UNIVERSITAS INDONESIA

COMPETITIVENESS OF INDONESIAN TEXTILE AND TEXTILE PRODUCT: PRE AND POST REMOVAL OF THE MULTIFIBRE ARRANGEMENT (MFA)

THESIS

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ABSTRACT

Name	:	Erizal Mahatama
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Title	:	Competitiveness of Indonesian Textile and Textile Product: Pre and Post Removal of The Multifibre Arrangement (MFA)

Export plays an important role as one of source of Indonesian economic growth. Textile and textile product is the largest of industrial product that contribute to the economic growth. As one of the main exporter of textile and textile product in the world, removal of the MFA should positively affect the Indonesian textile and textile product export. Therefore, the objectives of this research are to measure the competitiveness of Indonesian textile and textile products export and to compare the competitiveness of another main competitor. One model that used to measure the competitiveness of a country's exports relative to competing countries is a Constant Market Share (CMS) analysis. Both of HS 6205 and 620520, Indonesia was able to enhance its competitiveness post removal of the MFA in the world market and U.S. market. On the other hand, the factor of commodity composition has been negative in the pre MFA period. This may be explained because the textiles and textiles product exports of Indonesia tend to concentrate in product groups (HS 2 digits or 4 digits). The factor of market distribution seems to be the main problem for the growth of Indonesian textiles and textiles product exports. This may be explained because the textile and textile products exports of Indonesia not distributed correctly to the center of demand growth. Both of HS6205 and HS 620520, China and Italy has been main competitor for Indonesia because they able to develop and maintained their competitiveness of textile products both pre and post removal of the MFA.

Keywords:
Indonesia, Textile and Textile Product, Competitiveness, Constant Market Share (CMS) Analysis.

ABSTRAKSI

Nama : Erizal Mahatama
Program Studi : Magister Perencanaan dan Kebijakan Publik

Judul : Daya Saing Tekstil dan Produk Tekstil Indonesia: Pra dan Pasca Penghapusan The Multifibre Arrangement (MFA)

Ekspor memainkan peranan yang penting sebagai salah satu sumber pendapatan bagi perekonomian Indonesia. Tekstil dan produk tekstil adalah industri yang berkontribusi sangat besar terhadap pertumbuhan ekonomi. Sebagai salah satu eksportir utama tekstil dan produk tekstil di dunia, penghapusan MFA seharusnya member efek positif bagi ekspor tekstil dan produk tekstil Indonesia. Oleh karena itu, tujuan dari penelitian ini adalah untuk mengukur daya saing ekspor tekstil dan produk tekstil Indonesia dan untuk membandingkan daya saing pesaing utama lainnya. Salah satu model yang digunakan untuk mengukur daya saing ekspor suatu negara relatif terhadap negara-negara bersaing adalah analisis *Constant Market Share* (CMS). Pada HS 6205 dan 620520,Indonesia mampu meningkatkan daya saingnya di pasar dunia dan pasar AS pasca penghapusan MFA. Di sisi lain, faktor komposisi komoditi negatif pada periode pra MFA. Hal ini karena ekspor tekstil dan produk tekstil Indonesia cenderung terkonsentrasi pada kelompok produk (HS 2 digit atau 4 digit). Faktor distribusi pasar tampaknya menjadi masalah utama bagi pertumbuhan ekspor tekstil dan produk tekstil Indonesia. Hal ini dapat dijelaskan karena ekspor tekstil dan produk tekstil Indonesia tidak terdistribusikan dengan tepat ke pusat pertumbuhan permintaan. Pada HS 6205 dan HS 620520, Cina dan Italia merupakan pesaing utama bagi Indonesia Karena kedua negara tersebut telah mampu mengembangkan dan mempertahankan daya saing produk tekstil, baik pra dan pasca penghapusan MFA.

Kata kunci:
Indonesia, Tekstil dan Produk Tekstil, Daya Saing, Constant Market Share (CMS) Analysis.

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CHAPTER 1
INTRODUCTION

1.1. Background

Export plays an important role as one of source of Indonesian economic growth. As the second largest source of Indonesian economic growth after private consumption, share of export for economic growth has increased from 46.8% in 2006 to 47.4% in 2007. Moreover, as the engine of economic growth, export has the role to create employment and to increase national income (Josko, 2008). From the table below, textile and textile product as the largest of industrial product that contribute to the economic growth. Value of textile has increased from 7,606.1 million dollar in 2004 to 9,959.2 in 2008. This proves that textiles industry shown a positive growth and become a main industry in the non oil sector.

Table 1.1 Summary of export value development of industrial products (Millions US$)

Period	Description of Goods			
	Plywood and other manufacturers	Textile and Garment	Iron and Steel	Paper and Paper Product
2004	2,800.7	7,606.1	823.9	2,181.7
2005	2,711.7	8,552.9	939.2	2,277.7
2006	2,855.7	9,374.5	1,626.0	2,801.7
2007	2,556.4	9,698.9	1,598.7	3,317.1
2008	2,333.7	9,959.2	2,200.5	3,727.6

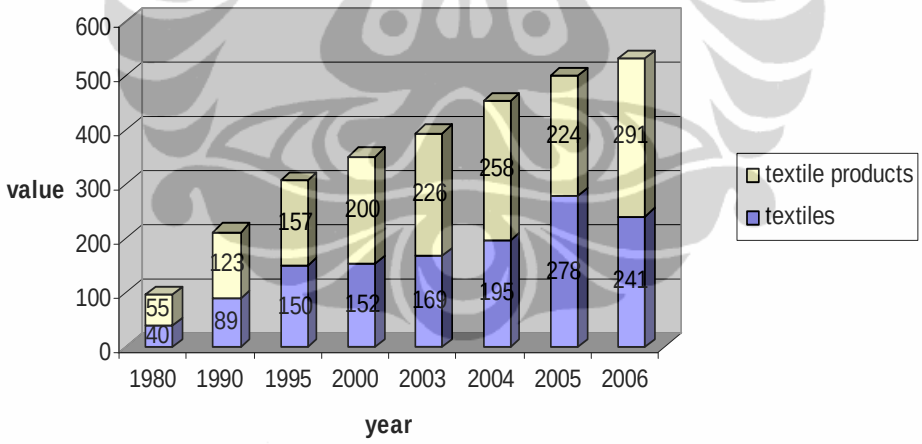
Sources: Trade Statistic, 2009

Currently, to accomplish the mandate and functions, the Ministry of Trade (MOT) has developed a road map for increasing export of 10 main commodities, 10 potential commodities and 3 services. Textile and textile products become one of main commodities which are included in the road map of Ministry of Trade.

Textile and textile products have been a main industry in Indonesia for a long time as the type of industry that employed great labor force. Since the policy

of export orientation, this industry has been driving force in Indonesian exports. It is a major source of foreign exchange for the country and thus plays a vital role in foreign trade and economic development of Indonesia. It has a completed cycle of production process starting from producing fiber, spinning, weaving, knitting, and dyeing and making garment which causes the industry to create employment for 1.19 million people and generate income in foreign currency of more than US$ 5 billion a year since 1997. In 2006, these industry contributed 11.7 per cent of the total export, 20.2 per cent of share surplus in trade, and 3.8 per cent to GDP Indonesia. The exports value of textile and textile products is US$ 9,457 million in 2006, increased by 9.9 % from 2005.

The textile and textile products industry is often referred to as a 'sunset industry'. But in reality, trade of textile in the world from 1980 until 2006 is continuously increasing (see in figure 1.1). So, the fact is quite contrary, textile industry is an 'evergreen industry' because it is an industry that will last as long as there is a need for clothing (Ariza, 2008).

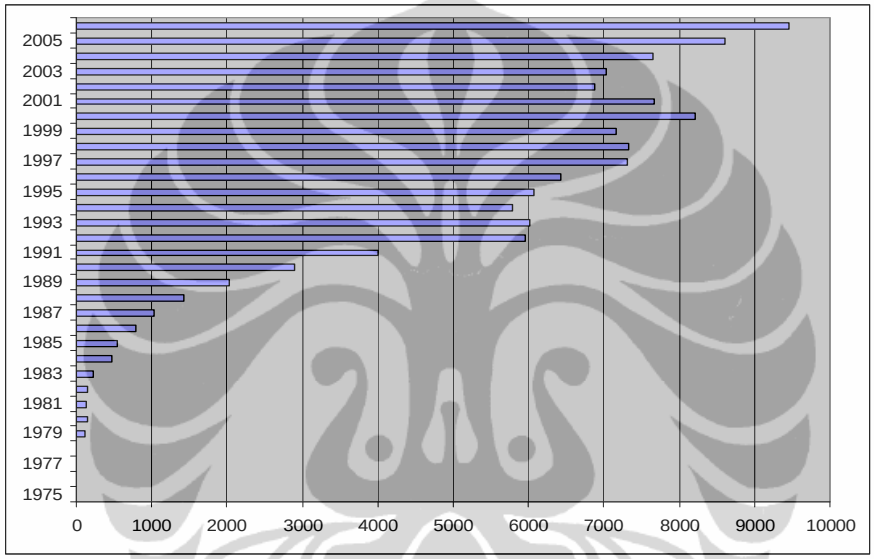


Source: Roadmap Indonesia Textile Industry, 2007

Figure 1.1 Trade of textiles and textile products in the world, 1980-2006 (Billions US$)

Indonesian exports of textile and textile products are still dominated by main destination countries such as the USA, European Union, and Japan. Therefore, the development of trade of Indonesian textile and textile products cannot be separated from the development that occurred in that region. View from

export volume of Indonesian textile and textile products seem that the market is the USA as the biggest market for Indonesian textile and textile products. In 2005 export volume of Indonesian textile and textile product to USA approximately 28%. While the European Union amounting to 13.8% and Japan approximately 12.4% of total exports of Indonesian textile and textile product. Overall, contribution of textile products and textiles of Indonesia exports is still significant result from 1975 to 2005 (see in figure 1.2).



