

WEST SUMATERA PARTICIPATION IN GLOBAL VALUE CHAIN (GVC)

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WEST SUMATERA PARTICIPATION IN GLOBAL VALUE CHAIN (GVC)

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Abstract

10 West Sumatra is one of the main contributing provinces for Indonesia's exports in the global market. It is supported by the large export value of West Sumatra each year which consists of exports of mainstay commodities, namely vegetable oils such as Crude Palm Oil (CPO), artisi oil, rubber and various other agricultural processed products. The positive growth of West Sumatra's export value is not in line with West Sumatra's participation in the Global Value Chain (GVC). Good participation of regions and countries in the Global Value Chain is a very important point because it can determine how the growth and economic strength of the region when viewed from an international level. This study aims to see how the participation and challenges of West Sumatra in GVC. To be able to explain these participation and challenges, this research uses the concept of the Global Value Chain. **1** This study uses a qualitative research method with a descriptive analysis approach to explain how the challenges of West Sumatra's participation in GVC are. This study finds that West Sumatra's export products are dominated by raw materials and the low exports of West Sumatra for manufactured products or finished products have prevented West Sumatra from being able to build large profits and have an important position in GVC.

Keywords: West Sumatra, Indonesia, Global Value Chain, GVC, Export, Global Trade

Introduction

The international world in the current era of globalization has been dominated by the economic sector. Almost every practice of cooperation and interaction between countries involves economic elements either directly or indirectly. Changes that occur in the dynamics and structure of the global economy will have an impact on the economy of every country because now every country is interconnected in the international system. When an economic crisis hits one country, it will have an impact

on other countries, especially countries that have economic cooperation relations with that country. For example, when the United States and China were involved in a trade war in recent years, it had a significant impact on the economies of other countries. Therefore, the discussion of the economy both at the local level and even at the global level has become a very important and interesting theme at this time.

The rise of interaction between countries in the global economy cannot be separated from the practice of trade cooperation carried out by various countries as seen from the exports and imports of each country. Exports and imports have become the main activities in the global economy. Almost every country is involved in selling products to other countries and instead buys products from other countries to meet domestic needs, both in the household sector and in the industrial sector. Even developed countries need products from other countries to meet their domestic needs. And developing countries also need exports to develop markets from domestic production in order to increase domestic industry and create profits for state income.

In producing a product, either goods or services, a country's domestic industry may require raw materials or raw materials originating from other countries. This can be seen from two sides of the concept of global trade, namely the theory of Absolute Advantage by Adam Smith and the theory of Comparative Advantage by David Ricardo. According to the theory of Absolute Advantage, a country will trade with other countries because of domestic needs that are not owned by that country.¹ Meanwhile, according to the theory of comparative advantage in global trade, there is product specialization owned by each country involved in global trade.² Therefore, it can be seen that a product produced by a country cannot be separated from the role of other countries which move to become providers or suppliers of goods before the goods reach the hands of consumers. This phenomenon in theory in the study of global economics and politics is known as the Global Value Chain.

Indonesia is one of the countries active in global trade. Therefore, Indonesia is also directly involved and participates in global production that is in the Global Value Chain scheme. Indonesia has a significant export value every year and even in 2020 the value of Indonesia's exports can be stable amid economic problems due to the

¹ Scumacher, Reinhard. Adam Smith Theory of Absolute Advantage and the use of dexography in the history of economics. *Erasmus Journal for Philosophy and Economics*, Volume 5, Issue 2, Autumn 2012, pp. 54-80. <http://ejpe.org/pdf/5-2-art-3.pdf>.

² Watson, Mathiew. Historicising Ricardo's comparative advantage theory, challenging the normative foundations of liberal national Political Economy. *NEW POLITICAL ECONOMY*, 2017 VOL. 22, NO. 3, 257-272 <http://dx.doi.org/10.1080/13563467.2016.1216535>.

