African, and Eastern European countries (The Ministry of Trade of the Republic of Indonesia, 2019).

South Asia is a potential region for Indonesia's trade targets. South Asia accounts for 21 percent of the total world population of 1.7 billion people, besides the economic growth of the South Asian region is high and stable with an average growth of 6 to 7 percent per year. South Asia's GDP growth exceeds Latin America, the Middle East, African, and Eastern Europe, which only reaches 2 to 4 percent (World Bank, 2019). From the trade side, Indonesia's export share with South Asia reaches 10 to 13 percent of the total world export share (UN Comtrade, 2019). Also, the level of Indonesia's trade competitiveness exceeds all countries in the South Asian region (World Economic Forum, 2018). It shows that the South Asian region has great potential to be developed as a new market destination for Indonesia.

Indonesia's export performance in the South Asian region is still focused on India. It can be seen from the share of Indonesia's exports to India in 2017, which reached 81 percent of Indonesia's total exports in the South Asian region (UN Comtrade, 2019). It shows that Indonesia is still underestimating the trade potential in other South Asian countries that have the potential to become an alternative market. Thus, this study aimed to analyze the potential of Indonesia's

new export market in the South Asian region; analyze Indonesia's potential export commodities in each potential export market in the South Asian region; and analyze the determinants of Indonesia's potential commodity exports in the South Asian region.

## II. METHODS AND MATERIAL

The main data used in this study were secondary data from several agencies related to the objective, such as the UN Comtrade, the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank, and the Center d'Etudes Prospectives et d'Informations Internationales (CEPII). The type of data used was panel data, namely data on Indonesia's potential commodity exports in seven South Asian countries from 2010 to 2017. The trade data used was export data with a four-digit Harmonized System (HS) code.

Analysis of Indonesia's trade conditions in the South Asian region was carried out with descriptive and quantitative statistics. Analysis of the potential of Indonesia's new export markets in the South Asian region used descriptive statistical methods. Analysis of Indonesia's potential export commodities in each of the new export countries in the South Asia region used the Revealed Comparative Advantage (RCA), Export Product Dynamic (EPD), Intra Industry Trade (IIT), and Trade Complementarity Index (TCI) methods. The determinant analysis of Indonesia's potential commodity exports in South Asia was carried out using the Gravity Model method in the form of panel data. Each analysis method used in answering the objectives of this study is presented in the following sections:

### A. Analysis of Indonesia's New Markets Potential in the South Asian Region

The determination of countries that are considered to be potential for Indonesia's new export market destinations in the South Asian region is based on the

criteria used in the research by Oktaviani et al. (2016) entitled Strategy on Indonesia's Trade Diplomacy with Potential Countries to be carried out in the Free Trade Agreements (FTA). This research focused on the potential of the export market in the Middle East and Africa. Based on this research, a country is seen as a potential destination for Indonesia's new export market with several criteria, including:

1. The economic growth of trading partner countries is based on the GDP growth of the country.
2. Positive growth in the value of Indonesia's exports to partner countries.
3. There has been no bilateral cooperation between Indonesia and partner countries. Although there has been bilateral cooperation, it has not been effective, as indicated by the low value of exports to that country.

**B. Analysis of Indonesia's Potential Export Commodities in the South Asia Countries**

Analysis of Indonesia's potential export commodities in each of the new export countries in the South Asia region used the Revealed Comparative Advantage (RCA), Export Product Dynamic (EPD), Intra Industry Trade (IIT), and Trade Complementarity Index (TCI) methods.

**1. Revealed Comparative Advantage (RCA)**

The level of competitiveness that will be analyzed in this study was the competitiveness of Indonesia's leading export commodities to South Asian countries. The RCA formulation used is as follows:

$$RCA = \frac{X_{ik}/X_i}{W_{ik}/W_i} \tag{1}$$

Where,  $X_{ik}$ = indonesia's export value for commodity i to South Asian countries;  $X_i$ = indonesia's total export value to South Asian countries;  $W_{ik}$ = world export value for commodity i to South Asian countries;  $W_i$  = total world export value to South Asian countries.