Source: Ministry of Trade, 2007

Figure 1.2 Exports of Indonesian textile and textile products, 1975-2006 (Millions US$)

As known that from January 1, 2005, The World Trade Organization (WTO) had removed the Multifibre Arrangement (MFA), which trade of textile and textile product that used quotas in the world market, has launched a new era of textile and textile product trade. Rules based on the Agreement on Textile and Clothing (ATC) which has been agreed since 1995. If we see from the background of issuing trade quota of textile and textile product applicable since 1974, the textile industry as labor intensive industry in developing countries need to be given special treatment as a quota to export to developed countries because the industry has played an important role for developing country economies, including Indonesia.

One of the most striking consequences of removal of the MFA on textile and textile products trade in 2005 is that retailers and designer companies from major importing markets (USA, EU, and Japan) or elsewhere are now freer to source textile and textile product orders from the cheapest suppliers anywhere in the world be it small economies like Nicaragua, Bangladesh, Nepal, Sri Lanka, or large producing giants like China, India, Pakistan and Indonesia (Foreign Investment Advisory Service, 2006).

This condition causes a significant shift occurred in the structure of the textile and textile product producers of the world. If previously, most of textile and textile product originating from developed countries, since 1990, the value of exports from developing countries has exceeded the export value of developed countries. Currently, exports from developing countries reach 58% of the total world production of textile and textile products. The destination markets of the world trade of textile and textile product are also changing. Although the market in developed countries still dominates world textile and textile product imports, imports in developing countries also experienced significant changes. Currently more than 32% import demand of textile and textile product originating from developing countries, increase significantly from 21% in early 1960 (Foreign Trade Research Center Report, 2006).

Based on the explanation above, as one of the main exporter of textile and textile product in the world, removal of the MFA should positively affect the Indonesian textile and textile product export. Therefore this research is needed to see the competitiveness of Indonesian textile and textile products pre and post removal of the MFA as well as to see the competitiveness of the others competitor.

1.2. Research Objective

The objectives of this research are:

1. To measure the competitiveness of Indonesian textile and textile products export in the world market and main export destination country in term of pre and post removal of the MFA.
2. To compare the competitiveness of another main competitor of textile and textile product in term of pre and post removal of the MFA.

1.3. Scope of the Research

The research coverage some important issues, as follow:

1. The research covers Indonesia's export activity in textile and textile product with market that being analyzed is world market and USA market. This market has chosen by consideration that USA as main export destination countries for Indonesia exports of textile and textile product.
2. The research will focus on textile and textile product that have HS in 6205 and HS 620530, namely Men's or Boys' Shirt and Men's or Boys' Shirt of cotton. This commodity has chosen because it has the biggest share of total of Indonesian textile and textile product export to the USA market;
3. The nine competitor countries are China, Hong Kong, India, Italy, Malaysia, Mexico, Philippines, Taiwan, and Turkey. Those countries are consisted of the main competitor countries of Indonesia's textile and textile product exports from 2000 to 2008; and
4. Constant Market Share (CMS) analysis is used to measure and to compare the competitiveness between Indonesia relative to main competitor countries of textile and textile product. This research is using secondary data derived from the Central Bureau of Statistics and World Integrated Trade Solution (WITS). Analysis period covers the year 2000 to 2008, which later divided into 2 (two) sub-periods. The first period is from year 2000 to 2004 and the second period is from 2006 to 2008. The division is based on the time period pre and post removal of the MFA (Multi Fiber Arrangements).

1.4. Structure of the Thesis

In order to facilitate the understanding of this thesis, in this part, writer gives an early brief description about the content of each chapter of the thesis.

Chapter 1 is an introduction chapter. It will discuss about background of the research which explain about the recent condition of research object, objective of the research, scope of the research, and structure of thesis.

Chapter 2 is a theoretical background. This chapter consists of several theories which related to the research. The theories used in this research include international trade theories and the previous empirical study which related to the topics in this thesis.

Chapter 3 consists of Indonesia's and world textile and textile product profile. This chapter contain of general descriptions about the condition of Indonesia's and world textile and textile products production and trade. This part consists of the Indonesia textile and textile products production, market and Indonesia export. Moreover, this chapter describes the world textile and textile products production and trade. In addition, the Multi Fiber Arrangement (MFA) also included.

Chapter 4 is a research methodology. This chapter will describe about how the problem being analyzed. This chapter consists of data source and analysis method.

Chapter 5 is a result and analysis. In this chapter, writer not only analyzes the data by using available method in Chapter 4 but also will describe and discuss the result in order to achieve the objective of the research.

Chapter 6 is conclusion and recommendation. This chapter consists of the conclusion based on the analysis on Chapter 5, recommendation which can be used as an input for policy makers and also suggestion for other researchers in the future.

CHAPTER 2
THEORETICAL BACKGROUND

2.1. International Trade Theory

In this section, we describe international trade theory namely Absolute Advantage, Comparative Advantage, and Heckcher-Ohlin (H-O) Model.

2.1.1 Absolute Advantage Theory

The international trade has many theories. Adam Smith absolute superiority theory is known as the original theory of international trade. The theory thinks that a Country will export the commodity, where Country had relative absolute superiority against their trade partner. On the other hand, the Country will import the commodity that had the superiority absolute (absolute disadvantage). It means that the Country would specialize to the product that had the superiority absolute to be exchanged with the commodity that did not have the superiority absolute. With that process, the allocation of resources could be carried out more efficient and the two countries output will be increase, so the consumption level to that product will be increase. A country has an absolute advantage in a production of a good if it has a lower unit labor requirement than the foreign country in this good.

The main problem from the absolute superiority theory from Adam Smith was that the international trade between two countries only happened if both of them got the benefit from the foreign trade and this only happened if both countries have different absolute superiority. For example, in the world only had two countries (that is Indonesia and Japan) and two kinds of thing (A and B). If Indonesia had the superiority absolute from Japan for the A and B, that mean Indonesia exported the two kinds of thing, then the trade will not happen because only Indonesia got the benefit from the foreign trade. Therefore, it theory is fixed by comparative advantage theory.

2.1.2 Comparative Advantage Theory

The Richardian model which construct by David ricardo, focuses on comparative advantage and is perhaps the most important concept in international trade theory. A country has a comparative advantage in producing a good if the opportunity cost of producing that good in terms of other goods is lower in that country than it is in other countries. The theory of the comparative superiority by David Ricardo could be regarded as a criticism and at the same time finishing efforts/ improve towards the theory of the superiority absolute. David Ricardo thinks if a Country able to did not have the superiority absolute to all the production things but the relevant Country could export the commodity that had the smallest weakness absolute (comparative advantage) and imported the commodity that had the biggest weakness absolute (comparative disadvantage) in a sense that the trade between two countries emerge if respectively the Country had the smallest cost relative for the different kinds of thing. In a Ricardian model, countries specialize in producing what they produce best. Unlike other models, the Ricardian framework predicts that countries will fully specialize instead of producing a broad array of goods. Also, the Ricardian model does not directly consider factor endowments, such as the relative amounts of labor and capital within a country. In this model, labor is the only factor of production and countries differ only in the productivity of labor in different industries.

Both of absolute and comparative advantages are includes in classical theory with some assumptions of:

a. Two goods two states, it means that comparative advantage is analyzed because of the relation of two states;
b. Labor value, it means that labor factor is necessary because of mobility and capital became unnecessary thing, so labor will have important role in determining cost production.
c. Perfect competition in the goods and labor market.
d. There is no change in technology.

