

Analysis of Trade Openness Inconsistency toward Global Value Chains in Indonesia

By Ratna Diva Azzahra

Abstract

Indonesia's integration into Global Value Chains (GVCs) has been widely acknowledged for delivering various benefits, including accelerated industrialization, technology transfer, employment creation, and increased industrial value added. However, the relationship between trade openness and the deepening of GVC participation is not always linear in countries whose export structures remain dominated by primary commodities. This study employs a quantitative approach using a simultaneous equations model to capture potential endogeneity among variables, estimated through the Three-Stage Least Squares (3SLS) method. The estimation results indicate that exports of leading commodities are associated with improvements in sectoral export performance and influence foreign direct investment (FDI) flows as an intermediary channel. Nevertheless, increases in trade openness are not consistently followed by deeper participation in global value chains, as rising trade intensity may stem from fluctuations in raw commodity exports and reactive trade policy adjustments. These findings suggest that Indonesia's integration into global value chains tends to be shallow when domestic value added and upstream-downstream industrial linkages remain weak. The policy implications emphasize the importance of industrial upgrading strategies, strengthening domestic linkages, and designing investment policies that promote technology transfer and increased local content.

Keywords: *trade openness, global value chains, fdi, commodity exports, mining, agriculture, Indonesia, 3SLS.*

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Oleh Ratna Diva Azzahra

Abstrak

Integrasi Indonesia dalam *Global Value Chains* (GVC) yang terbukti memberikan banyak manfaat bagi negara antara lain percepatan industrialisasi, transfer teknologi, penyerapan tenaga kerja dan peningkatan nilai tambah industri. Namun, hubungan antara keterbukaan perdagangan (*trade openness*) dan pendalaman partisipasi GVC tidak selalu linier pada negara yang struktur ekspornya masih didominasi komoditas primer. Penelitian menggunakan pendekatan kuantitatif dengan model persamaan simultan untuk menangkap potensi endogenitas antarvariabel, dan diestimasi menggunakan *Three-Stage Least Squares* (3SLS). Hasil estimasi menunjukkan bahwa ekspor komoditas unggulan berasosiasi dengan peningkatan kinerja ekspor sektoral, serta memengaruhi arus FDI sebagai kanal perantara. Namun, peningkatan keterbukaan perdagangan tidak selalu diikuti oleh pendalaman partisipasi rantai pasok global karena kenaikan intensitas perdagangan dapat bersumber dari fluktuasi ekspor komoditas mentah dan perubahan kebijakan perdagangan yang bersifat responsif. Temuan ini mengindikasikan bahwa integrasi rantai pasok global Indonesia cenderung bersifat dangkal (*shallow integration*) ketika nilai tambah domestik dan keterkaitan industri hulu-hilir belum menguat. Implikasi kebijakan menekankan pentingnya strategi industrial upgrading, penguatan *linkage* domestik, serta desain kebijakan investasi yang mendorong transfer teknologi dan peningkatan kandungan lokal.

Kata kunci: *trade openness*, *global value chains*, fdi, ekspor komoditas, pertambangan, agrikultur, Indonesia, 3SLS.