**2. Export Product Dynamic (EPD)**

The EPD indicator was used to measure the market position and performance of Indonesia's leading export commodities in the South Asian region. An EPD matrix is a combination of market attractiveness and business strength, where the combination produces the character of the market position of a product into four categories. The four categories are rising star, falling star, lost opportunity, and retreat (Esterhuizen 2006). The EPD formulation used in this study is as follows:

X axis: growth in business power or called the share of Indonesia's exports:

$$\frac{\sum_{t=1}^t (X_{ik}/W_{ik})_t \times 100\% - \sum_{t=1}^{t-1} (X_{ik}/W_{ik})_{t-1} \times 100\%}{T} \tag{2}$$

Y Axis: growth in market attractiveness or product market share:

$$\frac{\sum_{t=1}^t (X_t/W_t) \times 100\% - \sum_{t=1}^{t-1} (X_t/W_t)_{t-1} \times 100\%}{T} \tag{3}$$

Where,  $X_{ij}$ = value of Indonesia's exports products to South Asian countries;  $W_{ij}$ = the value of world product exports to South Asian countries;  $X_i$ = the total value of Indonesia's exports to South Asian countries;  $W_t$ = the total value of world exports to South Asian countries;  $T$ = number of years analyzed.

**3. Intra Industry Trade (IIT)**

The IIT index is used to analyze the level of bilateral trade integration between countries, where high integration shows the closeness of trade between these countries (Austria, 2004). The commonly used IIT index is the Grubel-Lloyd Index with the following formula:

$$IIT = \frac{\sum(X+M) - \sum|X-M|}{\sum(X+M)} \times 100 \tag{4}$$

Where,  $X$ = value of Indonesia's exports to South Asian countries in the t-year (US\$);  $M$ = value of Indonesia's imports from South Asian countries in the t-year (US\$).

**4. Trade Complementarity Index (TCI)**

The Trade Complementarity Index (TCI) is an indicator of trade performance. It is used to assess the suitability of a country's export profile with the import profile of its trading partners. The formulation of the TCI index is as follows (International Trade Departement, 2011):

$$TCI = 100 \left[ 1 - \sum_k \frac{|m_k^i - x_k^j|}{2} \right] \quad (5)$$

Where,  $TCI_{kij}$ = Trade Complementarity Index of products to i countries with j countries;  $m_k^i$ = the total share of i country imports of k products from the world market;  $x_k^j$ = the total export share of j country k products k to the world market.

**C. Analysis Determinants of Indonesia's Potential Commodities Exports in the South Asian Region**

Analysis determinants of Indonesia's potential commodity exports in the South Asian region used the Gravity Model approach. Some independent variables used in this modeling include the GDP of the destination country, differences in GDP per capita, geographical distance, commodity prices, real exchange rates, tariffs, and non-tariff measures. The model specification used in this study was a modification of the Gravity Model used by Rahman (2009), presented in equation 6.

$$\begin{aligned} & \text{Ln}X_{ijkt} \\ = & \beta_0 + \beta_1 \text{LnGDP}_{kt} + \beta_2 \text{LnDIFFGDPC}_{jkt} + \beta_3 \text{LnDIST}_{jkt} + \beta_4 \text{LnPRICE}_{it} \\ & + \beta_5 \text{LnRER}_{jkt} + \beta_6 \text{TARIFF}_{ikt} + \beta_7 \text{DUMMYNTM}_{ikt} + \epsilon_{ijt} \quad (6) \end{aligned}$$

Where,  $\text{Ln}X_{ijkt}$ = the value of commodity exports i from Indonesia to country k (US\$);  $\text{LnGDP}_{kt}$  = gross domestic product of the importing country (US\$);  $\text{LnDIFFGDPC}_{jkt}$ = difference between Indonesia's GDP per capita and country k in year t (US\$);  $\text{LnDIST}_{jkt}$ = geographical distance from Indonesia to country k in t (Km);  $\text{LnPRICE}_{it}$ = commodity prices in year t (US\$);  $\text{LnRER}_{jkt}$  = the real

exchange rate of Indonesia on export destination countries currencies in year t (Rp/ERk);  $\text{TARIFF}_{ikt}$ = tariff measures on commodity i in country k in year t (%);  $\text{DUMMYNTM}_{ikt}$ = dummy non-tariff set on commodity i in country k in year t. Value 1 if in that country a minimum of 1 SPS (Sanitary and Phytosanitary) or TBT (Technical Barriers to Trade) policy applies, value 0 if neither;  $\epsilon_{ijt}$ = error term; i= Indonesian export commodities in South Asian countries; j= Indonesia; k= South Asian countries; t= year;  $\beta_0$ = intercept; and  $\beta_1, \beta_2, \dots, \beta_7$  = slope.

