



Analysis of East Java Tobacco Competitiveness in the International Market

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ABSTRACT

Tobacco production in East Java Province experienced various problems that caused the export performance of East Java Province tobacco to fluctuate in the international market. This study aims to analyze the comparative and competitive competitiveness of East Java Province tobacco exports in the international market from 2007 to 2021. The analytical method used in this study is Revealed Comparative Advantage (RCA) to analyze comparative competitiveness and the Trade Specialization Index (TSI) or Trade Specialty Index (ISP) to analyze competitive advantage. Based on the results of the RCA analysis, it shows that East Java Province's tobacco exports in the international market have strong comparative competitiveness because the RCA value is greater than 1, with an average value of 16.31. ISP analysis results are less than 0 to 1 or negative, with an average value of -0.26. The ISP value of East Java tobacco exports indicates that East Java Province tends to be an importer rather than an exporter and is in the import substitution stage. The need for large consumption should be met by domestic production to reduce tobacco imports due to the high comparative competitiveness of East Java tobacco in the international market.

Keywords: Competitiveness, Revealed Comparative Advantage (RCA), Trade Specialization Index (TSI)

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INTRODUCTION

Tobacco is a mainstay plantation sub-sector in East Java. East Java is the largest tobacco-producing center of the three provinces. The average contribution of the province of East Java to the average tobacco production in Indonesia is 43.45% (Nainggolan et al., 2021). Tobacco-producing areas in East Java include Madura, Bojonegoro, Lamongan, Jember, Lumajang, Bondowoso, Situbondo, and Probolinggo. Tobacco is a very commercial commodity, so its existence needs to be maintained and further enhanced (Mu'min et al., 2018). Tobacco production in East Java Province is carried out to meet domestic and foreign needs through export activities. However, East Java Province's tobacco production fluctuated in the period 2007–2021. This is caused by the sensitivity of tobacco to cultivation methods, season and weather, and processing methods. East Java's tobacco production is not processed as food but as the main raw material in the cigarette industry. These factories have greatly contributed to the economic and social life of the local community (Khairiyah et al., 2019). The tobacco processing industry has the largest contribution to East Java's GRDP and is a potential labor-absorbing industry from upstream to downstream. The higher the production of cigarettes, the higher the demand for tobacco as a raw material. This provides benefits for tobacco farmers.

This provides benefits for tobacco farmers. The amount of Indonesian tobacco production is negatively related to the volume of Indonesian tobacco exports. The rupiah exchange rate against the US dollar shows a positive and significant effect on the volume of Indonesian tobacco exports. The price of tobacco on the international market shows a negative relationship with the volume of Indonesian tobacco exports (Nainggolan, 2021). The rupiah exchange rate against the US dollar and export

prices have a significant relationship with Indonesian vanilla exports. Domestic production and consumption of vanilla have a significant positive effect on Indonesian vanilla export volume. Indonesian vanilla export volume does not have a significant effect on Indonesia's economic growth (Anggraeni, 2018).

An increase in cigarette production indicates an increase in cigarette consumption. This increase in cigarette consumption provides benefits for the tobacco processing industry and tobacco farmers but, on the other hand, has a negative impact on public health, thus triggering the government to implement regulations related to safeguarding the consumption of tobacco products, namely Government Regulation Number 109 of 2012, which regulates cigarette products, the inclusion of information, health alerts, sales, and control of advertising media. In addition, the government has also stipulated an increase in tobacco excise duty in the hope that the growth in tobacco product production can be controlled and lead to a decrease in cigarette consumption. The government, through the Ministry of Finance Regulation (PMK) Number 2/PMK.07/2022 concerning Details of Tobacco Excise Revenue Sharing Funds by Province, Region, or City for the 2022 Fiscal Year, has set a policy on Tobacco Products Excise Tariffs (CHT) for 2022 to increase by an average of 12.5%.