2.1.3 Heckscher-Ohlin (H-O) Model

The Heckscher-Ohlin model is model of international trade and was developed by two economists, Eli Heckscher and Bertil Ohlin. Heckscher was a

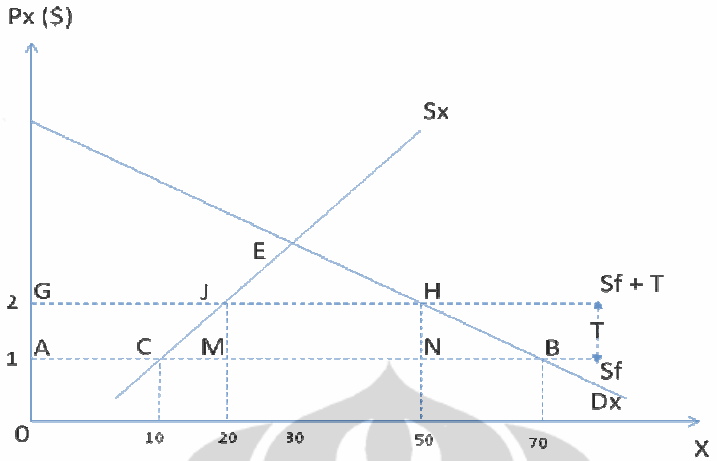
Swedish economist and he developed the essentials of the factor endowment theory of international trade. As Heckscher's student, Ohlin developed and elaborated the factor endowment theory. The theory built on Ricardo's theory of comparative advantage and predicts patterns of trade and production based on the factor endowments of a trading region. The Heckscher-Ohlin model essentially states that countries that have a comparative advantage in goods for which the resources are abundantly available. Relative endowments of the factors of production determine a country's comparative advantage. This is because the prices of goods are ultimately determined by the prices of their inputs. Goods that require locally abundant inputs will be cheaper to produce than those goods that require inputs that are locally scarce. For instance, capital rich countries will have a comparative advantage in capital-intensive goods, while labor-abundant countries will hold a comparative advantage in labor-intensive goods. Trading countries will export products that utilize their abundant factors of production and import products that utilize the countries' scarce factors (Leamer, 1995; Ohlin, 1933).

According to the H-O model the country exports those goods which intensively uses its abundant factor and imports those goods which are intensive in its scarce factor. As the theorem said:

"A nation will export the commodity whose production requires the intensive use of the nation's relative abundant and cheap factor and import the commodity whose production requires the intensive use of the nation's relatively scarce and expansive factor" (Salvatore, 2004:125).

2.2. Partial Equilibrium Analysis of a Tariff

The partial equilibrium analysis of a tariff is most appropriate when a small nation imposes a tariff on imports competing with the output of a small domestic industry. Then the tariff will affect neither world price (because the nation is small) nor the rest of the economy (because the industry is small).



Source: International Economics, Salvatore (2007)

Figure 2.1. Partial equilibrium effects of a tariff

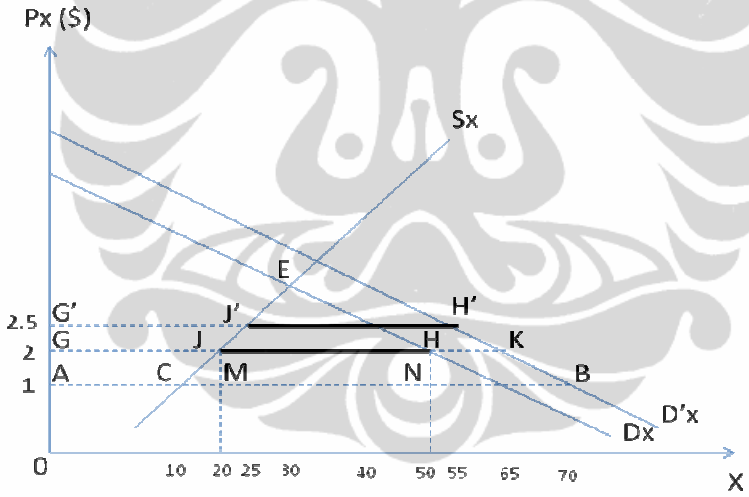
The partial equilibrium effects of a tariff can be analyzed with figure 2.1, in which Dx is the demand curve and Sx is the supply curve of commodity X in Nation 2. The same type of analysis for Nation 1 is left as an end of chapter problem. Nation 2 is now assumed to be small and so is industry X. In the absence of trade, the intersection of Dx and Sx defines equilibrium point E, at which 30X is demanded and supplied at Px = $3 in Nation 2. With free trade at the world price of Px = $1, Nation 2 will consume 70X (AB), of which 10X (AC) is produced domestically and the remainder of 60X (CB) is imported. The horizontal dashed line Sf represents the infinitely elastic free trade foreign supply curve of commodity X to Nation 2.

If Nation 2 now imposes a 100 percent ad valorem tariff on the import of commodity X, Px in Nation 2 will rise to $2. At Px = $2, Nation 2 will consume 50X (GH), of which 20 (GJ) is produced domestically and the remainder of 30X (JH) is imported. The horizontal dashed line Sf + T represents the new tariff inclusive foreign supply curve of commodity X to Nation 2. Thus, the consumption effect of a tariff (i.e., the reduction in domestic consumption) equals 20X (BN); the production effect (i.e., the expansion of domestic production resulting from the tariff) equals 10X (CM); the trade effect (i.e., the decline in imports) equals 30X (BN + CM); and the revenue effect (i.e., the revenue collected by government) equals $30 ($1 on each of the $30 imported, or MJHN).

Note that for the same $1 increase in Px in Nation 2 as a result of tariff, the more elastic and flatter Dx is, the greater is the consumption effect. Similarly, the more elastic Dx and Sx are in Nation 2, the greater is the trade effect of the tariff (i.e., the greater is the reduction in Nation 2's imports of commodity X) and the smaller is the revenue effect of the tariff.

2.3. Import Quota

A quota is the most important nontariff barrier. It is a direct quantitative restriction on the amount of commodity allowed to be imported or exported. In this section, we examine import quota. An import quota is examined in this section with the same type of partial equilibrium analysis used in figure 2.1 to analyzed the effect of import tariff. The similarities between import quota and the equivalent import tariff are also noted.



Source: International Economics, Salvatore (2007)

Figure 2.2. Partial equilibrium effects of an import quota

Import quota can be used to protect domestic industry, to protect domestic agriculture, and/or for balance of payment reason. Import quotas were very common in Western Europe immediately after World War II. Since then import quota have been used by practically all industrial nations to protect their agriculture and by developing nations to stimulate import substitution of manufactured products and for balance of payments reasons.

The partial equilibrium effects of an import quota can be illustrated with figure 2.1. In this figure Dx is the demand curve Sx is the supply curve of commodity X for the nation. With free trade at the world price of Px = $1, the nation consume 70X (AB), of which 10X (AC) is produced domestically and the remainder of 60X (CB) is imported. An import quota of 30X (JH) would raise the domestic price of X to Px = $2, exactly as with 100 percent ad valorem import tariff on commodity X (see Figure 2.1). The reason is that only at Px = $2 does the quantity demanded of 50X (GH) equal the 20X (GJ) produced domestically plus the 30X (JH) allowed by import quota. Thus, consumption is reduced by 20X (BN) and domestic production is increase by 10X (CM) with an import quota of 30X (JH), exactly as with 100 percent import tariff. If the government also auctioned off import licenses to the highest bidder in a competitive market, the revenue effect would be $30 ($1 on each of the 30X of the import quota), given by area JHNM. Then the import quota of 30X would be equivalent in every respect to an "implicit" 100 percent import tariff.

With an upward shift of Dx to D'x, the given import quota of 30X (J'H') would result in the domestic price of X rising to Px = $2.50, domestic production rising to 25X (G'J'), and domestic consumption rising from from 50X to 55X (G'H'). On the other hand, with the given 100 percent import tariff (in the face of the shift from Dx to D'x), the price of X would remain unchanged at Px = $2 and so would domestic production at 20X (GJ), but domestic consumption would rise to 65X (GK) and import to 45X (JK).

2.4. Previous Study

Wawan Juswanto and Puji Mulyanti (2003) have done research on Indonesia's Manufactured Exports: A Constant Market Shares Analysis. This research tries to investigate Indonesia`s manufactured export growth. More specifically this study strives to answer the following research questions: to what extent do factor determinants affect Indonesia`s manufactured export growth?

They used a decomposition method called constant market share (CMS) analysis. It is a method to examine a country`s export growth. The method basically was built from the assumption that a country`s exports may succeed (fail) to grow as rapidly as the world average for three reasons: (1) exports may

concentrate in commodities in which the demand is growing relatively fast (slowly); (2) exports may be going to relatively growing (stagnant) regions; (3) the country in question may have been able (unable) to compete effectively with other sources of supply (Leamer and Stern 1970). Another assumption of the method is that a country`s export share in the world market should remain unchanged over time. The differences between the export growth, implied by this constant-share norm, and the actual export growth is assumed to be caused by competitiveness, commodity-composition and market-distribution effects.