**III. RESULTS AND DISCUSSION**

**A. Potential of Indonesia's New Market in the South Asian Region**

Based on the Global Competitiveness Index indicators reported by the World Economic Forum, Indonesia's competitiveness exceeds the competitiveness of all countries in the South Asian region. Indonesia's competitiveness has increased from 41<sup>st</sup> in 2017 to 36<sup>th</sup> in 2018. It shows that the South Asian region has great potential to be developed as a new market destination for Indonesia. The competitiveness position of Indonesia and the countries in South Asian region is presented in Table I.

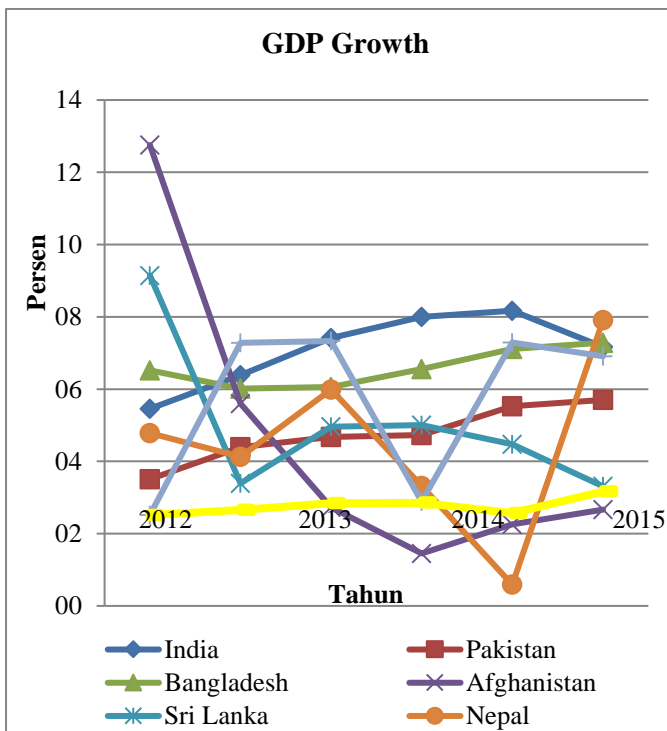
**TABLE I. COMPETITIVENESS POSITION OF INDONESIA AND SOUTH ASIAN COUNTRIES**

Countries	Global Competitiveness Index		Score 2018
	2017	2018	
Indonesia	41	36	4.68
India	97	82	4.59
Sri Lanka	71	85	4.08
Nepal	98	88	4.02
Bangladesh	106	99	3.91
Pakistan	122	115	3.67
Afghanistan	-	-	-

Maldives	-	-	-
----------	---	---	---

Source: World Economic Forum, 2018.

The superiority of Indonesia's competitiveness compared to other countries in the South Asian region is an indication of the large potential for exploring broader trade to South Asian countries. A large number of the market provided by countries in the South Asian region can be seen from the GDP growth, which grew above five percent during an unstable global economy and only grew by two to three percent during 2012-2017 (World Bank, 2019). During 2012-2017, almost all countries in the South Asia region experienced positive GDP growth, except Afghanistan, Sri Lanka, and Nepal, with unstable GDP growth. The GDP growth of countries in the South Asian region is presented in Figure 1.



Based on the growth of Indonesia's exports to partner countries in the South Asian region, it can be seen that the export value is promising, especially to Pakistan, Maldives, Bangladesh, and India, with an average growth of 3 to 15 percent. Meanwhile, Indonesia's export performance with Nepal, Sri Lanka, and Afghanistan over the past six years have

experienced negative growth. The growth of Indonesia's exports to trading partner countries in the South Asian region is presented in Table II.

