

The Role of the Indonesian Coffee Exporters Association (AEKI) In Encouraging Coffee Exports to the United States in 2016-2019

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Abstract

This study aims to analyze the role of the Indonesian Coffee Expo Association to the United States in 2016-2019. Coffee products from Indonesia have been quite well known in foreign markets, especially the United States. Through the Indonesian Coffee Exporters and Industry Association (AEKI), farmers and entrepreneurs as well as Indonesian coffee industry players who are members of the membership want to assist the Indonesian government in exporting coffee to the United States as an effort to improve the National Economy. The Economy of the State will be strong if the individual economy is also strong, this is as stated by Andrew Moravcsik, the State exists as a forum for Individuals who become groups of Society.

Keywords

coffee; AEKI; USA; export;
Andrew Moravcsik



I. Introduction

Agriculture is the mainstay economic and the main source of employment for most developing countries. Agricultural development aims to achieve growth, sustainability, stability, equity and efficiency (Warren C. Baum, 1988: Page 129). In Indonesia, coffee is one of the agricultural subsectors that contributes significantly as the third largest source of foreign exchange for the country after wood and rubber. Coffee as a plantation crop is one of the commodities that appeals to many countries, especially developing countries, because coffee plantations offer many job opportunities and can create foreign currency necessary for national development. (Spillane, 1990).

Indonesia is one of the largest coffee producing and exporting countries in the world. Indonesia's coffee plantations have a total area of about 1.2 million hectares, robusta plantations of 933 hectares and arabica plantations of 307 hectares. A total of more than 90 thousand plantations are planted by small farmers, who have a relatively small plantation area of about 1-2 hectares. Unlike competitors such as Vietnam, Indonesia does not have extensive coffee plantations, making it difficult for Indonesia to maintain production volume and quality, so the competitiveness of Indonesian coffee in the international market is not strong enough.

The United States is one of the countries that affects Indonesia's coffee exports, because the average Indonesian coffee export has the largest export volume and value compared to other countries. Even when the number of Indonesian coffee exports to the United States was at its lowest point in 2016, the following year could increase again, according to BPS on 7/7/2019, Indonesia's coffee exports to the United States reached 88.3 thousand tons. From 2019 to early 2020, the United States imported 113.11 tons of coffee beans from Indonesia.

However, Indonesian coffee exports have obstacles, namely the weak competitiveness of Indonesian coffee beans, related to market control by buyers or consumers, and high export costs. Moreover, the problem with Indonesian coffee is that the level of Indonesian coffee productivity is still low, so it is still unable to compete with countries in the ASEAN region, namely Vietnam. (Son, 2015).

To get good quality coffee beans, post-harvest handling and proper roasting is one of the important steps, because coffee roasting can determine the taste of coffee, not only the bitterness of coffee, coffee also has various types of flavors such as sour, bitter, so that it can cause sweetness, especially in arabica coffee. Meanwhile, Robusta coffee tends to have a deeper bitterness without a variety of flavors such as Arabica. (Lestari, 2015).

The Indonesian government has tried to facilitate the work or regulation of the flow of Indonesian coffee exports by issuing regulations regarding coffee exports through the regulation of the Minister of Trade, namely regulation Number 10 / M- DAG / PER / 5/2011 which contains regulations and conditions that must be met by exporters before exporting coffee which also refers to regulations made by the International Coffee Organization (ICO) which requires each coffee to have Plantation certificate from the place where the coffee beans are taken until the export process and the quality certificate of the coffee beans that are exported.

Regulation Number 10/M- DAG/PER/5/2011 which states about the regulations and conditions that must be owned by exporters cannot regulate the quality of coffee owned by Indonesia so assistance from domestic organizations is needed that can help improve the quality of beans by Indonesia, this organization is the Indonesian Coffee Exporters Association (AEKI) which was formed on July 30, 1979 and is the only container for Indonesian coffee exporters. The government as a support for the acquisition of state foreign exchange, the formation of this organization was then appreciated by the Indonesian government by enacting a law (UUD) that directly regulates the Indonesian Coffee Exporters Association (AEKI) to cooperate with Indonesian coffee exports.

AEKI is not infrequently under pressure from importing countries for problems regarding quality, international trade regulations, and competition problems exporters and importers like to compare coffee in Indonesia and the international world, so that importers are free to play their role to suppress coffee prices in Indonesia, which results in harming coffee exports nationally.

Therefore, the Indonesian Coffee Exporters Association (AEKI) needs a strategy to improve the quality and product of Indonesian coffee through human resources with the ultimate goal of farmers' lives, farmer happiness can be achieved when farmers are promising. skills to support or recognize farmers with good skills, regular guidance is essential for farmers to have basic skills that can be further developed, while continuing to reach out to the Indonesian government to jointly solve the problem of import price pressures, AEKI hopes to further increase the productivity of domestic farmers.