CHT rates always increase every year and cause a reduction in the tobacco processing industry in East Java Province. The number of tobacco processing industries in East Java until 2019 only remained at 344 companies (Central Bureau of Statistics for East Java Province, 2019). This will have an impact on reducing the demand for tobacco as a raw material and will threaten the welfare of tobacco farmers as a supplier of raw materials (Prajanti, 2021). The tobacco sector and its processing

industry must continue because so many depend on them. One alternative that can be done to support the sustainability of the tobacco sector while still controlling tobacco consumption is export activity (Nasim & Gunawijaya, 2021). However, East Java's tobacco exports tend to fluctuate from 2007 to 2021. Tobacco commodities account for 2.5% of East Java's total exports in 2020 (Central Bureau of Statistics for East Java Province, 2022). East Java Province is one of the largest exporters of tobacco to various countries, such as Singapore, Malaysia, Japan, the United States, and several European countries.

Singapore is the main export destination country for East Java Province. Even so, this has not been able to improve Indonesia's position as the largest tobacco exporter in the world. The large number of export destination markets motivates tobacco-producing countries to increase their market share and export value. East Java Province itself contributes almost 100% to Indonesia's tobacco exports. Various pressures on the domestic tobacco production and processing industry indicate an urgency for the province of East Java to increase tobacco exports to the international market. In addition, maximizing tobacco exports can also cover expenses due to imports of tobacco leaves, so that the East Java tobacco trade remains surplus. Therefore, knowing the competitiveness of East Java Province's tobacco exports is considered important so that the government can find out whether the tobacco has competitiveness both competitively and comparatively and what kind of policy can be taken to maximize East Java's tobacco exports.

Competitiveness itself can be defined as the ability of a country or company to compete with other countries or companies in marketing their products or services in the global market (Rasyid, 2018). Competitiveness is the key for a company, region, or country to succeed

in participating in the era of globalization and world free trade (Sinaga et al., 2017). Competitiveness plays an important role in international marketing. If the competitiveness of East Java tobacco is increased, the export value of tobacco commodities will also increase. High exports in certain sectors, such as crude oil, coffee, and palm oil, can have a significant economic impact on Indonesia. In addition, exports can also bring other benefits, such as increasing employment, increasing technological capabilities, and strengthening trade relations with partner countries (Wasnik, 2020).

According to Nasution and Yusuf (2018), tobacco exports have a positive and significant influence on exports in North Sumatra. This can be seen from the value of the coefficient of determination (R^2) of 0.994, which indicates that the tobacco export variable makes a large contribution to the export variable in North Sumatra (Nasution & Yusuf, 2018). Rasyid et al. (2018) conducted research on the competitiveness of Indonesian tobacco commodities and their implications for domestic products using the TBI method and regression analysis. This study states that the competitiveness of the Indonesian tobacco trade has decreased. Harya (2018) analyzes the factors that influence efforts to increase the competitiveness of East Java cocoa. This study uses Porter's Diamond method and multiple linear regression analysis. The results showed that in general, the East Java processed cocoa industry was uncompetitive, and there were three factors that significantly influenced cocoa competitiveness: export volume, export prices, and cocoa productivity. Research Results Wasnik et al. (2020), entitled An Analysis of Trend Export Competitiveness of Tobacco in India, show that the trend of domestic tobacco prices is declining at a slowly increasing rate, while the trend of international tobacco prices is increasing at an increasing rate. The NPC

value is 0.43, which means that tobacco exports are highly competitive at the international level and the commodity is not protected on the international market. Research by Winarno et al. (2018), entitled *Competitiveness Analysis of Robusta Coffee in East Java, Indonesia*, uses PAM and PCR analysis. The results showed that comparative advantage was worth 0.3789 and competitive advantage was worth 0.4421, which means that Robusta coffee in East Java has competitiveness. Auliya's (2019) analyzed international tobacco competitiveness for the 2011–2016 period. The results of the study show that the tobacco commodity has the potential to compete in the international tobacco market.