**TABLE II. GROWTH IN INDONESIA'S EXPORTS TO TRADING PARTNER COUNTRIES IN THE SOUTH ASIAN REGION**

Country of Trading Partners	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Average Growth in Export Value
Pakistan	2.44	44.50	-2.72	1.44	18.82	15.51
Maldives	-2.99	26.19	4.05	21.73	-4.14	11.96
Nepal	66.88	11.61	47.21	-46.30	-35.92	-5.85
Bangladesh	-4.63	28.94	-2.67	-5.53	26.05	11.70
India	4.28	-6.00	-4.23	-13.96	39.53	3.84
Sri Lanka	14.45	-1.18	-11.61	-23.21	11.66	-6.09
Afghanistan	-9.48	52.13	-53.09	-55.34	24.47	-7.96

Source: UN Comtrade, 2019

Although Indonesia's export growth with Sri Lanka during 2012 to 2017 was negative, it was considered potential by the Indonesian government to be an alternative export market in the South Asian region. It can be seen from the government's efforts in opening trade negotiations with Sri Lanka to create cooperation in trade preferences (Indonesia-Sri Lanka Preferential Trade Agreement). Besides, Sri Lanka is considered to have the potential to be a trade hub for

Indonesia in entering the South Asian market and other regions. Sri Lanka has a port of Colombo, which is the busiest port in the South Asian region. This port is a trade hub for Southeast Asian countries in entering the markets of South Asia, Central Asia, Middle Eastern, African, and some European countries.

Activities of Indonesia's trade agreements and negotiations with countries in the South Asian region are presented in Table III.

**TABLE III. ACTIVITIES OF INDONESIA'S TRADE AGREEMENTS AND NEGOTIATIONS WITH COUNTRIES IN THE SOUTH ASIAN REGION**

Country	Date	Agreement / Negotiation
India	January 1, 2010-December 31, 2013	Elimination of tariffs on commodities in the Normal Track 1 category within the framework of the ASEAN-India Free Trade Agreement (AIFTA).
	January 1, 2010-December 31, 2016	Elimination and reduction of tariffs on commodities in the Normal Track 2 and Sensitive Track categories.
	January 1, 2010-December 31, 2019	Tariff reduction on the category of Highly Sensitive Lists.
Pakistan	February 3, 2012	Formation of the Indonesia-Pakistan Preferential Trade Agreement (IPPTA).
	January 27, 2018	The Agreement on the new protocol to the Preferential Trade

		Agreement between the Governments of Indonesia and Pakistan.
Bangladesh	January 28, 2018	Indonesia-Bangladesh PTA (IB-PTA) negotiations.
	February 27, 2019	The first Indonesia-Bangladesh PTA negotiation were held in Dhaka, Bangladesh
Sri Lanka	August 25, 2017	Indonesia and Sri Lanka explore the formation of the Indonesia-Sri Lanka Preferential Trade Agreement.
Maldives	-	There is no specific negotiation on trade between Indonesia and the Maldives.
Afghanistan	May 7, 2018	Ministry of Trade of the Republic of Indonesia held a three-day export and import training program for Afghan entrepreneurs in Kabul, Afghanistan.

Source: The Ministry of Trade of the Republic of Indonesia, 2019

Based on the improved macroeconomic conditions of the destination countries, the positive growth of Indonesia's exports, and the lack of optimal trade cooperation that has been established, it can be concluded there are five potential countries for Indonesia's new export market destinations in South Asian region namely, India, Pakistan, Bangladesh, Maldives, and Sri Lanka .

**B. Indonesia's Potential Export Commodities in South Asian Countries**

Indonesia's export commodities that have high trade potential in the South Asian countries are the result of the gradual identification of trade indicators, namely RCA, EPD, IIT, and TCI. Based on the four

trade indicators, the characteristics of potential export commodities in partner countries are highly competitive, have a good market position, and are in accordance with the import demands of partner countries. Indonesia's potential export commodities in five South Asian countries are presented in Table IV.