Coffee can indeed increase the country's foreign exchange and the United States is the main destination country because every year coffee consumption increases by 8% per year there, and the United States is the largest coffee importer from Indonesia, so it is an interesting opportunity for coffee-producing countries, one of which is Indonesia.

Based on the background of the above problems, the author raised the title "The Role of the Indonesian Coffee Exporters Association (AEKI) in Encouraging Coffee Exports to the United States in 2016-2019".

II. Review of Literature

Moravcsik Liberalism

Liberalism is an understanding that believes in the freedom of individual freedom in all aspects, be it in political, economic or religious aspects. In general, this liberalism wanted a free society, which was then characterized by freedom of thought for each individual. But from many of these perspectives, researchers are only taken those that are relevant to the Science of International Relations.

The perspective of Liberalism is very inversely proportional to the perspective of Realism. If the perspective of Realism believes man has a bad nature, just as if man is always selfish and always attaches importance to his own ego to fight for his desires, and always assumes that to create peace must go through with war first. The idea of the concept of liberalism has indeed existed since ancient times, from time to time liberalism has continued to develop. Some of the figures of liberalism include Voltaire, John Locke, Montesquieu, J.J. Rousseau. For the figures of liberalism in economics were David Ricardo, Adam Smith, and Robert Malthus. In this century, there was a new thinker of liberalism named Andrew Moravcsik, he was a lecturer in politics and director of the European Union Program at Princeton University. Best known for his research in the areas of European integration, international organizations, human rights, qualitative/historical methods, and foreign policy of the United States and Europe, for the development of the theory of liberal intergovernmentalism, as well as his work on the theory of liberal international relations.

Andrew Moravcsik explained in his article entitled *Taking Preferences Seriously: A Liberal Theory of International Politics* which assumes about liberal theory which in its development has three variants, namely ideational liberalism, commercial liberalism and republican liberalism.

Moravcsik explains that the fundamental premise of liberal theory is to explain the relationship between the state and society in the context of both domestic and transnational which has an impact on the behavior of the state in world politics that affects social goals and underlies the preferences of the state. Such a liberal view of the centrality of relations between the state and society can be re-presented in three positive assumptions, namely about the nature of social actors, the state, and the international system.

2.1 The Primacy of Social Actors

The fundamental actors in international politics are individuals and private groups, which on average have a rational nature and avoid risks that have different interests under social problems that occur due to the scarcity of materials, inverse values, and variations in social influence. Liberal theory intends to explain the social conditions in which the behavior of actors is attracted to cooperation or conflict. The coercion of a conflictual society and the willingness to always work with coercion are related to three factors, namely, different fundamental beliefs, conflicts over scarce material goods, and inequalities in political power.

2.2 Representation and State Preference

The state (or other political institutions) is the part of society that has interests and acts to determine the preferences of the state in world politics. Basically, each government becomes an individual and group representative of each other. However, government regulation itself is limited by the underlying identity, as well as the interests, and forces of

individuals and groups (inside and outside the state apparatus) that constantly put pressure on determining central decisions for policies consistent with their preferences.

2.3 Interdependence and International System

The configuration of interdependent state preferences determines the behavior of the state. For liberals, the behavior of the state reflects various patterns of state preferences. The state needs an underlying "goal" to provoke conflict, propose cooperation, or take action on other important foreign policy. The liberal claim that the basis of interdependence between state preferences is the main determinant not only of foreign policy, but of systemic outcomes. The policy of interdependence referred to here as a regulation of costs and benefits is made for foreign societies when the dominant social groups in a society seek to realize their existence, that is, the pattern of transnational externalities resulting from attempts to pursue national goals.

With this assumption, three types of liberal theory emerged, namely *Ideational Liberalism*, *Commercial Liberalism* and *Republican Liberalism*. Each theory is based on the specifics of the central elements of liberal theory: social demands, the causal mechanisms by which they transform into state preferences, and patterns resulting from national preferences in world politics. *Ideational Liberalism* tends to focus more on aspects such as national unity, legitimate political institutions and the rules that exist in socioeconomic activities. Meanwhile, *Commercial Liberalism* focuses on incentives created by the opportunity for transnational economic transactions (across national borders). In contrast to *Republican Liberalism* which focuses on the nature of domestic representation and the possibilities resulting from rent-seeking behavior.

III. Research Method

In conducting the following research, the author uses qualitative research method with the aim of exploring and understanding the responses of an individual or group associated to a particular problem (Creswell, 2009). The type of data used in the research is secondary data, namely the data that the author gets comes from a literature review, namely books, scientific journals, documents, internet access and articles through internet media. The data collection technique used is an *online library resource* technique, namely data collection by conducting a literature review of freelance articles. The data analysis technique that the author uses is a qualitative analysis technique that explains and analyzes research data on the Role of the Indonesian Coffee Exporters Association (AEKI) in encouraging Exports to the United States in 2016-2019.