Covid-19 pandemic that has hit many countries and of course Indonesia itself.³ The increase in Indonesia's export balance during the COVID-19 pandemic in 2020. Indonesian imports also show a fairly stable value considering Indonesia's domestic needs which continue to increase both in the industrial and household sectors. Based on data from the Ministry of Trade of the Republic of Indonesia, Indonesia's total trade in 2020 was US\$ 338,958.7 (Million).⁴

Indonesia's involvement in the Global Value Chain/GVC can be seen from Indonesia's exports to various countries, both regionally and globally. Indonesia's exports are still dominated by exports of agricultural and mining commodities, which are the raw materials for various products and services produced in various countries. Such as China as one of the largest markets for Indonesian coal, India and the European Union as the largest consumers of Indonesian CPO and many other countries that are markets for commodity products from Indonesia. Meanwhile, Indonesia's domestic industry itself is also very dependent on raw materials from other countries and of course Indonesian consumers still need products that are not produced in Indonesia, such as automotive products or other high-tech products.

The growth of Indonesia's exports and imports as depicted in the GVC scheme is strongly supported by the role of each province in Indonesia, especially the role of the main provinces that support Indonesia's exports. Indonesia as a country consisting of many provinces requires an active role from each province in developing Indonesia's exports and imports in order to create Indonesia's economic strength, especially in the trade sector. Each province in Indonesia has superior commodities that become the export strength of each province.

West Sumatra Province is one of the provinces in Indonesia which is the main supporter of the Indonesian economy in global trade, both exports and imports. Even the local industry of West Sumatra also has an important role in the Indonesian economy because this industry is able to become an important player in the global market. Like the largest CPO company in West Sumatra, it is able to become an export-oriented CPO company to various countries. As well as other industries such

³ CNN Indonesia. Meski Pandemi, Surplus Dagang RI 2020 Tertinggi s²⁴ 2011. Sumber: <https://www.cnnindonesia.com/ekonomi/20210115122123-532-594133/meski-pandemi-surplus-dagang-ri-2020-tertinggi-sejak-2011>. Diakses pada 20 Januari 2021.

⁴ Portal Statistik Perdagangan.Kementerian Perdagangan Republik Indonesia. Sumber <https://statistik.kemendag.go.id/indonesia-trade-balance> Diakses pada 20 Januari 2021.

as rubber processing companies owned by West Sumatra are rubber exporters with a fairly large trade value.

Conceptually, with the large activity of West Sumatra in global trade, especially in commodity products which are the raw materials for the manufacture of various products produced in other countries, West Sumatra has become one of the leading provinces in Indonesia to become a province or region that participates in the Global Value Chain. (GVC).

West Sumatra often experiences a surplus in global trade (export-import) because the total value of exports is always greater than the value of imports every year. Meanwhile, in 2020 the export value of West Sumatra has a large value even though the global economy has decreased due to the impact of the Covid-19 Pandemic which has begun to be felt from the end of 2019 until now. Based on official statistical data from the Central Statistics Agency of West Sumatra Province, the export value of West Sumatra in 2020 is US\$ 227.75 (Million) with an import value of US\$ 11.84 (Million). From the value of exports and imports in 2020, there was an increase in West Sumatra's exports and a surplus of US\$ 215.91 (Million). So that in 2020 exports there was an increase of 19.28 percent from the previous year.⁵

The significance of West Sumatra's exports in recent years can also be seen in the distribution of West Sumatra's exports to various countries. West Sumatra's export destinations are quite diverse, namely the United States, Spain and industrial countries in Asia such as China, India, Pakistan, South Korea, Japan and others. West Sumatra's export products can enter various industrial countries on various continents. India, the United States, China and Bangladesh are the main export destinations for West Sumatra. And even West Sumatra exports can also enter the European market, namely Spain with an increase in export value from 2019 to 2020, which is US\$ 50.33 (Million).⁶

The significant value of West Sumatra's global trade, both exports and imports, which indicates that West Sumatra is active in global trade, still does not show the role of West Sumatra in the Global Value Chain (GVC). This is felt to be inconsistent with the active participation of West Sumatra in global trade. When compared to other provinces in Indonesia such as West Java province, West Sumatra's support for

⁵ Perkembangan Ekspor dan Impor Sumatera Barat Desember 2020. Berita Resmi Statistik. Badan Pusat Statistik Sumatera Barat. No. 11/02/13/Th. XXIV, 1 Februari 2021