Research related to competitiveness was then carried out on fellow plantation commodities, namely tea. Zulvani's research shows that the trend in the RCA value of Indonesian tea exports in the 2008–2017 period tends to decrease (Zulvani, 2019). Lestari et al. (2022) examine the factors affecting exports, commodity market penetration, and the exchange rate of exports to encourage economic growth in the province of South Sulawesi. The research uses RCA, IEMP, and 2SLS methods. Investment has no significant effect on exports and economic growth in South Sulawesi. Commodity competitiveness has a significant negative effect on South Sulawesi's economic growth. Bilateral agreements have a significant effect on exports and support South Sulawesi's economic growth. Market penetration has a significant effect on exports and supports economic growth in South Sulawesi. The exchange rate has a significant effect on exports and encourages South Sulawesi's economic growth.

Hidayati & Suhartini's (2018) research regarding the competitiveness of Indonesian banana exports in the Asean market uses the RCTA and ISP analysis

tools. The results of the study show that Indonesia's banana exports are ranked fourth for comparative competitiveness. Indonesian banana exports in the Asean market have competitive competitiveness, or the ability to strengthen trends in the international market, and have the ability to compete in the banana trade with other countries (Hidayati & Suhartini, 2018). Research by Falatehan et al. (2018) analyzed the comparative and competitive advantages of Indonesian tobacco using PAM analysis. The results showed that the DRC and PCR values in the PAM matrix were less than 1, which means that Temanggung tobacco, Central Java, has comparative and competitive advantages. Research by Nainggolan et al. (2021), who analyzed the factors that influenced Indonesia's tobacco exports from 1990 to 2019, showed that the amount of Indonesian tobacco production was negatively related to the volume of Indonesian tobacco exports. The rupiah exchange rate against the US dollar shows a positive and significant effect on the volume of Indonesian tobacco exports. The price of tobacco on the international market shows a negative relationship with the volume of Indonesian tobacco exports. Safitri's research (2018), entitled *Prospects for Competitiveness and Specialization of Indonesian Pepper Export Trade in Asian Markets in 2006–2016*, analyzes comparative competitiveness using RCA and competitive advantage using ISP. The results of the analysis using the RCA method show that Indonesian pepper has a comparative advantage in the markets of Vietnam, India, Singapore, and China. Meanwhile, in the Japanese and Malaysian markets, Indonesian pepper does not have a comparative advantage. The results of the analysis using the ISP method show that the Indonesian pepper commodity has a competitive advantage in the markets of Vietnam, India, Singapore, Japan, and Malaysia, while in the Chinese market, this

commodity does not have a competitive advantage because it has a negative average ISP value.

Putra et al. (2022) entitled Analysis of Indonesian Tobacco Export Competitiveness in the International Market using the RCA and ECI methods shows that Indonesian tobacco is in 4th place after Malawi, Brazil, Belgium, China, and India. $ECI > 1$, which means that Indonesian tobacco has strong competitiveness in the international market. The results of multiple linear regression indicate that the volume of Indonesian tobacco exports in the international market is influenced by the US dollar exchange rate, which is a negative effect. Fitrianti (2022), entitled COVID-19 and Indonesian Tobacco Commodity Export Competitiveness, shows that the competitiveness of Indonesian tobacco exports has changed from before the COVID-19 pandemic to during the COVID-19 pandemic. Indonesia's tobacco competitiveness still survives despite the pandemic. Indonesian tobacco is still in great demand in the main export destination market. Diartho (2020) using the RCA and AHP methods shows that the tobacco commodity has the strongest competitiveness in Jember Regency with a value of 5.45.