Following notations are used:

$V_{i.}$: Value of A's exports of commodity i in period 1

$V_{i.}'$: Value of A's exports of commodity i in period 2

$V._{j}$: Value of A's exports to country j in period 1

$V'._{j}$: Value of A's export to country j in period 2

V_{ij} : Value of A's export of commodity i to country j in period 1

r : Percentage increase in total world exports from period 1 to period 2

r_i : Percentage increase in world export of commodity i from period 1 to period 2

r_{ij} : Percentage increase in world export of commodity i to country j from period 1 to period 2

And it can be aggregated to:

$$V'.. - V.. \equiv \Sigma i \Sigma j r_{ij} V_{ij} + \Sigma i \Sigma j \, (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \Sigma j \, (r - r + r_i - r_i + r_{ij}) \, V_{ij} + \Sigma i \Sigma j \, (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \Sigma j \, (rV_{ij} - r \, V_{ij} + r_i V_{ij} - r_i V_{ij} + r_{ij} V_{ij}) + \Sigma i \Sigma j \, (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \Sigma j r V_{ij} + \Sigma i \Sigma j \, (r_i - r) \, V_{ij} + \Sigma i \Sigma j \, (r_{ij} - r_i) \, V_{ij} + \Sigma i \Sigma j \, (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \; r \, V_{i.} + \Sigma i \, (r_i - r \,) \, V_{i.} + \Sigma i \Sigma j \, (r_{ij} - r_i) \, V_{ij} + \Sigma i \Sigma j \, (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv (rV..) + \Sigma i \, (r_i - r) \, V_{i.} + \Sigma i \Sigma j \, (r_{ij} - r_i) \, V_{ij} + \Sigma i \Sigma j \, (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

(1) (2) (3) (4)

CMS analysis shows that the commodity composition is a main problem for Indonesia's manufactured exports growth since its impact on growth has been negative throughout the period. This problem may be because Indonesia`s manufactured exports concentrates too much in SITC 6 and 8, which have relatively slow growing world demand. On the other hand, the share of SITC 7, product groups that have relatively fast growing world demand, is relatively small in Indonesia. The markets for the Indonesia's manufactured exports are concentrated in Japan, US, NIE, and ASEAN countries. Al-though the share of those markets declined in total in recent years, they still absorb more than 50 percent of the Indonesian manufactured exports.

Abdul Somad (2008) have done the research on *Analisa Daya Saing Ekspor TPT (Tekstil dan Tekstil Produk) Indonesia di Pasar Dunia.* This research tries to measure competitiveness of Indonesian textile and textile product in the global market. He used a method called constant market share analysis (CMSA). Following formula is used:

$$\frac{E_{(t)} - E_{(t-1)}}{E_{(t-1)}} = g + \frac{\sum_i (g_i - g) E_{(t-1)i}}{E_{(t-1)}} + \frac{\sum_i \sum_j (g_{ij} - g_i) E_{(t-1)ij}}{E_{(t-1)}} + \frac{\sum_i \sum_j (E_{(t)ij} - E_{(t-1)ij} - g_{ij} E_{(t-1)ij})}{E_{(t-1)}}$$

Description:

g	Standard Growth
$\frac{\sum_i (g_i - g) E_{(t-1)i}}{E_{(t-1)}}$	Commodity Composition Effect
$\frac{\sum_i \sum_j (g_{ij} - g_i) E_{(t-1)ij}}{E_{(t-1)}}$	Market Distribution Effect
$\frac{\sum_i \sum_j (E_{(t)ij} - E_{(t-1)ij} - g_{ij} E_{(t-1)ij})}{E_{(t-1)}}$	Competitiveness

The result of this research is during the year 2002-2006 Indonesian textile exports growth up and down, in the year 2002-2004 the export growth of Indonesia's textile and textile product below the growth of world textile exports. This is due quotas, because the existence of quotas, Indonesia cannot do textile and textile product export quota exceeds the given period. While in 2005-2006

growth in textile export growth in Indonesia over textile and textile product exports the world. This is caused by the removal of quotas, so that textile and textile product of Indonesia may export more without any restrictions quotas. In the aspect of product composition during 2002-2006, the textile and textile product of Indonesia has generated attention to the needs market demand. For the aspect of distribution during the year 2002-2006, textile and textile product produced Indonesia had not exported to the importing countries that textile and textile product has a positive import growth that is reflected in the numbers negative marked distribution. In the aspect of competitiveness during the years 2002-2006, the textile and textile product products of Indonesia produced in 2002 and 2004 have the competitiveness that weak in the world market because of negative value. But in 2003, 2005 and 2006 Indonesian textile products have a competitive enough strong, although still less than other countries such as China.

Rohayati Suprihatini (2005) have done the research on *Daya Saing Ekspor The Indonesia di Pasar Dunia.* This research tries to measure competitiveness of Indonesian tea in the global market. She used a method called constant market share analysis (CMSA). Following formula is used:

$$\frac{E_{(t)} - E_{(t-1)}}{E_{(t-1)}} = g + \frac{\sum_i (g_i - g) E_{(t-1)i}}{E_{(t-1)}} + \frac{\sum_i \sum_j (g_{ij} - g_i) E_{(t-1)ij}}{E_{(t-1)}} + \frac{\sum_i \sum_j (E_{(t)ij} - E_{(t-1)ij} - g_{ij} E_{(t-1)ij})}{E_{(t-1)}}$$

Description:

g	Standard Growth
$\frac{\sum_i (g_i - g) E_{(t-1)i}}{E_{(t-1)}}$	Commodity Composition Effect
$\frac{\sum_i \sum_j (g_{ij} - g_i) E_{(t-1)ij}}{E_{(t-1)}}$	Market Distribution Effect
$\frac{\sum_i \sum_j (E_{(t)ij} - E_{(t-1)ij} - g_{ij} E_{(t-1)ij})}{E_{(t-1)}}$	Competitiveness

The result of this research is Indonesia tea export growth far below the growth of world exports of tea and even experienced negative growth. That conditions due to (1) the compositions of tea products exported by Indonesia does

not follow market demand which reflected by the commodity composition of tea Indonesia marked negative (-0.032); (2) Indonesian tea export not directed to the main tea importing countries that have high tea import growth which reflected by the distribution of marked negative (-0045); and (3) Indonesia tea competitiveness in world markets is weak enough that reflected by the marked competition factor negative (-0.211).

Irene Brambilla, Amit Khandelwal, Peter K Schott (2007) have done the research on China's Experience Under the Multifiber Arrangement (MFA) and the Agreement on Textile and Clothing (ATC. This paper provides evidence that China faced relatively more stringent constraints under U.S. apparel and textile quotas than other countries. It exhibited the largest fraction of goods bound by specific quotas and appears to have had the least flexibility in being able to adjust them over time. Once MFA/ATC regime ended, China benefitted disproportionately and greatly expanded its presence in the U.S. market. This expansion came at the expense of other exporters rather than domestic producers. Between the end of 2001, when China entered the WTO, and 2005, when all textile and clothing quotas were removed, China's share of U.S. T&C imports jumped from 10 to 33 percent. We show that as quotas on successive cohorts of Chinese exports were relaxed, its export volumes increased relatively more than other countries, and relatively more for products whose quotas appear most binding.

Doris Yan Xia (2005) has done the research on Impacts of Multi-Fiber Arrangement Removal on Global Textile and Cotton Trade. This study estimated changes in textile/apparel trade and cotton trade after the removal of the Multi-Fiber Arrangement. An equilibrium displacement model (EDM) was developed and solved by incorporating self estimated parameters under four different scenarios. Five groups of countries were classified according to their international trade status in textiles, apparel and cotton. These groups were the United States, EU, China, AO countries, and foreign cotton exporters. The first four groups were the focuses of this study. The results were consistent with the impacts examined by the qualitative framework on the basis of modern international trade theory.

U.S. and EU countries' domestic demand for textiles and apparel tends to decrease after MFA quota elimination in both the short run and long run under different exogenous assumptions. Following the removal of the MFA quota, consumers in both the United States and EU benefited from a lower price of imported textile and apparel products. Lower prices stimulated quantity imported in the United States and EU countries, which suggested that the international market would gradually become a larger textiles and apparel supplier to these two groups. The increase seen in the United States was larger than that in EU countries because the trend in EU member countries to trade within EU is expected to strengthen due to reduced border protection and lower transportation costs. There was no explicit difference in import demand increases in the United States and EU countries in all four scenarios, which indicated that U.S. competitiveness supported by the U.S. farm program for cotton would not induce a noticeable impact on textile and apparel trade. As major textile and apparel exporters, China and AO countries will expand their textiles and apparel output to meet the increasing import demand from the United States and EU countries. Correspondingly, China and AO increased their demand for both U.S. cotton and foreign cotton to meet the need of textile industries expansion.

