Readiness of the national textile industry in facing trade liberalization

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ABSTRACT

This study found that there are three alternative strategies, namely: strength-opportunity, weakness-opportunity, weakness-threats. The support needed by the business world from the government is: R & D development, information on market opportunities, ease of export, sources of funds other than the banking industry to carry out machine restructuring. The textile industry on the world stage is no longer a new figure but an old face. The term textile that we usually hear comes from the Latin word "texere" which means to weave. Textile is a commodity that has wide usage. Most of the output from the textile industry by the community is used to meet clothing needs. However, apart from being used for clothing, textiles can also be used for other things, such as medicine, the car industry. The car industry uses textile products in the form of upholstery covers. Textile products used in the medical world include: surgical threads, bandages. How a country takes advantage of the new, overcomes the challenges that arise depending on the strengths & weaknesses inherent in the respective national textile industries. This study aims to describe what strategies can be carried out by the national textile industry to obtain maximum benefits from the elimination of textile export quotas. The research data will be analyzed using the SWOT analysis method.

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1.   INTRODUCTION

Countries that adhere to the notion of comparative advantage, he will develop industries that have a comparative advantage for him. The comparative advantage possessed by a country varies, there are countries that have fertile soil; There are also countries with large populations. According to them, by developing industries that have a comparative advantage, economic resources can be used optimally. Examples of countries that have succeeded in carrying out industrialization against a background of comparative advantage are Arab countries. Because they have large amounts of oil reserves, they are compelled to develop the oil refining industry. The textile industry on the world stage is not a new figure anymore but an old face.

Textile is a commodity that has wide usage. Most of the output from the textile industry by the community is used to meet clothing needs. However, apart from being used for clothing, textiles can also be used for other things, such as medicine, the car industry. The car industry uses textile products in the form of upholstery covers. Textile products used in the medical world include: surgical

threads, bandages. The role of the textile industry for the world economy can be observed from several perspectives, one of which is from the perspective of international trade. From the data presented in Table 1 it appears that over a period of five years (2000-2004) the role of textiles in both world commodity trade and manufacture exports showed a declining trend.

Table 1. The Role of Textile Commodities in World Trade 2000-2004 (%)

Year	Share against trading world commodity	Share against export world manufacturing
2000	2.5%	3.4%
2001	2.5%	3.3 %
2002	2.4%	3.2%
2003	2.3%	3.1 %
2004	2.2%	3.%

The growth of world textile exports in the past can be divided into several periods. In the period 1980-1985 and 1995-2000, world textile exports stagnated. World textile exports experienced rapid growth in the period 1985-1990. During this period, on average every year the value of world textile exports increased by 15%. For the period 2000-2004 world textile exports also experienced growth, but not as fast as in previous periods. World textile exports at that time only grew on average per year by 6%. Compared to 2003, world textile exports in 2004 grew by 13%. The role of textile commodities in Indonesia's exports can be seen from two sides, namely: its role in manufacturing exports and its ability to generate foreign exchange reserves. The ability of Indonesian textile commodities to generate foreign exchange reserves has experienced a decline, but soon recovered. The decline in the ability to generate foreign exchange reserves that occurred at that time was due to the decline in the value of exports more than the reduction in the value of imports. For 2004 textile commodities were able to generate foreign exchange reserves of 2.413 billion USD. The development of a country's exports is strongly influenced by the trade policies adopted by its trading partners. There are two general forms of international trade barriers: tariffs and non-tariffs. In general world textile commodity trade is influenced by the existence of MFA (Multi Fiber Agreement).

2. METHOD

This study uses quantitative and qualitative data. Kuncoro (2003) suggests a fundamental difference between quantitative data and qualitative data. Quantitative data can be measured on a numerical scale, while qualitative data cannot be measured. The term textile commodity refers to SITC 56 with the source of research data being secondary data with data collection methods by conducting literature studies in libraries and searching through sites on the internet and for data analysis using research data will be analyzed using the SWOT analysis method . Endang (2003) uses the same technique for the case of Indonesian shrimp exports. Pearce as quoted by Endang (2003) mentions that there are several ways to analyze strategy, one of which is by analyzing strengths-weaknesses-opportunities-threats, namely analysis of strengths-weaknesses-opportunities-threats. SWOT analysis we can identify strengths and weaknesses (internal environment), opportunities and threats (external environment). After knowing the environment in detail, then the right strategy can be determined to increase exports. By looking at the strengths, weaknesses, challenges and opportunities that the textile industry has, several alternative strategies can be developed, namely: SO strategy, WO strategy, ST strategy, WT strategy. The following is each strategy from the results of the SWOT analysis in the form of a matrix of textile commodity marketing strategies.