Bangun (2022) examines trade specialization and the competitiveness of North Sumatra Province fruits in the international market using the RCA, ISP, IMD, and SSR analysis tools. The results showed that the fruits of North Sumatra have a comparative advantage in world trade based on the results of calculations with RCA. The performance of North Sumatra's fruit trade showed a surplus, but its growth has slowed down. The fruit commodity has reached the growth stage, has strong competitiveness, and tends to become an exporting area in world trade. Amanda & Rosiana's (2023) analyzed the competitiveness of Indonesian coffee in the 2011–2021 period using RCA, DRCA,

and ISP. The results showed that there was a decline in the competitiveness of Indonesian coffee in the international market, even though Indonesia is currently at maturity.

Nurafifah (2023) analyzed the factors that influenced Indonesia's tobacco exports to the Philippines from 2007–2021. This research shows that the amount of production, the international price of tobacco, the real GDP of the Philippines, and the number of active smokers in Indonesia affect Indonesia's tobacco exports to the Philippines in 2007–2021. Nasim & Gunawijaya (2021) states that Indonesian tobacco and its derivative products have strong export potential, with an export value of 17.5–34.9 billion USD. This means that the Indonesian government needs to make a policy to deal with the potential of tobacco in order to meet international tobacco quality standards. Maintaining and increasing the competitiveness of export commodities is a major challenge for East Java Province, which is the center of tobacco production in Indonesia. The objectives of this research are: (1) To analyze the comparative competitiveness of East Java's tobacco commodity exports in the international market. (2) To analyze the competitiveness of East Java's tobacco exports in the international market. Previous studies have never discussed tobacco exports within the province. This research will discuss how tobacco exports are within the province's scope in order to produce the right policy recommendations for the provincial government, especially in increasing revenue. In addition, this research will also use East Java Province tobacco export data for 2007–2021, which has not been studied before.

METHODOLOGY

This study uses secondary time series data from the East Java Central Bureau of Statistics (BPS), the East Java Provincial Plantation

Service, the International Trade Center, UNCOMTRADE, and other sources related to this research. The object of research is East Java Province tobacco exports from 2007 to 2021. The data used in this study are East Java Province tobacco export values 2007–2021, East Java Province tobacco import values 2007–2021, East Java Province export values of all commodities 2007–2021, the value of world tobacco exports 2007–2021, and the value of all world commodities in 2007–2021. The tobacco referred to in this study is dry tobacco leaves that have not gone through a manufacturing process, namely tobacco with the HS code 2401. Measurement of competitiveness to determine the level of comparative advantage of East Java Province tobacco exports in the international market uses the Revealed Comparative Advantage Index (RCA) method.

According to Muharami & Novianti (2018), the RCA method is a method for determining the comparative advantage of a commodity in a region. RCA is considered a better measure for estimating the comparative competitiveness of an economy and eliminates the problem of double counting in international trade. RCA is also used to gain knowledge about companies or industries that show comparative losses but have the potential to gain competitiveness in exports over time (Septiana & Wahyuningsih, 2020). The RCA index in this study is calculated by the formula:

$$RCA = \frac{X_{ij}/X_j}{X_{iw}/X_w}$$

RCA is the RCA Index; X_{ij} is the value of East Java Province tobacco exports (USD/year); X_j is the total export value of all East Java Province commodities; X_{iw} is the value of world tobacco exports; X_w is the total export value of all world commodities. The RCA index suggests two possibilities. If the RCA index value is greater than one ($RCA > 1$), then the region

has a comparative advantage (above the world average); if the RCA value is less than one ($RCA < 1$), it means that the region has a low comparative advantage or is below the world average (Rochmat et al., 2018).

Measuring competitiveness in terms of competitive advantage to answer the second objective uses the Trade Specialization Index (ISP) or the Trade Specialization Index (TSI). The ISP formulation in this study is systematic as follows:

$$ISP = \frac{(X_{tj} - M_{tj})}{X_{tj} + M_{tj}}$$

ISP terms are between -1 and +1. If the ISP value is positive, then the commodity has strong competitiveness and the region has the potential to export the product. If the ISP value is negative, then the commodity has no competitiveness and tends to become an importer (Bustami & Hidayat, 2013). According to the Ministry of Trade (2008), ISP can be used to identify the growth rate of a commodity in trade. These levels are divided into five stages, namely the introduction stage, where the isp value is between -1 and -0.50; the import substitution stage, where the isp value is between -0.51 and 0.00; the growth stage, where the isp value is increasing between 0.01 and 0.80; the maturity stage, where the isp value is in the interval from 0.81 to 1.00; and the re-import stage, where the isp value again decreases between 1.00 and 0.00.