**TABLE IV. INDONESIA'S POTENTIAL EXPORT COMMODITIES TO FIVE SOUTH ASIAN COUNTRIES**

Importer Countries	The market position of each commodity		
	Rising star	Lost opportunity	Falling star
India	HS 2701, HS 2915, HS 3201, HS 4001, HS 4409, HS 4802, HS 7408, and HS 8001	HS 0802, HS 0901, HS 1511, HS 1513, HS 2603, HS 2702, HS 3002, HS 4703, HS 1905, HS 3401 and HS 4810	
Pakistan	HS 0802, HS 1511, HS 1513, HS 2306, HS 3401, HS 4001, HS 4703, HS 4802, and HS 5504	HS 0902, HS 2701, HS 3806, HS 3823, HS 3920, HS 3401, HS 1905, HS 4810, and HS 5509	
Bangladesh			HS 0802, HS 1203, HS 1511, HS 3907, HS 5206, HS 5503, HS 5504, HS 5510, and HS 9607
Sri Lanka			HS 0305, HS 0802, HS 3004, HS 3808, HS 4001, and HS 4802
Maldives	HS 4902, HS 3208, HS 3401, HS 3402, HS 3808, HS 3925, HS 4409, HS 8711, HS 9401, HS 9403, and HS 9404	HS 0403, HS 1511, HS 1905, HS 3304, HS 3305, HS 4418, HS 4420, HS 4802, and HS 6802	

**C. The Determinant of Indonesia's Potential Commodities Exports in the South Asian Region**

In this study, only five potential Indonesia's export commodities in the South Asian region will be taken for the analysis of export determinants. The selection of these five commodities is inseparable from data limitations, where the five countries have different export demands and performance that are not continuous during the research year, making it

difficult to conduct panel data analysis. The five commodities analyzed were Indonesia's potential export commodities in the South Asian region that were consistently traded in five South Asian countries during the study year (2010-2017). The export commodities that will be analyzed for their export determinants in South Asia include other nuts (HS 0802); palm oil and its fractions (HS 1511); bread, pastry, cakes, biscuit and other baker's wares (HS 1905); soap and its derived product (HS3401) and

paper (HS 4802). The estimated results of the export determinant model for the five potential Indonesian commodities in the South Asian region are presented in Table V

**TABLE V. ESTIMATED MODEL OF INDONESIA'S TRADE FLOW EQUATION TO SOUTH ASIA**

Independent variable	Commodities				
	0802	1511	1905	3401	4802
LNGDP	1.3643**	1.1064**	0.1044*	0.1623	0.2268**
LNDIST	3.3946**	-1.8023*	5.4697**	11.400**	3.1363**
LNPRICE	-0.4774*	0.0782	-0.7631**	-3.0686**	-0.2328**
LNRRER	3.8489**	-1.0405**	0.8824**	0.4031	-0.9777**
TARIFF	0.0019	0.0046	0.0039	-0.0397**	-0.0103
DUMMYNTM	-1.0560**	0.3866	-0.121	-0.0583	-0.6936**
LNDIFGDPC	-0.2314*	0.7409**	-0.0688	-0.3721**	-0.0984*
Model	CEM	CEM	CEM	FEM	FEM
Chow test	0.0577	0.8138	0.0716	0.0003	0.0004
Hausman test	0.1830	0.2193	0.2341	0.0427	0.0001
LM test	1.0000	1.0000	1.0000	1.0000	1.0000
R-squared	0.9202	0.9527	0.8770	0.5651	0.8502
Prob-F	0.0000	0.0000	0.0000	0.0003	0.0000
Breusch Pagan	0.0027	0.1076	0.9412	0.0513	0.0058
Woldridge test	0.0033	0.0933	0.0041	0.0255	0.0382

\*\* the significant level at the 5 percent

\* the significant level at 10 percent

The prediction results show that the best panel data model chosen is in five different commodities. In the commodity of other nuts (HS 0802); palm oil and its fractions (HS 1511) ; and bread, pastry, cakes, biscuit, and other baker's wares (HS 1905), the best panel model chosen is the Common Effect Model (CEM), while the for soap and its derived product (HS 3401) and paper product (HS 4802) selected are the Fixed Effect Model (FEM). The selection of the best model was based on Chow, Hausman, and Lagrange

Multiplier (LM) test. In addition, the five models produced have fulfilled the classic assumptions of the model estimation, so the models are Best, Linear, Unbiased, and Estimator (BLUE).