Junichi Goto (1989) has done the research on The Multifibre Arrangement and Its Effects on Developing Countries. The MFA provides for bilateral quotas against textile and clothing exports from developing countries. Thus, although it is administered under the auspices of GATT, the MFA derogates two GATT principles: nondiscrimination and the avoidance of quantitative restrictions. The impact of the MFA on developing countries is exam- ined in the article. Four important short-term effects of the MFA on exporting developing countries are (a) the forgoing of exports, (b) the transfer of quota rents, (c) the shift to unrestricted exporters, and (d) the upgrading of products. In the long term the MFA discourages newcomers from becoming successful exporters of textile and clothing products. Although it also encourages foreign investment in unrestricted developing countries, in general the MFA is harmful to current and potential exporters of textiles and clothing in developing countries, and it benefits domestic producers of textiles and clothing in the importing industrial countries.

In order to measure the competitiveness of Indonesian textile and textile products export in the world market and USA market and to compare the competitiveness of another main competitor of textile and textile product in term of pre and post removal of the MFA. The researcher used formula of Constant Market Share Analysis (CMSA) based on the previous study above and tries to combine the facts that include in its previous study to answer the objectives of this research.

CHAPTER 3
INDONESIAN AND WORLD TEXTILE PROFILE

3.1. Indonesian Textile Profile

The textile industry in Indonesia, as is the case in many developing countries, has already a long standing tradition and is among the pioneering sector in industrial manufacturing. The textile industry consists of a number of sub-sectors like weaving, knitting, finishing, *batik* printing, spinning and man-made fibre production. Usually the industry started with the production of consumer end products like textile fabrics and knitted goods, and also garments and household textile products. In Indonesia the weaving industry can be divided into two broad sectors, the modern power-driven machine sector and the traditional hand-loom sector. Wooden self-made hand-looms can be found in many villages all over the country, producing traditional clothes for daily wear or for ceremonies. In a later stage the production process goes up-stream to the spinning industry and the man-made fiber industry. The Indonesian textile industry developed as an import-substitution industry in the 1950 behind high protection walls.

For Indonesia, textile and textile products as the main export products that plays an important role in the economy. There are some factors that make its products become most important, one of the factors is the role of its sector in term of absorb labor in a great amount. In year 2005, textile and textiles products sector absorb approximately 5.5 million labors (see in table 3.1).

Table 3.1 Labor in textile and textile product sector, 2002 - 2005

Definition	2002	2003	2004	2005
Industry (Direct)	1,182,212	1,182,271	1,184,079	1,176,183
Small Enterprises (Direct)	635,210	584,786	668,372	665,337
Undirected	3,634,884	3,535,314	3,704,902	3,683,040
Total	5,452,266	5,302,971	5,557,353	5,524,560

Source: API, 2006

While if we look from contribution of textile and textile products to Gross Domestic Product (GDP) during year 2005, net export and selling in domestic reach approximately US $ 8.09 billion which is means 2.85% GDP in the same year reach US$ 279.97 billion (see in table 3.2).

Table 3.2 Contribution of textile and textile products to GDP, 2005

Definition	Unit	Value
Net Export	US $ Billions	6.87
Domestic Selling	US $	1.22
Investment	-	-
Total	US $	8.09
GDP	US $	279.97
Share to GDP	%	2.85

Source: API, 2006

Indonesia's textile and textile product has dominant power in Southeast Asia. In 2006, Indonesia was the number three exporter clothing to the US, after China and Mexico, but preceding Vietnam and India. in the EU import market, Indonesia's position is less remarkable (position ninth, as well for textiles as for clothing). The international competitiveness of the Indonesian textile and clothing industry is mainly based on the following factors:

1. A strong well-integrated materials and accessories base (especially in man-made fiber items), which is considered as the strongest, after China;
2. A large installed production capacity;
3. Low labor cost, coupled with a long and refined textile tradition (e.g. in batik techniques and embroidery) and relatively low turn-over rates in most factories; and
4. The presence of a number of strong, globally-oriented textile and garment group, which enjoy international buyer confidence.

The lack of the textile machinery part, resulting in quality problems and low productivity, is undoubtedly the textile sector's main weakness. The economic crisis of 1998 had a destructive effect on the worth of the Indonesian

Rupiah and hence on investments in machinery. Forced to buy raw materials in US dollars at exchange rates up to IDR 18,000 per dollar, many Indonesian textile companies were no longer financially able to buy new machinery. Debt financing was no alternative, as the interest rate was very high and the Indonesian bank sector was reluctant to grant credits to a sector that was known for a high degree of non-performing loan risk and was considered to be a "*sunset industry*". As a result, since 2002, total investment value tended to stagnate.

Due to the lack of new investments in machinery, Indonesian textile and clothing companies tend to have an obsolete, big machinery part that is insufficiently used. Utilization of production capacity is low, as table shows.

Table 3.3 Utilization of production capacity in the Indonesian textile and garment industry, 2005 (Thousand tons)

Items	Fiber	Spinning	Weaving/Knitting	Garments
Production capacity (000 tons)	1,077	2,397	1,777	1,166
Actual production (000 tons)	752	1,623	963	665
Utilization	69 %	67 %	54 %	57 %

Source: API, 2006

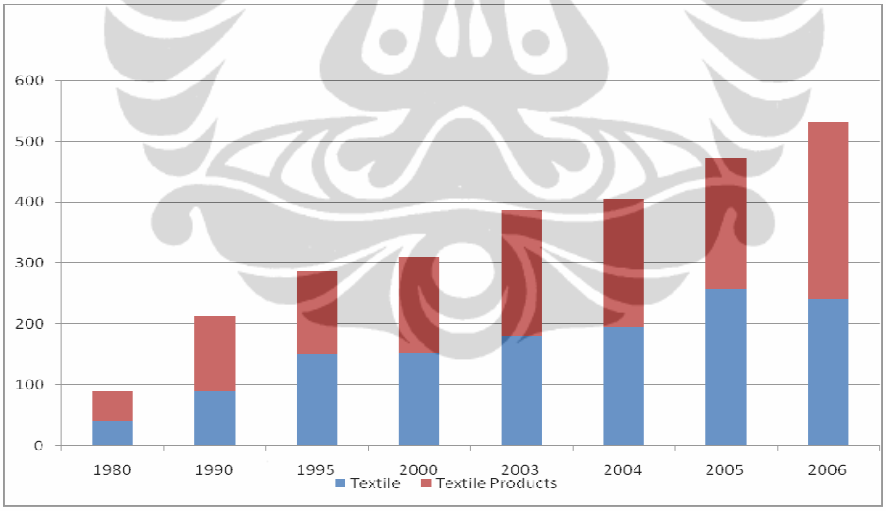
Like other textile exporting countries, Indonesia also gain a advantage from rising world consumption, the gradual relocation and developed of textile and especially garment production, capacities of developed countries and the curtailing of Chinese exports by EU quotas (until the end of 2007) and US (until the end of 2008) Indonesian exporters enjoy lower duty access to the EU (since 2006) under a special treatment (since 1 July 2005) because of the 2004 tsunami. In 2007 Indonesia will have duty free access to the ASEAN countries, as well as to Japan, for all textile and clothing items.

The main risk for the Indonesian textile and clothing industry, especially for the small-scale companies which cater exclusively to the domestic market, is the illegal import of textile goods. The price of illegal clothing (on which no duty or no correct duty is paid) is reported on average to be 30 % lower than that of

locally made garments. According to API figures, in 2005 the situation of those Indonesian companies whose main focus is on domestic sales of garments or other textile products has dramatically worsened. In that year, the sum of domestic sales 212,000 tones and legal imports 76,000 tones was only 288,000 tones or 34 % of Indonesian textile consumption.

3.2. World Textile Profile

World trade of textile and textile products is estimated to be growing in line with the continued growth of the total population. World textile consumption in 2006 reached 65.2 kg per capita, in the year 2008 is estimated will reach 66.6 kg and in 2010 with the assumption that the population of the world reached 6.8 billion people, the consumption level of textiles is estimated will grow to 68 kg per capita. The growth is mainly driven by increasing demand of textile and textile products from the United States, European Union, and Japan. At the time TPT world trade will reach U.S. $ 649 billion.