RESULTS AND DISCUSSION

East Java Province is the main area for producing various types of tobacco in Indonesia. East Java Province is also known as the largest tobacco product processing center in Indonesia due to the large number of cigarette factories, from small to large. The tobacco and tobacco products industries play a major role in the economy of East Java Province, both in the upstream and downstream sectors.

The main tobacco-producing areas in East Java are Jember, Probolinggo, Situbondo, and Bojonegoro. Tobacco production in East Java Province is used to meet domestic needs as the main raw material for making cigarettes and is sold to foreign markets.

East Java's tobacco export volume shows stagnation with a downward trend throughout the 2007–2021 period, from around 42 thousand tons in 2007 to only 25 thousand tons in 2021. The average East Java tobacco export volume is 35,394,356 kg. The highest export volume occurred in 2010, with a total export volume of 54,549,269 kg. The lowest export volume occurred in 2021, with a total export volume of 25,446,888 kg. This happened because East Java's tobacco production has decreased since 2020 due to the COVID-19 pandemic, which has weakened the purchasing power of cigarettes (Astuti, 2023).

The export value of East Java tobacco tends to fluctuate, with an average export value of USD 159,028,119. Even though the volume of East Java tobacco exports has decreased, the export value has continued to increase. The export value of East Java tobacco in 2021 will be

USD 206,305,654, which is the highest export value throughout the 2007–2021 period. East Java's tobacco production has not fully met the raw material needs of the domestic cigarette industry. The high domestic demand for tobacco in East Java Province has resulted in East Java Province still importing raw materials for making cigarettes. East Java Province's tobacco imports for HS code 2401 tend to fluctuate and are above exports. The development of East Java tobacco imports The volume of East Java tobacco imports for the 2007–2021 period has fluctuated. The average import volume for 15 years is 58,695,744 kg. The highest import volume occurred in 2012, amounting to 99,078,750 kg. The highest increase in import volume also occurred in that year, with an increase of more than 200%. Import volume after 2012 decreased for three consecutive years. The decline in the volume of tobacco imports in 2013 was followed by a decrease in domestic tobacco production. This happened because the excess production from 2012 had fulfilled the need for raw materials for cigarette factories, so many cigarette factories did not make purchases (Office of Communication and Information, East Java Province, 2013).

Table 1.
Results of RCA Index Analysis of East Java Tobacco Exports

Year	RCA Value	RCA Growth
2007	15,42	-48%
2008	18,36	19%
2009	16,55	-10%
2010	17,08	3%
2011	11,54	-32%
2012	13,85	20%
2013	17,64	27%
2014	14,47	-18%
2015	13,04	-10%
2016	8,86	-32%
2017	9,93	12%
2018	14,02	41%
2019	17,79	27%
2020	19,17	8%
2021	20,66	8%
Average RCA	15,23	

The RCA calculation is measured based on the export performance of the East Java Province tobacco commodity relative to the total exports of all East Java Province commodities compared to the performance of world tobacco exports relative to the total exports of all world commodities. The data used in this study is tobacco export data in the form of unmanufactured dry leaves (unmanufactured tobacco) with HS code 2401. The RCA value obtained from the analysis results is worth more than 1. The average RCA value of East Java Province tobacco exports is 15.23. This shows that East Java Province tobacco has comparative competitiveness in the international market or is above the world average. The development of the RCA value of East Java Province tobacco exports for the period 2007–2021 shows a fluctuating pattern of development. The competitiveness of East Java tobacco exports from 2006 to 2016 fluctuated and experienced a very drastic decline of 32.4% in 2011. This decline had an impact on the competitiveness of Indonesian tobacco exports in that year, and based on research by Putra et al. (2015), the RCA value of Indonesian tobacco exports is below one and is the lowest value from 1970 to 2014. The competitiveness of East Java tobacco exports then increased by 20–27% in 2012–2013. In the following year, the competitiveness of tobacco exports decreased again and continued to decline to its lowest point in 2016.