⁶ Perkembangan Ekspor dan Impor Sumatera Barat Desember 2020. Berita Resmi Statistik. Badan Pusat Statistik Sumatera Barat. No. 11/02/13/Th. XXIV, 1 Februari 2021

Indonesia's participation in GVC is still considered low. Whereas on the one hand, West Sumatra has a significant export value of commodities every year. As well as the types of export commodities every year always increase and increase in value. Therefore, it is important to conduct in-depth research related to this problem in order to find solutions and challenges for West Sumatra in the Global Value Chain or known as the Global Value Chain (GVC). From the findings of this study, it is hoped that it can bring up solutions to policies that can be taken by the government of West Sumatra and efforts to increase the role of West Sumatra in GVC.

1 **Research Method**

To achieve the objectives of this research, the research method that the researcher uses is a qualitative research method, which is a method that relies more on linguistic data than numerical data, and uses the basis of meaning in data analysis.⁷ Furthermore, the type of research that will be used in this research is descriptive analysis. This type of research has a simple way of analyzing and interpreting data on an existing social phenomenon.⁸

Global Value Chain or Global Value Chain (GVC) is a series of product production both goods and services involving various supplies from various countries. GVC can also be interpreted as the process of forming an item that starts from raw materials, continues into intermediate goods and becomes finished goods, involving several countries. For example, India imports CPO from Indonesia to be processed into finished products such as cosmetic products and food products which will later be sold to various countries. From this example, it can be seen that in the creation of one product and used by consumers, industries from several countries have been involved.²⁸ According to the Organization for Economic Co-operation and Development (OECD) GVC is the various stages of the production process located in various countries. Globalization motivates companies to restructure their operations internationally through outsourcing and offshoring activities. The company tries to optimize its production process by placing various stages in various locations. The last few

⁷ Robert Elliot, Ladislav Timulak, *Descriptive and Interpretive approaches to Qualitative Research*, hal 24-32. (Oxford: Oxford University Press, 2013) hal : 147.

⁸ Affifudin, & Saebani, B. A. (2009). *Metodologi Penelitian Kualitatif*. Bandung: CV Pustaka Setia.

⁵ decades have witnessed a strong trend towards the deployment of international value chain activities such as design, production, marketing, distribution and so on.⁹

Based on the definition above, it can be interpreted that there are at least two countries involved in production to be considered and analyzed as GVC. ⁴ A global value chain (GVC) consists of a series of stages involved in producing a product or service that is sold to consumers, with each stage adding value, and with at least two stages being produced in a different country. A company participates in GVC if it earns at least one stage in GVC.¹⁰ Therefore, when one country or region trades with other countries where the product is produced back into a product with a higher production level, it can be said to be a GVC practice.

³⁵ According to Gery Gereffi and Karina Fernandez-Stark in their book entitled *Global Value Chain Analysis: A Primer 2nd edition*, there are six dimensions that can be used in analyzing GVC, namely the output-input structure, geographic structure, governance, renewal, context. local institutions or institutions, and stakeholder analysis.¹¹ These six dimensions will be described in the following explanation:

1. Output-input Structure

1.1. ²² Identify the main activities in the Global Value Chain.

⁶ The main segments in the chain vary by industry, but typically include: research and design, input, production, distribution and marketing, and sales, and in some cases recycling of products after use. This input-output structure involves goods and services, as well as various supporting industries.

1.2. Identify the dynamics and structure of the company in each segment of the value chain.

Each segment identified in the previous step has specific characteristics and dynamics, such as ¹⁵ specific procurement practices or preferred suppliers. It is important to identify the types of companies involved in the industry and their main characteristics: global or domestic; state-owned or private; large, medium, or small; and others. Identifying

³⁰
⁹ GVC menurut OECD. Sumber <https://www.oecd.org/industry/ind/global-value-chains.htm>. Diakses pada 2 Januari 2021. ³⁹

²⁹ Antras, Pol. *Conceptual Aspects of Global Value Chains*. 2020 World Development Report. Sumber https://scholar.harvard.edu/files/antras/files/conceptual_aspects_gvcs.pdf Diakses pada 2 Januari 2021. ¹¹

¹¹ Gereffi and Stark. *Global Value Chain Analysis: A Primer 2nd edition*. Center on Globalization, Governance & Competitiveness, Duke University. 2016. Hal 7.

companies participating in the chain will help understand the governance structure

2. Geographical Structure

One of the main contributions of GVC analysis is mapping shifts in the geographic scope of global industries. However, GVCs operate on different geographic scales (local, national, regional, and global) and they are constantly evolving. New evidence suggests that there may be a trend towards regionalization of GVCs in response to a variety of factors, including the growing importance of large developing countries and regional trade agreements.