Table 1. Textile Marketing Strategy Matrix

	Strength -RCA index -composition of input costs -Use of local raw materials -comparison of costs textile industry workers world	Weakness -imported machines -number of machines -engine age -efficiency - supporting industry -product technology
Opportunity -Growth of world imports -percentage of production value exported -percentage of usage production capacity	Strategy Strength-Opportunity Use force for take advantage of opportunities	Strategy Weakness-Opportunity Overcome weaknesses with take advantage of opportunities

installed		
-international exhibitions		
-RCA index of other countries		
-world import structure		
Threat	Strategy	Strategy
- Chinese domination	Strength-Threat	Weskness-Threat
- world oil prices	Use force for	Minimize weaknesses
- exchange rate movements	avoid threats	and avoid threats
- non-trade issues		

3. RESULTS AND DISCUSSION

3.1 The Strength of the National Textile Industry

The strength of the national textile industry lies in several things. First, Soetrisno (2005) states that the competence of the TPT (Textile and Textile Products) industry for more than three decades has made Indonesia known and reckoned as a world textile producing and exporter country. The development of the Indonesian TPT industry during this period was heavily influenced by government policies. During the oil boom period Indonesia adhered to the strategy industrialization of import substitution, since the fall in world oil prices the government has begun to adopt an export promotion strategy.

Potential domestic demand for a commodity can be seen from its population. Indonesia is the country with the largest population after: China, India. Currently, Indonesia's population has reached more than 200 million. According to the Asia Development Bank report, the population of Indonesia since 1998 has exceeded 200 million people, with an annual population growth rate of 1.2%. The raw materials needed by an industry can be obtained domestically or by importing. On average, the processing industry in Indonesia uses 1/3 of imported raw materials. In the case of the textile industry, even though the use of imported raw materials is above average, it can still be said to be able to meet its raw material needs independently. This is evidenced by the percentage of imported raw materials used for the textile industry below 50%. Among the companies in the textile industry group, knitting companies have the highest use of imported raw materials.

Table 2. Indonesian Cotton Imports 2000-2004 (Kg)

Yarn and Fabric Industry (ISIC 171)				
input type	1999	2000	2001	2002
Raw material	82.46	79.78	77.37	80.37
Local	(54.20)	(55.61)	(52.31)	(24.89)
Import	(28.26)	(24.17)	(25.06)	(24.89)
Fuel, electricity and gas	7.08	7.96	9.67	11.83
Rent buildings, machines and tools	0.28	0.2	0.72	0.22
Non-industrial services	10.18	12.06	12.24	7.59
Total	100	100	100	100
Knitting Industry(ISIC 173)				
input type	1999	2000	2001	2002
Raw material	85.66	85.7	84.06	84.28
Local	(57.99)	(58.06)	(46.58)	(50.38)
Import	(27.67)	(27.71)	(37.48)	(33.9)
Fuel, electricity and gas	2.27	2.49	7	7.35
Rent buildings, machines and tools	0.33	0.7	0.8	0.62
Non-industrial services	11.74	11.1	8.14	7.75
Total	100	100	100	100

One of the raw materials used by the TPT industry is: cotton Most of Indonesia's cotton needs are obtained through imports. Since 2002 there has been a tendency that the level of dependence of the national textile industry on imported cotton has decreased.

3.2 Strategies that Can Be Followed by the National Textile Industry

The strategy that can be carried out to develop the textile industry is to use the strength-opportunities strategy used to capture market opportunities that are so large due to the end of the quota system. Actually, Indonesia's opportunity to increase its textile exports is very large. Indonesia's contribution to world textile exports is still very small, world demand grows 11% annually on average. On the other hand, several textile producing countries have lost their comparative advantage over these commodities.

The Indonesian textile industry can use its comparative advantage to increase its exports. The increasing demand for Indonesian textile products has also indirectly increased the demand for inputs. The government can seek to develop R and D activities so that the availability of inputs can meet the increasing demand. In addition, the Indonesian textile industry is also experiencing problems in terms of technology. The machines used by the textile industry are obsolete. In this case the government can try several things. First, provide facilities for national textile companies to import machines. The second is to issue regulations on the criteria for textile machines that are suitable for use. Third, it provides detailed information about the latest textile technology, so that national textile companies are able to obtain the best technology at the lowest price. The weakness-threats strategy that Indonesia needs to do is: restructuring obsolete machines. If applying for credit from the banking world is still difficult, national textile companies can look for other alternatives, such as leasing. Lesaing provides several advantages for national textile companies, one of which is protection due to technological advances. In a leasing contract, the object of leasing is often included as an agreement that the goods being leased can be exchanged for similar, more sophisticated goods if in the future there are new inventions that are superior to the same product.

4. CONCLUSION

It is a fact that Indonesia must accept that since January 1, 2005 textile commodities are free to trade. The abolition of the quota system has indeed provided new opportunities for the world's textile producing countries, including Indonesia. How a country takes advantage of new opportunities and overcomes challenges that arise depends on the strengths and weaknesses inherent in the respective national textile industries. The toughest challenge faced by the Indonesian textile industry is: China's domination. Technological lagging is a major problem for the national textile industry that needs to be solved immediately. One of the strengths possessed by the domestic textile industry is: the relative availability of input sources. Today the opportunity for the Indonesian textile industry is very large, the world consumption trend is increasing.

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