The RCA value in 2016 was 8.55, which was the lowest value throughout the 2007–2021 period. In 2016, East Java exported 25,590,767 kilograms of tobacco, and this was due to a drastic decline in production due to the impact of the La Nina phenomenon. This phenomenon makes the weather during the dry season in Indonesia, especially East Java, wetter, so floods often occur and cause tobacco crop failure (BPS Jawa Timur, 2019). The drastic decline in East Java's tobacco production

had an impact on exports. This is in line with Dana and Hasan's (2016) research, which states that changes in domestic production volume affect the performance of tobacco exports.

From 2017 to 2021, the competitiveness of East Java's tobacco exports will continue to increase. East Java tobacco in the international market has the greatest comparative competitiveness with a value of 20.66, namely in 2021. The highest increase in the RCA value occurred in 2018, which was 41% from the previous year. The average RCA value in the 2017–2021 period is quite large, namely 16.31. This indicates that the comparative competitiveness of East Java Province tobacco exports is getting better. According to Anggraini (2018), even though the tobacco commodity has a bad influence on human health, East Java tobacco makes the biggest contribution to tobacco exports at the national level because this commodity contributes more than 30% to exports annually.

The highest RCA value of 20.66 occurred in 2021. This occurred because the export value of East Java tobacco was increasing despite a decline in tobacco production and export volume. East Java's tobacco export volume fluctuated with a downward trend from 2007, which ranged from 42 million kilograms to only 25 million kilograms in 2021. However, the value of these tobacco exports increased by 48%. This means that East Java tobacco in the international market has competitiveness, which causes the price or value of the tobacco to increase. According to Nasim and Gunawijaya (2021), the high value of tobacco exports, even though the volume is relatively low, indicates that Indonesia is capable of exporting good-quality tobacco commodities so that they can be sold in international markets at high prices. East Java has the opportunity to dominate the international market for tobacco commodities. Therefore, East

Java Province must improve quality and ensure the continuity of the supply of exported tobacco. Improving the quality of domestic tobacco can cover the deficit due to the large number of tobacco imports and help benefit tobacco farmers. Trade Specialization Index analysis is used to see whether a region for a particular commodity tends to be an exporter or an importer. The Trade Specialization Index is also used to determine the competitiveness of East Java Province's tobacco exports in the international market in terms of competitive advantage. This index indicates demand

and supply. Demand is related to imports, while supply is related to exports. ISP score indicators range from -1 to +1. A positive ISP value indicates that the East Java Province tobacco commodity has strong competitiveness and tends to become an exporter. If the ISP value is negative, it means that the East Java Province tobacco commodity has weak competitiveness and tends to become an importer. Similar to the comparative competitiveness analysis, the competitive competitiveness analysis also uses East Java Province tobacco export data for 2007–2021 with HS code 2401.