IV. Results and Discussion

The Indonesian Coffee Exporters and Industry Association (AEKI) was established as a sense of community in uniting the steps of coffee exporters in answering the problems of the government to take a role in coffee production where since 1969 the World Coffee Organization (ICO) has regulated quotas for its members. The institution that was first formed was SEKI (Syndicate of Indonesian Coffee Exporters) through the Decree of the Minister of Trade number 98 / KP / IV dated April 15, 1969 in the institution there were 195 coffee exporters and reached 249 members in 2013 located in Aceh, South Sumatra, Lampung, West Sumatra, North Sumatra, Jakarta, Central Java, East Java, and South Sulawesi. The vision and mission of AEKI is to be the place for all exporter companies, coffee processing industry companies and other companies in the Indonesian coffee sector

based on Pancasila and the 1945 Constitution. AEKI is not bound and binds to any party or political group.

AEKI has the goal of realizing a cooperative community that is prosperous, resilient and able to contribute to national economic development. Some of the main tasks of AEKI are to help members become professionals and have a good image, provide protection and fight for the interests of members, assist the government's efforts in improving the knowledge and skills of farmers and other business actors in this field, provide opinions and suggestions to the government and other institutions in making decisions on national cooperative policies, establish and foster cooperation with relevant institutions in the field of coping at home as well as abroad.

AEKI is determined to introduce Indonesian coffees and improve the image of Indonesian coffee both at home and abroad, with the AEKI motto stated in supporting the AEKI logo with the new spirit of Indonesian coffee.

As a place that houses several coffee companies and plantations and also coffee farmers on a small and large scale, the role of the Indonesian Coffee Exporters Association (AEKI) here is very important and needed. AEKI is expected to be a provider of advice/initiators that can help the Indonesian government in increasing the value of cooperation with the United States government in the field of coffee exports.

AEKI's role in encouraging Indonesian Coffee Exports to the United States

Some of AEKI's roles in encouraging coffee exports to the United States include:

4.1 Participate in Increasing Production

Domestic and global coffee demand needs to be met by AEKI by continuously improving the skills of members such as coffee companies, coffee entrepreneurs, plantations and farmers. Indonesia is biased to be called the largest coffee producer and exporter in the world, and of course Indonesia is required to maintain quality and maintain the trust of coffee importers from Indonesia, especially the United States. AEKI encourages farmers to increase their productivity with the aim of increasing coffee bean production throughout the region, especially in selected coffee producing areas for the United States, which have unique flavors such as arabica coffee, Indonesian specialty coffee, arabica coffee has a distinctive aroma of spices and earthy aroma.

The production of Sumatran coffee beans received special attention by AEKI by paying attention to production to delivery, so that there were no longer any problems selling Sumatran coffee beans to foreign entrepreneurs. In addition, AEKI is also trying to introduce other types of specialty coffee in the United States market to increase Indonesian coffee production which is exported, for example kintamani bali coffee and gayo coffee which tastes like a type of coffee from Sumatra (mandaling).

4.2 Periodic Guidance to Coffee Farmers

Periodic guidance carried out by AEKI in 2019 was aimed at the Subur Jaya and Gemilang Farmer groups from Lake Ringkih Hamlet, Segamit Village, Semendo Darat Ulu, Muara Enim, South Sumatra, in this socialization guidance containing quality standards for coffee beans or processed coffee products nationally.

Socialization also provides information about the Indonesian National Standard (SNI) for coffee quality adopted from Resolution No. 407 which contains quality standards for types of coffee:

- a. Arabica coffee: defect value max 86/300 gr sample according to Brazilian/New York quality standards,
- b. Robusta coffee: max defect value 150/300 gr sample according to Indonesian / Vietnamese quality standards,
- c. Water Content of Coffee beans: max 12.5% based on ISO 6673

Quality standards are set by the Minister of Trade and must be accompanied by a Certificate of Origin (Certificate Of Origin) SKA Form ICO, which is a certificate used as a document for the inclusion of goods (coffee) exported from all over Indonesia, which proves that the goods (coffee) originated, processed in Indonesia this is a global reference in determining the quality of coffee beans, especially robusta and arabica. This policy was also issued by the United States, namely Traceability caused an emphasis on the price of coffee beans from Indonesia, AEKI quickly responded by holding a General Meeting of Members or RUA IX in 2016.

AEKI encouraged Disbun to produce a Coffee Export Approval Letter (SPEK), an approval letter issued by the provincial trade department to export coffee to all destination countries.