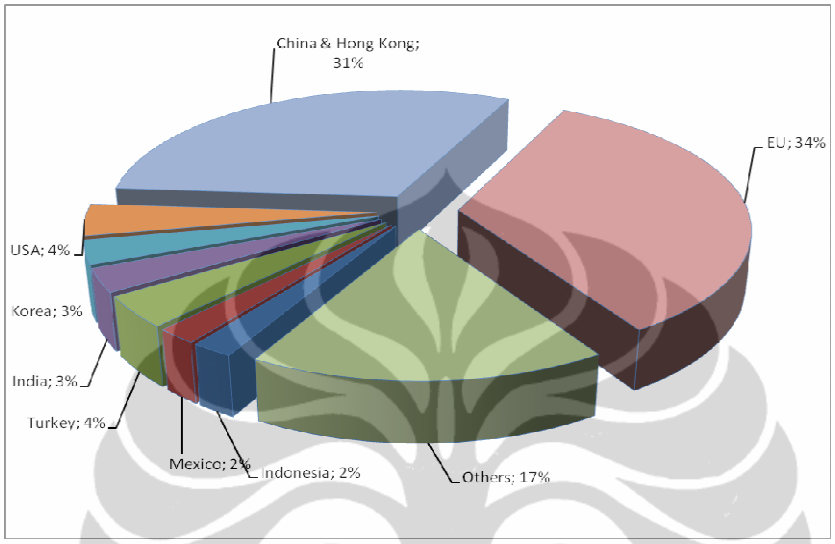


Source: Road Map Textile and Textile Product, 2007

Figure 3.1 Trade value of world textile and textile product, 1980-2006 (Billions US$)

Trade in textiles and textile products continued to increase annually. In 1980 value of world textile trade as 40 billion dollar and continues to increase until the year 2005 to 258 billion dollar. But in the year 2006 decreased to 240

billion dollar. While for textile products showed an increase in the last 20 years. This can be seen in the year 1980 the value of world trade in textile products is only 50 billion dollar and then rose significantly to 291 billion dollar in 2006.

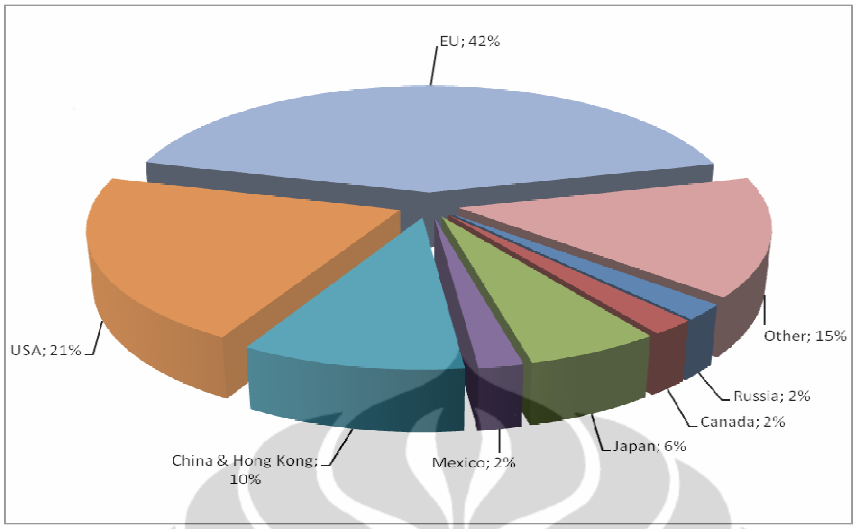


Source: Road Map Textile and Textile Product, 2007

Figure 3.2 Share of world export of textile and textile product, 2006

From the picture above can be seen that the main producers of the world for textiles and textile products are China/Hong Kong, EU (internal trade), Turkey, India, USA, Korea, Indonesia, and Mexico. EU is a main exporter with a share of 34% followed by China/Hong Kong with a share of 31%. Meanwhile, Turkey, India, USA, Korea, Indonesia, and Mexico have the world's export share of 3-4%.

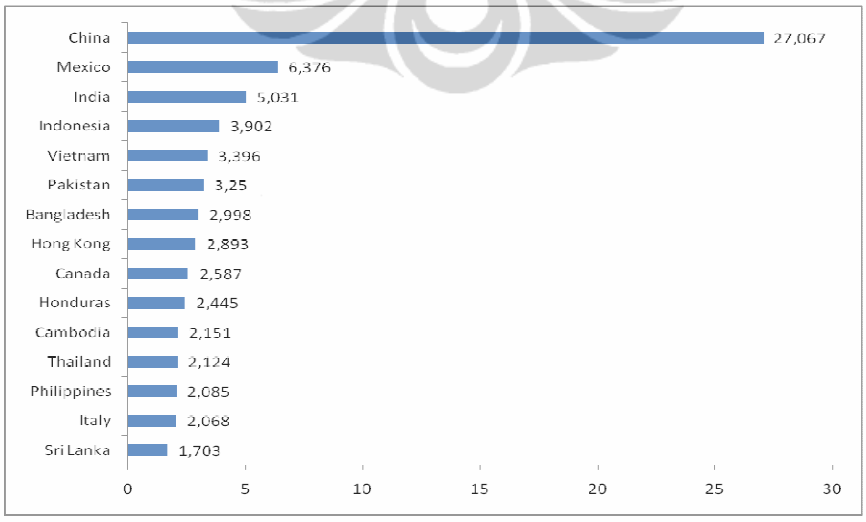
Meanwhile, world imports of textiles and textile products have the main markets like USA, EU, China/Hong Kong, Japan, Mexico, Canada, and Russia. EU is the main importer with a share of imports for 42% of the total world followed by the USA as the second largest importer of 21%. China and Hong Kong is now a main importer in the world with a share of 10%. While Japan has a share of imports by 6% followed by Mexico, Canada, and Russia each have a share of imports by 2%.



Source: Road Map Textile and Textile Product, 2007

Figure 3.3 Share of world import of textile and textile product, 2006

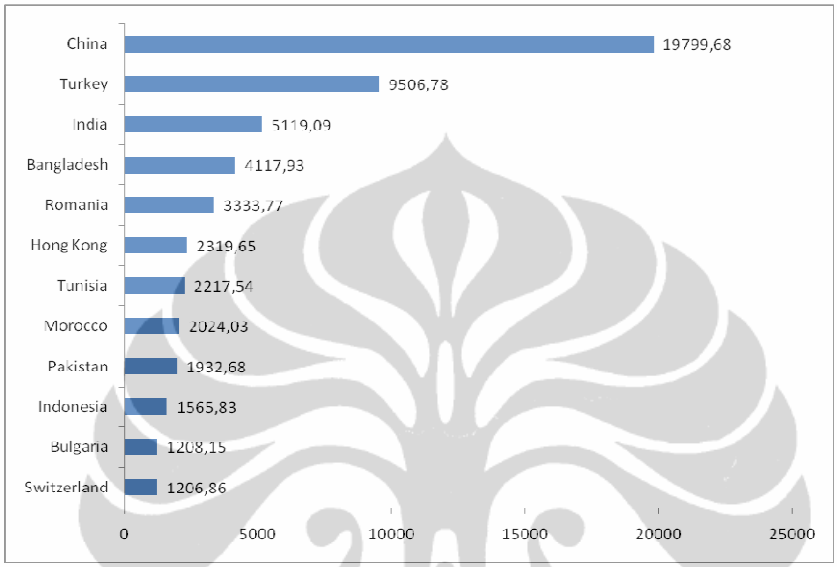
The picture below shows that the trading position of Indonesian Textile and textile products in the USA market as the fourth largest after China, Mexico, and India. NAFTA states positions weakened due to the elimination of quotas, as well as with Korea, Hong Kong, and Thailand. Volume of imports of textiles and textile products USA increased by an average 10%, while Indonesia's exports raised an average of 10.67%.



Source: Road Map Textile and Textile Product, 2007

Figure 3.4 Main producer in the USA market, 2006 (Millions US$)

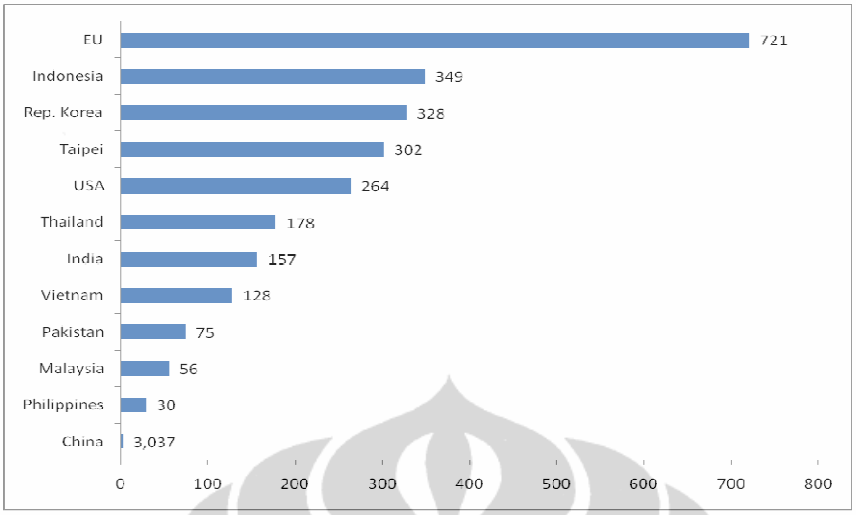
Indonesian position in the EU's market in textiles and textile products is stagnant, the position of the countries adjacent (geographically) and hold strong. Volume of EU's imports of textiles and textile products increased each year 2%, while Indonesia's exports raised an average of 3.08%.