The prediction results show that in general, the GDP of the destination country significantly influences the

export demand of four commodities except for soap and its derived product. This finding is in line with research by Muhammad (2008).

Geographical distance has significantly affects the export demand of the five commodities with different effects. In the commodity of other nuts; bread, pastry, cakes, biscuit, and other baker's wares; soap and its derived product; and paper, geographical distance has a positive effect on export demand for the four commodities. This condition shows that geographical distance causes high transportation costs so that Indonesia will increase its exports to cover these costs that the value of Indonesia's exports will increase. This finding is in line with research by Lawless and Whelan (2007) and Lembang and Pratomo (2013).

Commodity prices, in general, have a significant negative effect on Indonesia's potential commodity



exports, except for palm oil. An increase in export prices will reduce the demand for other nuts; bread, pastry, cakes, biscuit, and other baker's wares; and paper. In the palm oil commodity, the price does not significantly influence export demand this is because Indonesia is a major exporter in South Asia (Sunardi, 2015).

The real exchange rate has a significant positive effect on the fighting other nuts; bread, pastry, cakes, biscuit, and other baker's wares; and soap and its derived product. It reveals that, when the Indonesian rupiah depreciates against the currencies of importing countries, it will increase the export demand for these three commodities in South Asia. While for the palm oil commodity, the real exchange rate does not significantly influence the demand for Indonesian palm oil exports in South Asia. This is in line with the findings on price variables, where palm oil commodities are inelastic to price changes either affected by changes in exchange rates or price fluctuations directly. On paper commodities, the real exchange rate has a negative effect.

Tariff barriers only have a significant effect on soap and its derived product, while non-tariff barriers such as Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) have a significant effect on the other nut and paper negatively. This condition requires Indonesia to improve the quality of its product so the exports of these two commodities are not obstructed by standard production procedures in the destination country.

The difference in GDP per capita between Indonesia and the importing country has a significant effect on Indonesia's potential export commodities in the South Asian region. In the commodity of other nuts; bread, pastry, cakes, biscuit, and other baker's wares; soap and its derived product; and paper, the difference in GDP per capita has a negative effect on the export demand of the four commodities. These results support Linder's hypothesis, which explains that a country's export performance will increase in

countries that have relatively similar GDP per capita. This finding is in line with research by Rahman (2009) and Chandran (2018).

On palm oil commodities, the difference in GDP per capita has a positive effect on demand for Indonesian exports. Positive values on the variable of difference in GDP per capita are following the Heckscher-Ohlin hypothesis. The Heckscher-Ohlin hypothesis predicts that countries with unequal per capita income will trade more. Positive results from differences in GDP per capita can be used as an approach in explaining differences in endowment factors that have a positive effect on exports (Lehmann dan Zarzoso, 2003).

#### IV. CONCLUSION AND RECOMMENDATIONS

Five countries are considered potential to become Indonesia's main trade partners in the South Asian region, namely India, Pakistan, Bangladesh, Sri Lanka, and the Maldives. Export commodities that have the potential to be developed in the five countries have characteristics such as high competitiveness, good market position, and following the import demands of trading partner countries. The export performance of these commodities is influenced by several factors, namely, differences in GDP per capita, economic distance, partner country populations, commodity prices, real exchange rates, and tariff barriers. The results of this study can be used as an illustration for the government to make relevant trade policies in the South Asian region.

The Indonesian government is expected to explore greater trade in other countries in the South Asian region such as Pakistan, Bangladesh, Sri Lanka, and the Maldives, which currently only controls 15 percent of Indonesia's total exports in the South Asian region. The expansion of trade exploration in the South Asian region can be created if the Indonesian government actively negotiates trade with partner countries in creating trade agreements to reduce trade barriers between the two countries. Besides, the

Indonesian government must trade export commodities that are suitable for the import demands from destination countries.

