

ABSTRACT

The sugar commodity was determined to be a staple food ingredient in the World Trade Organization negotiations since it is a source of calories for society and is a raw material for the food and beverage industry in Indonesia. The sugar industry is among the most developed plantation industry in Indonesia.

This paper is aimed at measuring the white crystal sugar production market power in the sugar industry due to importing white crystal sugar in Indonesia from 1990 – 2019. The estimation of market power uses the Bresnahan-Lau dynamic oligopolistic model in the error correction framework.

The results show that the estimation of the degree of market power is relatively small indicating that the sugar industry in Indonesia is competitive in the short term, especially in the long term. Meanwhile, the comparison of the results of the static model and the dynamic model shows that the static model is inadequate for economic analysis.

Key words: Error Correction Model, Bresnahan-Lau, Dynamic oligopolistic, Two Stage Least Square, Indonesia's Sugar Industry.