3. Governance

Governance analysis allows one to understand how a chain is controlled and coordinated when certain actors in the chain have more power than others.

4. Update

Economic improvement is defined as firms, countries or regions moving to higher value activities in GVCs to increase the benefits (eg. security, profits, value added, capabilities) of participating in global production.

5. Local Institution

The local institutional framework identifies how local, national and international conditions and policies shape a country's participation at each stage of the value chain.

6. Stakeholder Analysis

Analysis of the local dynamics in which the value chain is embedded requires an examination of the stakeholders involved. All industry players are mapped in the value chain and their main roles in the chain are described. The most common stakeholders in the value chain are: enterprises, industry associations, workers, educational institutions, government agencies including export promotion and investment attractiveness departments, the Ministry of foreign trade, economics and education among others.¹²

Literature Review

Indonesia's involvement in GVC has been in the spotlight of many researchers because currently the state is required to play an active role in the global economy. Khasanah et al, contributed to providing a new understanding of Indonesia's GVC

¹¹ Gereffi and Stark. Global Value Chain Analysis: A Primer 2nd edition. Center on Globalization, Governance & Competitiveness, Duke University. 2016. Hal. 8-14.

position in the ASEAN region and Canada. In the regional scope, namely ASEAN and Canada, Indonesia's GVC is still considered to be in a very low position, and even if viewed globally, it involves all countries in the global order. Compared to several other ASEAN countries such as Vietnam, Thailand and Malaysia, Indonesia's GVC is still far behind. It can be proven from the size of the exports of these three countries to Canada which has increased.¹³ Regarding the low position of Indonesia's GVC globally and who can be used as an example to be able to master GVC, it can be seen in Tauhid Ahmad's writing that China is one of the countries with a very good GVC position at the global level. Even China is known as the center of GVC today. China's position in GVC is supported by several aspects, namely China's growing free trade, good FDI-related regulations, and very supportive infrastructure.¹⁴ The same thing was conveyed by Steven Raja Ingot and Dian Dwi Laksani in their writings, namely that Indonesia needs to maximize its participation in regional economic cooperation in order to build and strengthen domestic industries to be able to compete with other economies at the regional level.¹⁵ In a different article, Steven Raja Ingot also explains that exports of primary commodities except CPO are related to forward GVC and exports of manufactured commodities are related to backward GVC.¹⁶

From some literature that discusses Indonesia's position and the role of small and medium industries in developing Indonesia's economy to be able to compete with other economies, there is still no analysis of the involvement of regions or provinces in supporting the state to be able to increase its GVC, especially Indonesia. By knowing the constraints and regional strategies in building their economy to support the country so that it can compete with other countries to increase GVC, an analysis is needed that describes how the obstacles that the region has to be able to build GVC both locally and domestically. And the need for a strategy for the region (province) to be able to support the State in this case is Indonesia to be able to become an important economy in the GVC.

¹³ Siti Mir'atul Khasanah, Dian Dwi Laksani, Nur Ulfa Mutiara Suwari. Indonesia's Position on the GVC in the ASEAN-Canada Region. Buletin Ilmiah Litbang Perdagangan, VOL.14 NO.2, Desember 2020. Hal 239-260.

¹³ Ahmad Tauhid. Indonesian Global Value Chain Policy: Learning From China's Experiences. UNCTAD/BRI PROJECT/RP9.

¹⁴ Ahmad Tauhid. Indonesian Global Value Chain Policy: Learning From China's Experiences. UNCTAD/BRI PROJECT/RP9.

¹⁵ Steven Raja Ingot dkk. Indonesia Global Value Chain Participation in Regional Comprehensive Economic Partnership (RCEP). Proceedings of the International Conference on Trade 2019 (ICOT 2019).