## V. REFERENCES

- [1]. Austria MS. 2004. The Pattern of Intra-ASEAN Trade in the Priority Goods Sectors. Final Main Report, 3/006e: 1-176.
- [2]. BI (Central Bank of the Republic of Indonesia). 2019. Neraca Pembayaran: Ringkasan . downloaded on Feb 2019]. Available on: <https://www.bi.go.id/id/statistik/seki/terkini/eksternal/Contents/Default.aspx>.
- [3]. Chandran BPS. 2018. Trade Impact of the India-ASEAN Free Trade Agreement (FTA): An Augmented Gravity Model Analysis. Working Paper Series. VVM's Shree Damodar College of Commerce and Economics. (10).
- [4]. Esterhuizen D. 2006. Measuring and Analysing Competitiveness in the Agribusiness Sector: Methodological and Analytical Framework. E-Book Chapter Three. University of Pretoria Etd.
- [5]. International Trade Department. 2011. Trade Competitiveness Diagnostic Toolkit Version 1.0.
- [6]. Kemendag (The Ministry of Trade of the Republic of Indonesia). 2019. Various publication. downloaded on Feb 2019-Jun 2019]. Available on: <http://www.kemendag.go.id/id/economic-profile/indonesia-export-import/balance-of-trade-with-trade-partner-country?negara=116>.
- [7]. Lawless M, Whelan K. 2007. A Note on Trade Costs and Distance. Working Paper Series. UCD Centre for Economics Research. (16).
- [8]. Lehmann FN, Zarzoso IM. 2003. Augmented gravity model : An empirical application to Mercosur-European Union trade flows. *Journal of Applied Economics*. Vol VI no. 2. November 2003.
- [9]. Lembang MB, Pratomo Y. 2013. Ekspor Karet Indonesia Ke-15 Negara Tujuan Utama Setelah Pemberlakuan Kebijakan ACFTA. *Trikonometrika*.12(1):20-31.
- [10]. Muhammad K. 2008. Trade in South Asian Region (SAARC)- Evidence from Gravity Model. EDOCIF Research Paper. Paris (FR): Dauphine University Paris.
- [11]. Oktaviani R, Novianti T, Puspitawati E, Panjaitan DV, dan Amaliah S. 2016. Strategi Diplomasi Perdagangan Indonesia dengan Negara Potensial untuk Dilakukan Free Trade Area (FTA). Laporan Akhir Penelitian]. Bogor (ID). Institut Pertanian Bogor
- [12]. Rahman MM. 2009. Australia's Global Trade Potential: Evidence from The Gravity Model Analysis. Oxford Business & Economics Conference Program. ISBN: 978-0-9742114-1-9. London (UK): Oxford University.
- [13]. Sunardi D. 2015. Analisis Daya Saing dan Faktor Penentu Ekspor Komoditas Unggulan Indonesia ke Organisasi Kerjasama Islam (OKI). Tesis]. Bogor (ID). Institut Pertanian Bogor.
- [14]. UN Comtrade (United Nations Commodity Trade Statistics Database). 2019. Various publication. downloaded on Feb 2019-Apr 2019]. Available on: [www.wits.worldbank.org](http://www.wits.worldbank.org).
- [15]. WB (World Bank). 2019. World Development Indicator. downloaded on Feb 2019]. Available on : <https://databank.worldbank.org/data/source/world-development-indicators>.
- [16]. WEF (World Economic Forum). 2018. The Global Competitiveness Report 2018. downloaded on Mar 2019]. Available on: <http://reports.weforum.org/global-competitiveness-report-2018>

**Cite this article as :** Mohammad Ali Nur Sidiq, Muhammad Findi, Muhammad Firdaus, "The Analysis of New Market Potentials and Determinants of Indonesian Export Commodities in the South Asian Region", *International Journal of Scientific Research in Science, Engineering and Technology (IJSRSET)*, Online ISSN : 2394-4099, Print ISSN : 2395-1990, Volume 6 Issue 5, pp. 254-263, September-October 2019. Available at doi : <https://doi.org/10.32628/IJSRSET196552>  
Journal URL : <http://ijsrset.com/IJSRSET196552>