

ABSTRACT

The cosmetics industry is a value-added manufacturing sector that plays a strategic role in supporting economic growth and contributing to national foreign exchange earnings. Although Indonesia's cosmetics exports have shown an increasing trend, their performance remains not fully optimal and continues to face intense global competition from multinational companies as well as various trade barriers in international markets. This study aims to analyze the determinants of Indonesia's cosmetics export demand to 18 major partner countries using the Gravity Model approach over the period 2014–2023. A quantitative approach is employed through panel data regression analysis, which integrates both cross-country and time-series dimensions. The independent variables include real GDP per capita of destination countries, population size, Real Effective Exchange Rate (REER), economic distance, import tariffs, and the existence of Free Trade Agreements (FTA).

The results indicate that all independent variables simultaneously have a significant effect on Indonesia's cosmetics exports. Partially, REER and FTA have a positive and significant effect at the 1% level, highlighting the importance of price competitiveness and market openness. The real income of destination countries shows a positive and significant effect at the 10% level, suggesting that higher purchasing power encourages export demand. In contrast, economic distance and import tariffs have a negative and significant effect, indicating that logistics costs and trade barriers reduce export volumes.

These findings emphasize that enhancing price competitiveness, improving market access, and increasing distribution efficiency are key to boosting Indonesia's cosmetics exports. Therefore, policy efforts should focus on optimizing trade agreements, diversifying export markets, and improving production and logistics efficiency to strengthen global competitiveness.

Keywords: Cosmetics Exports, Gravity Model, REER, Economic Distance, FTA