Table 2.
ISP Result

Year	East Java Tobacco Export Value (USD)	East Java Tobacco Import Value (USD)	ISP Value
2007	106.757.436	154.505.230	-0,18
2008	125.630.569	223.474.629	-0,28
2009	164.332.593	156.729.732	0,02
2010	188.055.018	216.443.274	-0,07
2011	138.070.821	355.122.364	-0,44
2012	152.522.106	444.778.962	-0,49
2013	185.903.047	424.716.146	-0,39
2014	173.056.975	365.620.752	-0,36
2015	150.979.842	193.694.094	-0,12
2016	119.217.202	222.089.730	-0,30
2017	123.847.028	283.579.809	-0,39
2018	162.775.280	238.212.686	-0,19
2019	196.524.797	365.511.357	-0,30

Based on the results of the calculation of the Trade Specialization Index (ISP), East Java Province, for tobacco commodities in the international market, is more likely to become an importing area because it has an ISP value below 0 to 1, or a negative value. The average ISP value is -0.26, which means that East Java Province is in the import substitution stage. This condition illustrates that East Java Province imports more than it exports, even though it has a comparative

advantage in the international market. Export conditions in 2009 were worth more than imports, with an ISP value of 0.02, which caused East Java Province to enter the growth stage. This is because exports are worth more than imports. However, in the following years, there were fluctuations in the ISP value, and it became negative until 2021. The high volume and value of tobacco imports in East Java Province caused a deficit in the export trade balance of East Java tobacco leaves almost every

year. The lowest value occurred in 2012, with a value of -0.49. Until 2021, East Java Province will consistently be a tobacco-importing region. This is in line with Rasyid et al. (2018) research, which states that the competitiveness of Indonesian tobacco is increasingly weakening due to import penetration, which has covered the export results obtained.

East Java will contribute 92% of Indonesia's tobacco exports in 2021. East Java still has to import tobacco in large quantities because domestic production cannot fully meet the needs of the domestic cigarette industry. The type of tobacco most widely used as a raw material for the cigarette industry is Virginia tobacco. According to Nur and Salim's research (2014), Virginia tobacco produced by the province of East Java has limited production quantities and low quality, and the existence of a long distribution chain causes uncompetitive prices so that its competitiveness is lower than imported tobacco. Furthermore, research by Khairiyah et al. (2019) states that tobacco prices have decreased from 2010 to 2015, but these prices are still much higher than imported tobacco prices, especially imported tobacco originating from China, so it is not surprising that local tobacco is increasingly shifting.

According to Indah et al. (2018), factors that can affect competitiveness are export volume, export prices, and the productivity of the production of these commodities. Therefore, East Java Province must pay more attention to the production of tobacco commodities by increasing the quality and quantity of tobacco, increasing the volume and quality of tobacco exported, providing better facilities in the tobacco production process, having policies on tobacco, and procuring infrastructure in the production process and tobacco export. Policy on tobacco should not only benefit the state as the recipient of cigarette excise revenue

and foreign exchange from exports but also benefit tobacco farmers. The large domestic demand for tobacco in East Java Province has an impact on the need for quite a lot of imports. This high import has an impact on local tobacco production due to the inability of local tobacco farmers to compete with imported tobacco. This causes exports to be held back, so that trade competitiveness cannot be significantly improved. The need for domestic consumption of cigarettes, which is very large, should be met by domestic production so that the need for imports can be reduced. If imports are restrained, the competitiveness of the tobacco trade can increase by itself.

CONCLUSION

The results showed that the RCA value of tobacco commodity exports in East Java Province for the period 2007–2021 had an average value of more than one, which was 16.31. This means that East Java's tobacco exports to the international market have comparative competitiveness. the strong one. The RCA value shows an increasing trend due to an increase in export value despite a decrease in the volume of tobacco exports. East Java tobacco has a great opportunity to dominate the international market due to increasing export prices. In order to maintain and increase the comparative competitiveness of tobacco, East Java needs to improve quality and ensure the continuity of the supply of exported tobacco. The results of the analysis of the Trade Specialization Index (ISP) show a value below 0 to 1 or a negative value with an average value of -0.26. The ISP value means that East Java Province tends to be a tobacco-importing area and is in the import substitution stage. The high level of tobacco imports has caused East Java's tobacco exports to the international market to lack competitiveness. The need for large consumption should be met by domestic

production to reduce tobacco imports due to the high comparative competitiveness of East Java tobacco in the international market.

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