Source: Road Map Textile and Textile Product, 2007

Figure 3.5 Main producer in the EU market, 2006 (Millions US$)

Indonesian textile trade position in Japan was also stagnant. While China's position in this market continued to strengthen. Products from Indonesia that can compete in the Japanese market only just fabric and thread. Volume of imports of textiles and textile products increased Japan every year an average of 1%, while Indonesia's exports rose an average of 9.74%.



Source: Road Map Textile and Textile Product, 2007

Figure 3.6 Main producer in the Japan market, 2006 (Millions US$)

3.3. MFA (Multi Fiber Arrangement) and ATC (Agreement on Textile and Clothing)

MFA policies applied in 1974 until 1994. The nature of the policy is unilateral, in which the importer can limit the number of import to protect the industry in his country felt threatened by imported goods. Countries that implement a quota system under the MFA are the United States, European Union, Austria, Canada, Finland, and Norway. This agreement includes wool and synthetic fibers that still contain cotton.

Implementation of quotas on textile commodities actually conflict with the general preference for GATT import tariff instead of the size and limit the number of equal treatment for all countries as not all countries subject to quotas. Determining the quota specified by the two countries concerned in accordance with the MFA. In addition, this system should only be used for (1) to protect agricultural products, (2) maintain a balance and Balance of Payment (3) protect the interests of the national economy (Yastuti, 2004).

Under the provisions of GATT / WTO, this agreement is eliminated gradually in the next agreement. Characteristics of the MFA quotas are: (1) the impact of this policy of discrimination in some countries and not to the exporter country. (2) quota determined bilateral and does not apply. (3) Apply the quota is

limited in the export, sale transferring from country to country importer exporter. (Hady, 2004).

In addition to gradually removing quotas, the ATC improved developing countries' access to developed-country markets by accelerating quota growth over the four phases of quota removal. These changes were governed by what is referred to as the ATC's "growth on- growth" provision and are summarized in the third column of Table 3.4. At the beginning of Phase I, existing quota growth rates were accelerated 16 percent per year, while they were accelerated by 25 and 27 percent in Phases II and III, respectively. A category with a base quota growth rate of 6 percent in 1994, for example, would grow at 6.96 percent (0.06*1.25) per year during Phase I, 8.7 percent (0.0696*1.25) per year over Phase II, and 11.05 (0.087*1.27) percent per year during Phase III. Actually, ATC is a transition period of the quota system to the full liberalization. Key elements of the basis of this agreement are:

1. The product which essentially includes yarn, fabrics, garments, textile products and the processed;
2. A program for the progressive integration of textile and textile products into GATT 1994 rules;
3. A process of liberalization to increase the quota with increasing the annual rate of growth in each stage;
4. A special safeguard mechanism to handle cases related to the new threat or serious damage to domestic producers-round transition period;
5. The supervisory body of a textile (textile monitoring body/TMB) supervise for the implementation of the agreement and ensure that the rules are implemented in accordance with the provisions; and
6. Other provisions, including rules on circumventions action against the quota, the administration, the treatment of non-MFA restrictions, and commitments are in place under the WTO agreements and procedures that affect this sector (Yastuti, 2004).

Table 3.4. ATC Integration schedule

Phase	Share of Export Volume Integrated	Increase in Quota Growth Rate	Number of HS Products Integrated
Phase 1 (January 1, 1995 – Dcsember 31,1997)	16	16	318
Phase 2 (January 1, 1998 – December 31,2001)	17	25	755
Phase 3 (January 1,2002 – December 31, 2004)	18	27	753
Phase 4 (January 1,2005)	49	n/a	3,013

Notes: Table describes the four phases of the Agreement on Textiles and Quotas. First three columns describe aspects of the Agreement that were common to all signatories. Final column reports the integration of products as implemented by the United States. Quota growth acceleration was advanced one phase for countries with less than 1.2 percent of the importing country's total quotas in 1991.

Source: OTEXA.

CHAPTER 4
RESEARCH METHODOLOGY

In this chapter will be divided into steps and methods that used in the implementation of research. In general, Chapter IV consists of two sub-chapters, namely: data and data sources and methods of analysis.

4.1 Data and Source

The data that used in this research is secondary data derived from the Central Bureau of Statistics and World Integrated Trade Solution (WITS) is the data Commodity Trade Statistics Database (COMTRADE). The data that derived from the BPS is data export and import of Indonesian textile and textile products to the world countries in volume and value. While the data is derived from the WITS is textile and textile products export data from all countries in volume and value in the form of an annual.

In this study used annual textile export data 10 (ten) major manufacturers, namely: China, Hong Kong, India, Indonesia, Italy, Malaysia, Mexico, Philippines, Taiwan, and Turkey. Analysis period covers the year 2000 - 2008, which later divided into 2 (two) sub-periods. The first period is from year 2000 to 2004 and the second period is from 2006 to 2008. The division is based on the time period pre and post removal of the MFA (Multi Fiber Arrangements).

4.2 Methodology of Analysis

There are numerous methodologies of research in the field of international trade study. Among those methodologies, one model that was developed and has been widely used to measure the competitiveness of a country's exports relative to competing countries is a Constant Market Share (CMS) analysis.

To analyze the textiles and textile product export growth, this research use a decomposition method called constant market share (CMS) analysis. The CMS analysis is a decomposition method that was applied for the first time to international trade flow by Tyszynski (1951). It is a method to examine a country`s export growth. Learner and Stern explained that the method basically

was built from the assumption that a country`s exports may succeed (fail) to grow as rapidly as the world average for three reasons: (1) exports may concentrate in commodities in which the demand is growing relatively fast (slowly); (2) exports may be going to relatively growing (stagnant) regions; (3) the country in question may have been able (unable) to compete effectively with other sources of supply (Juswanto and Mulyanti, 2003).

Basic assumption of the CMS method is that a country`s export share in the world market should remain unchanged over time The difference between the export growth, implied by this constant-share norm, and the actual export growth is assumed to be caused by competitiveness, commodity-composition and market-distribution effects. Although changes in export market share is not entirely determined by changes in competitiveness, changes in the share of exports is one indicator of competitiveness which can be used to measure changes in the competitiveness of a country's exports in world markets (Prajogo and Hardianto, 2004).

The following section will explain the CMS method developed by Learner and Stern (Juswanto and Mulyanti, 2003). Following notations are used:

$V_{i.}$: Value of A's exports of commodity i in period 1

$V_{i.}'$: value of A's exports of commodity i in period 2

$V._{j}$: value of A's exports to country j in period 1

$V'._{j}$: value of A's export to country j in period 2

V_{ij} : value of A's export of commodity i to country j in period 1

r : percentage increase in total world exports from period 1 to period 2

r_i : percentage increase in world export of commodity i from period 1 to period 2

r_{ij} : percentage increase in world export of commodity i to country j from period 1 to period 2

The value of country A's exports in period 1 is:

$$V\Sigma j_{ij} = V_i . \Sigma i \, V_{ij} = V._j \quad \text{.....(4.1)}$$

and we can also define A exports in period 1:

$\Sigma i \Sigma j V_{ij} = \Sigma i \; V_{i.} = V.\Sigma j_{j} = V.. \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4.2)$

At the first level of analysis, we may view exports only as a single good to a single market. At this level the method argues that if country A maintain its export share in world market then exports would increase by rV.., and therefore the following identity may be written:

$V'..–V..\equiv rV..+(V'..–V..–rV..) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4.3)$

Identity 4.3, the first level of analysis, means that the export growth from period 1 to period 2 (V'.. – V..) is divided into part associated with general increase in world exports (rV..) and an unexplained residual, the competitiveness effects (V'.. – V.. – rV..).

In the next step of analysis, two-level analysis, the method expands the arguments that exports are in fact a quite diverse set of commodities and markets for a particular commodity class. For i commodity it may be written an identity analogous to identity 4.3:

$V'_{i.} - V_{i.} \equiv r_i V_i + (V'_{i.} – V_{i.} – r_i V_{i.}) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots..(4.4)$

And be aggregated to

$V'.. – V.. \equiv \Sigma i r_i V_{i.} + \Sigma i(V'_{i.} – V_{i.} – r_i V_{i.})$

$\equiv \Sigma i(r – r + r_i) V_{i.} + \Sigma i \; (V'_{i.} – V_{i.} – r_i V_{i.})$

$\equiv \Sigma i(rV_{i.}) + \Sigma i(r_i – r) V_{i.} + \Sigma i \; (V'_{i.} – V_{i.} – r_i V_{i.})$

$\equiv (rV..) +\Sigma i \; (r_i – r) V_{i.} + \Sigma i \; (V'_{i.} – V_{i.} – r_i V_{i.}) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4.5)$

(1) (2) (3)

Identity 4.5 represents two-level analysis in which the growth of country A's export is broken into part attributed to (1) the general rise in world exports, (2) the commodity composition of country A in period 1, and (3) unexplained residual, the competitiveness effects indicating the differences between actual export increase and the hypothetical increase if A had maintained its share of export of each commodity group.