In this guidance, the Muara Enim Plantation Office, represented by the Head of Processing and Marketing, and the Chairman of the Coffee Commission (DKS) of South Sumatra, stated that coffee must be a priority. Due to the excellent export quality, the Plantation Office is encouraged to cooperate with the Jember Coffee and Cocoa Research Center to research certified Semendo Unggul Arabica Coffee Seeds.

4.3 The Role of AEKI in Marketing Indonesian Coffee Products

Marketing is a process of planning and execution, starting from the conception stage, pricing, promotion, to the distribution of goods, ideas and services, to make exchanges that satisfy the individual and his institutions (Dianto in Asmuni *et al*, 2020).

In 2017 AEKI as the initiator sent a request to the Embassy of the Republic of Indonesia (KBRI) in Washington, United States to hold an activity in the form of promotion of Indonesian coffee in the United States which was carried out in 2017 and was attended by everyone who has a relationship with coffee such as the coffee *roaster profession (roaster)*, coffee compounder (*barista*), coffee shop owners, coffee enthusiasts, green buyers, coffee importers, a number of coffee *scholars*, foreigners interested in Indonesia, as well as officials from the American Department of Agriculture and Also Indonesia, then guests were taught how to assess a cup of coffee by evaluating the quality and consistency of the aroma and taste of coffee called *coffee cupping*.

The trade attaché office of the Indonesian Embassy in Washington in this activity collaborated with 2 *roastery* businesses that mostly use Indonesian coffee, namely *Nagadi Coffee* and *Compass Coffee* from the *District of Columbia, Maryland, and Virginia (DMV)* areas.

This activity aims to encourage a number of roasters to continue to support the Indonesian coffee promotion program at DMV and increase the use of Indonesian coffee in their roasters or cafes. The promotion carried out by the Indonesian government, which was initiated by AEKI in America, was a formal activity because American government officials were also invited as guests to get to know Indonesian coffee. In addition, AEKI promotes with the Indonesian government in the form of providing input on the needs of Indonesian coffee exports in the United States.

4.4 Working with The Government

One of the theories put forward by Andrew Moravcsik is the predominance of social actors. AEKI is a forum for Indonesian coffee exporters. This chapter describes AEKI's position and role in Indonesia's coffee exports to the United States.

The fundamental actors in international politics are individuals and private groups, who are on the average rational and risk-averse and who organize exchange and collective action to promote differentiated interests under constraints imposed by material scarcity, conflicting values, and variations in societal influences.

According to Andrew Moravcsik, the main actors in international politics are individuals and interest groups, which can influence the various interests they need to live, the values embraced, and government policies with social life. AEKI has more than 249 members who are members of nine local government bodies, and each region manages its members to improve its quality and productivity.

Some of the actions implemented by AEKI in cooperation with the government include;

a. Capital Issues

In increasing coffee productivity, of course, capital is needed by farmers, to support Indonesian coffee farmers and producers, AEKI provides assistance funds through the People's Business Credit (KUR) of 5.9 billion in collaboration with the government so that farmers are biased to use these funds as capital in buying quality seeds and fertilizers, as well as taking good care of coffee plantations. Thus, domestic coffee production will increase in terms of quality and quantity which ultimately strengthens the bargaining value of national coffee in the eyes of the international community.

b. Comply with Coffee Export Standards to America

The United States implements a policy regarding labeling and production standards against coffee imports entering the United States. Mainly about the production and labeling for the coffee industry in the United States which has been regulated by the Food and Drug Administration (FDA) in the Federal Food, Drug and Cosmetic Act (FD&CA) and the Fair Packaging and Labeling Act. The FDA has a mission to promote and monitor products that are widely circulated in the market and massively to care about the safety of products after consumption to be able to maintain public health. American consumers tend to demand stricter regulations and more accurate information about the labeling, promotion, product packaging, and nutritional content claimed by foodservice companies. If the company fails to comply with regulations, it could result in the company being fined or even worse, banned from distributing the product in the US market.

For this reason, AEKI collaborates with the government to provide training on packaging and processing coffee products to coffee farmers or provide more modern coffee processing equipment so that it can create attractive coffee products. In addition to updating product packaging, AEKI can also provide advice to farmers to increase arabica coffee production, because the price of arabica coffee is more expensive than robusta.

V. Conclusion

The Indonesian Coffee Exporters and Industry Association (AEKI) was established as a sense of community in uniting the steps of coffee exporters in helping government problems since 1969, is the first coffee association in Indonesia that has the aim of realizing a prosperous, sustainable coffee society and is able to contribute to the development of national coffee through its functions, capacity, support the government's efforts to raise awareness among business actors and expand the coffee sector itself in the community.

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