¹⁶ Steven Raja Ingot dkk. Global Value Chains (GVC) Pada Komoditi Primer dan Manufaktur: Studi ASEAN 6. Journal of Trade Development and Studies Cendekia Niaga 2021, Volume 5 Nomor1: hal 44-5

Result and Discussion

West Sumatera Export

¹⁰ West Sumatera is known as one of the largest commodity exporting provinces in Indonesia. West Sumatera's largest export types are fats and vegetable oils such as Crued Palm Oil (CPO), artsiri oil, rubber, mangosteen and followed by various other agricultural processed products. This export product is the mainstay of West Sumatera's export product which has gained its own market in the global market.

¹⁷ Palm oil (CPO) is one of the main export products of West Sumatera. West Sumatera CPO has its own consumers in the global market. This is inseparable from the support of West Sumatera CPO which has participated in the global CPO market and is also supported by stable palm oil production. Based on plantation statistics released by the government of West Sumatera, there is a wide distribution of oil palm plantations in West Sumatera based on ownership, which is 385,921 Ha, consisting of smallholder plantations covering an area of 219,661 Ha (56.92%), PT. Nusantara Plantation (PTPN) covers an area of 5,147 Ha (1.33%) and a large national private company (PBSN) covers an area of 161,113 Ha (41.75%). Meanwhile, West Sumatera's CPO production was 1,269,176 tons, contributed by smallholder plantations of 567,930 tons (44.75%), PTPN of 36,314 tons (2.86%) and PBSN of 664,932 tons (52.39%).¹⁷

Discussing West Sumatera's CPO exports cannot be separated from discussing who the main consumers are. India is the largest market for West Sumatera's CPO exports, amounting to 1,038,383.53 tons with a value of 691,639.16 USD. Then followed by Singapore with a value of 311,156.29 tons with a value of 205,747.24 USD and Spain with a value of 104,498.70 tons with a value of 70,061.72 USD.¹⁸ For more on the diversity of West Sumatera's exports and how the value of their exports can be seen in the following table.

¹⁷ Data tertulis dalam berita wawancara wakil gubernur Sumatera Barat. Sumber <http://birohumas.sumbar.go.id/details/news/157>, Diakses pada 27 September 2021

¹⁸ Data berdasarkan data Ekspor Minyak Kelapa Sawit Menurut Negara Tujuan, 2006-2017. Sumber Badan Pusat Statistik Provinsi Sumatera Barat <https://sumbar.bps.go.id/statictable/2016/12/16/414/ekspor-minyak-kelapa-sawit-menurut-negara-tujuan-2006-2017.html> Diakses pada 27 September 2021

Table 1.1. Export Value of West Sumatra Province by Class of Goods 1 Digit SITC for 2017-2019.

Type of Goods	Value USD		
	2017	2018	2019
Foodstuffs and Live Animals	39 460 319,13	26 713 895,75	20 027 532,00
Drinks and Tobacco	178 774,18	-	-
Raw Materials and Mining Products	467 512 682,40	314 234 243,33	261 938 910,00
Fuel, polishing agent, etc	29 366 545,00	22 919 393,31	-
Vegetable and animal oils/fats	1 416 438 850,62	1 139 828 360,51	967 447 410,00
Chemicals and their products	51 371 697,77	29 898 760,84	18 202 291,00
Manufacture Products	41 434 142,37	65 014 937,08	71 409 050,00
Machinery and Transport Equipment	-	-	-
Industrial Products and Other Transactions	505 878,27	1 762,00	1 395,00
Total	2 046 268 889,74	1 598 611 352,82	1 339 026 588,00

Source: Export Volume and Value of West Sumatra Province by Class of Goods 1 Digit SITC 2017-2019

To know more about the export destination countries for West Sumatra commodities, see the following table. The following is a table of distribution of West Sumatra export products in the global market by destination country for 2019-2020.

Table 1.2. Exports of West Sumatra by Country of Destination (2019-2020)

No.	country of destination	Value (Million US\$)		Percentage of roles to total (Jan-Des 2020)
		2019	2020	
	India	281,92	345,20	22,53
2.	United States	266,36	259,39	16,93
3.	China	131,03	147,90	9,65
4.	Pakistan	88,13	126,41	8,25
5.	Spain	46,84	97,17	6,34
6.	Japan	25,78	39,29	2,56
7.	Bangladesh	174,88	161,50	10,54
8.	Korea Selatan	14,09	28,26	1,84

9.	Iraq	-	46,95	3,07
10.	Tanzania	7,69	19,17	1,25
Total		1036,73	1271,23	82,99

Source: Development of Export and Import of West Sumatra December 2020. Official Statistics News. Central Bureau of Statistics of West Sumatra. No. 11/02/13/Th. XXIV, February 1, 2021

The export value of West Sumatra is in a dynamic condition, namely increasing and decreasing which is influenced by various conditions. Among them, as has happened in recent years, namely the Covid 19 pandemic which has had its own impact on West Sumatra's exports. The following is a table showing the export value of West Sumatra in recent years, sourced from data from the Central Statistics Agency of West Sumatra Province.

Table 1.3. Export-Import Volume and Value of West Sumatra Province (2017-2019)

Export-Import	West Sumatera Export-Import Volume (Ton)					
	34 2017		2018		2019	
	Volume (Ton)	Value (US\$)	Volume (Ton)	Value (US\$)	Volume (Ton)	Value (US\$)
Export	1 708 279,83	2 046 268,89	4 410 667,11	1 590 421,18	4 560 454,07	1 368 423,13
Import	1 024 622,59	446 263,55	1 137 558,59	546 338,71	1 033 230,05	438 203,60
Trade Total	2 732 902,42	2 492 532,44	5 548 225,70	2 136 759,89	5 593 684,12	1 806 626,73
Total Trade Balance	683 657,24	1 600 005,34	3 273 108,52	1 004 082,47	3 527 224,02	930 219,53

Source: Development of Export and Import of West Sumatra December 2020. Official Statistics News. Central Bureau of Statistics of West Sumatra. No. 11/02/13/Th. XXIV, February 1, 2021

Based on the table of volume and value of exports and imports of West Sumatra province above, it can be seen that West Sumatra is active in exporting its products to various countries. The export value seen is a fairly large value at the provincial scale in Indonesia. But of course this is still under other big provinces in Indonesia such as West Java and East Java which are also Indonesia's export mainstay provinces. These two provinces as it is known are big provinces in Indonesia and home to large and medium industries in Indonesia.

West Sumatra's export activities, which were able to show positive stretches for several years and even during the Covid-19 pandemic, were not in line with West

Sumatra's positive participation in GVC. This is what the government, both central and regional, has always voiced so that West Sumatra can increase its exports to various countries and of course with a variety of products that are the mainstay of West Sumatra's exports. Starting from vegetable and animal oil or fat products, food products and various other products.

West Sumatra Challenges in Global Value Chain (GVC)

West Sumatra Export Commodities

Based on the previous explanation of West Sumatra's exports, it can be seen that West Sumatra's exports focus on commodity products such as fats and vegetable oils including Crued Palm Oil (CPO), artsiri oil, rubber, and other agricultural products. This is of course also supported by nature and a climate suitable for plantations of the above commodity products. This type of export has long been the mainstay of West Sumatra and it can be grouped that this export product is a product of raw materials that have not been processed into high-value products.

Exports of West Sumatran commodities, especially raw products or also known as raw materials, on the one hand are West Sumatra's main activities in the global market. The provincial government and even the central government support various steps to increase West Sumatra's exports to increase exports of local products. As seen in the activities of President Joko Widodo who opened the release of exports of West Sumatran agricultural commodities worth 383.3 billion Rupiah to 8 destination countries and this activity is also in line with the central government's policy to encourage investment and exports which are the key to accelerating national economic growth.¹⁹

From a domestic point of view, the focus of Indonesia and even West Sumatra in increasing exports of raw products is not in line with some views, namely those who see that this will affect the domestic ability to produce high-value products or processed products that have more value when compared to the export of raw products. As it is known that the state will benefit much more when selling processed

¹⁹ Portal resmi Pemerintahan Provinsi Sumbar. Sumbar prov.go.id. Presiden Joko Widodo Buka Pelepasan Ekspor Komoditas Pertanian Provinsi Sumatera Bar. Sumber: <https://sumbarprov.go.id/home/news/20582-presiden-joko-widodo-buka-pelepasan-ekspor-komoditas-pertanian-provinsi-sumatera-barat> Diakses pada 27 September 2021

products because of the higher selling value and by producing high-value products it will help in the absorption of labor.

The above is in line with the GVC concept which sees that the increase in higher value product industries is an indicator for a country or region to become an important player in GVC. The larger the industry of a country or region, the greater the position of that country or region in the GVC. The size of the position in the GVC indicates the size of the profits obtained by the country or region from producing high-value products.

For example, in the following case, a country or region will gain more advantages when exporting derivative products from palm oil such as ready-to-use cooking oil or other processed products from palm oil when compared to selling crude palm oil (CPO). The price of derivative products will be of higher value and the selling price will be higher if only compared to selling only raw products. In addition, by producing derivative products, it will indirectly absorb labor, which is a positive point if owned by the country or region.

The amount of focus and export activity of West Sumatra on raw commodity products (CPO, artsiri oil, rubber, and other agricultural products) can be a challenge and even a separate problem for West Sumatra and even Indonesia in general. With this condition, West Sumatra is faced with a dilemma, namely where on the one hand West Sumatra encourages the export growth of its flagship commodity products in this case is dominated by raw products in order to improve its economy. On the other hand, this becomes a dilemma, namely it is difficult for West Sumatra to get an important position in the GVC and get big profits from the presence of West Sumatra exports in the GVC.

Furthermore, when looking at the types of West Sumatran export products which are dominated by raw commodities and the low exports of West Sumatra with processed or high-value goods, this has become the next challenge for West Sumatra to become an important player in GVC. The remote position and small participation of West Sumatra in the GVC will indirectly have an impact on the economy of West Sumatra in particular and even on the Indonesian economy in general.

A big challenge for West Sumatra to be able to occupy an important position in GVC, namely West Sumatra must be able to build an industry that is engaged in producing finished products such as manufactured products or other finished products. Both those that are massively produced by large industries or those

produced by small and medium enterprises, also known as MSMEs. This is something that has not been managed and developed by the government of West Sumatra or the private sector.

West Sumatra's export growth in recent years and even the positive stretch of West Sumatra's exports are still considered far for West Sumatra to occupy an important position in the GVC. Furthermore, seeing this, there are still obstacles for West Sumatra as one of the provinces with high export intensity to be able to support Indonesia to have a good position in GVC. So there are still many tasks and efforts that West Sumatra has to be able to become an important economy in GVC.

Suggestions and conclusions

The size and significance of West Sumatra's export value in recent years is not accompanied by a positive value for West Sumatra in GVC. This can be seen from the low position of Sumbar in the GVC and even the low support from West Sumatra in supporting Indonesia to develop and participate in the GVC. There are various challenges that hinder West Sumatra from being able to participate in GVC, namely the types of West Sumatra export products are dominated by raw products or raw materials. When it comes to GVC, a country or region will get a small value in GVC when exporting raw products with a low selling value when compared to exporting products that have been processed or of high value and gone through the production process. This is in line with the next challenge, namely the low level of West Sumatra in exporting industrial products such as manufacturing or various other processed products. The sale of industrially processed products indicates an added value which will certainly be an advantage for the region and the country because of the opening of job opportunities. Therefore, these challenges must be of concern to many parties, not only the local government or the province of West Sumatra but also the attention of the central government. These challenges are a reflection for many parties because there are still many provinces in Indonesia that are faced with the same problem.

The government should not only focus on each province to increase exports of raw materials, but should also pay attention to the impact, both in the short and long term, because this policy can lead to other economic problems. Such as the undeveloped local industry and even as has been discussed, namely the lower position of Indonesia in the GVC and also the losses due to not taking the opportunity to develop the domestic industry. The government should also support the development

of domestic and even local industries so that they can produce finished products that can enter the global market. This will directly encourage Indonesia to occupy a large position in the GVC and of course will also be able to provide great economic value for Indonesia.

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