From identity 4.5, the commodity-composition effect is defined as:

$$\Sigma i\ (r_i - r)\ V_{i.} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4.6)$$

Equation 3.6 means that if world export of commodity i increased by more than total world export, then $(r_i - r)$ will be positive. This positive number will receive a heavy weight when added to other term $V_{i.}$. The result is that 4.5 would be positive if A had concentrated on export of commodities in which the market were growing relatively fast and would be negative if A had concentrated on export of commodities in which the market of that commodity were growing relatively slower than total world export growth.

Finally, in the three-level analysis, the method will observe that exports are differentiated by destination and commodity type. The appropriate norm of this case is constant market share of export of particular commodity class i to a particular region j. The identity analogue to 4.3 and 4.4 is:

$$V'_{ij} - V_{ij} \equiv r_{ij} V_{ij} + (V'_{ij} - V_{ij} - r_{ij} V_{ij}) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4.7)$$

And it can be aggregated to:

$$V'.. - V.. \equiv \Sigma i \Sigma j r_{ij} V_{ij} + \Sigma i \Sigma j\ (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \Sigma j\ (r - r + r_i - r_i + r_{ij})\ V_{ij} + \Sigma i \Sigma j\ (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \Sigma j\ (rV_{ij} - r\ V_{ij} + r_i V_{ij} - r_i V_{ij} + r_{ij} V_{ij}) + \Sigma i \Sigma j\ (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i \Sigma j r V_{ij} + \Sigma i \Sigma j\ (r_i - r)\ V_{ij} + \Sigma i \Sigma j\ (r_{ij} - r_i)\ V_{ij} + \Sigma i \Sigma j\ (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv \Sigma i\ r\ V_{i.} + \Sigma i\ (r_i - r\ )\ V_{i.} + \Sigma i \Sigma j\ (r_{ij} - r_i)\ V_{ij} + \Sigma i \Sigma j\ (V'_{ij} - V_{ij} - r_{ij} V_{ij})$$

$$\equiv (rV..) + \Sigma i\ (r_i - r)\ V_{i.} + \Sigma i \Sigma j\ (r_{ij} - r_i)\ V_{ij} + \Sigma i \Sigma j\ (V'_{ij} - V_{ij} - r_{ij} V_{ij}) \ldots\ldots\ldots\ldots\ldots\ldots(4.8)$$

(1) (2) (3) (4)

Identity 4.8 represents three-level analysis in which the growth of country A's export is broken into part attributed to (1) the general rise in world export (2) the commodity composition of country A in period 1 (3) the market distribution of A's export and (4) unexplained residual, the competitiveness effects that indicating the differences between actual export increase and the hypothetical

increase if A had maintained its share of export of each commodity group to each country.

From equation 4.8 the market distri-bution effect is defined as:

$\Sigma i \Sigma j \ (r_{ij} - r_i) \ V_{ij}$ ……(4.9)

Equation 4.9 means that if the world export of commodity i to country j increase by more than total world export of commodity i, then ($r_{ij} - r_i$) will be positive. This positive number will receive a heavy weight when added to other term V_{ij}. The result is that 4.9 would be positive if A had concentrated its export in the market that were growing relatively fast and would be negative if A had concentrated its export in the more stagnant region.

CHAPTER 5
RESULT AND ANALYSIS

5.1 Share of Export Growth of 10 Main Textile and Textile Product Exporting Countries

The development of share of export value from some major textile exporting countries in the USA market are presented in Table 5.1. In the policy implementation period or prior to removal of MFA, the share of Indonesia's exports value of textile and textile product in 2000 is 6.0%, or reached 153,171.91 thousand dollars of total USA imports from the world. In the year 2004 which was a period before the removal of textile the MFA, share of Indonesian exports rose 7.9%. In the period 2006 - 2008 or the period after removal of the MFA's policy, the share of Indonesian exports showed a significant increase. Share of Indonesia's export market rose to 9.5% in the year 2006. This means that after removal of export the MFAs, Indonesian textile increasingly showing a positive trend.

In the year 2008 the share of exports fell to 9.1%, or reached 226,233.05 thousand dollars. But as the increase in textile export value of Indonesia in the period 2000 - 2008, a decrease that occurred not too significant given the total value of trade in the market in the USA from 2000 - 2008 shows a very fluctuating trend. A decrease in the share of export value of Indonesia's textile and textile product is associated with the problem of product composition, market distribution and competitiveness which will be discussed in the next section.

The main countries of other textile exporters have increased the share of export value, respectively, are China and Italy. Further are countries that experienced very significant decreases in the period 2000 - 2008 are: India, Hong Kong, Taiwan, Mexico, and Philippines. Meanwhile, countries that experienced fluctuating share of exports value are Turkey and Malaysia.

Table 5.1
Share of export value of main exporting countries during period 1 (pre MFA) and Period 2 (post MFA)

Main Exporter Countries	Pre MFA				Post MFA			
	2000		2004		2006		2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
China	88.573,57	3,5	88.016,11	3,5	226.121,53	8,9	562.260,02	22,6
Hong Kong	310.779,09	12,2	338.495,49	13,6	294.241,36	11,6	135.629,62	5,4
India	200.550,68	7,9	279.379,12	11,2	244.083,27	9,6	226.233,05	9,1
Indonesia	153.171,91	6,0	196.487,41	7,9	240.824,67	9,5	225.076,45	9,0
Italy	58.181,63	2,3	87.825,14	3,5	78.202,34	3,1	86.330,08	3,5
Malaysia	126.129,44	5,0	91.845,52	3,7	98.808,20	3,9	94.924,72	3,8
Mexico	103.472,32	4,1	63.017,63	2,5	55.520,15	2,2	37.055,31	1,5
Philippines	125.816,76	5,0	108.372,54	4,4	107.620,32	4,2	73.406,84	2,9
Taiwan	113.997,15	4,5	72.731,59	2,9	50.857,27	2,0	40.122,19	1,6
Turkey	24.331,37	1,0	74.780,74	3,0	44.018,08	1,7	40.283,78	1,6
TOTAL	2.541.357,67		2.489.579,51		2.533.181,17		2.493.257,90	

Sources: WITS (Processed)

China is one of the major exporting countries that most spectacular. In the period pre removal of the MFA, China's share of export value is 3.5%. China's trade value in that period has below Hong Kong, India and Indonesia. But in the period 2006 - 2008 after removal of the MFAs, the value of trade shows trend that is very significant. In 2000 the export value of China's is 88,573.57 thousand dollars and then rose very significantly in the year 2008 become 562,260.02 thousand dollars. The share of China's export value rose to 22% in 2008 compared to the year 2000 which is only for 3.5%.

Other countries that showed an increase in the share of exports before and after removal of the MFA is Italy. From the two European countries that become the observation in this study, Italy is a country that showed positive trends even though not significantly like China. In the period 2000 - 2004, respectively, the share of export value of textile Italy for 2.3% and 3.5%. Later in the period after removal of the MFAs, in the year 2006 the share of export value of 3.1% Italy and up to 3.5% in 2008.

Meanwhile, India's fluctuating in share of exports value and trade export value in the period 2000 to 2008. In the period before removal of the MFA

actually showed an increase in the share of Indian exports are highly significant 7.9% to 11.2%. But after removal of the MFA its value fell in 2006 to 9.6% and fall again to 9.1% in the year 2008. This may be caused by the weakening competitiveness of India. Hong Kong is a major exporter of textile in the period 2000 to 2004. Share of exports value in 2000 is 12.2% which then rose in 2004 to 13.6%. But not like China which is spectacular in the textile trade, Hong Kong even worse off in the period after removal of the MFAs. Finally in the year 2008 the share of export value is only 5.4%. Taiwan, Philippines and Mexico are countries that also experienced a decline in the share of exports although the declines that experienced by the three countries are not significant as experienced a decrease of Hong Kong.

Malaysia and Turkey are countries that experienced the fluctuation of share trading and export value. Malaysia is very volatile during the period from 2000 to 2008. In 2000 the share of export value fell 5.0% to 3.7% in the year 2004 and after removal of the MFA; share of export value rose to 3.9% and then fell to 3.8%. Trend fluctuations experienced by Turkey are also almost the same as Malaysia. At the beginning of the period of observation in the year 2000 the value of the export trade of Turkey 24,331.37 thousand dollars or more rose 1.0% to 3.0%, or registration 74,780.74 thousand dollars in the year 2006. After removal of textile the MFAs trading value dropped from Turkey is very significant to 44,018.08 thousand dollars. Conditions in the year 2008 showed a declining trend that is becoming 40,283.78 thousand dollars in export value share of 1.6%.

5.2 The CMS Analysis of 10 Main Exporting Countries for HS 620520

The results of analysis of the growth of Indonesian textile exports in world markets and USA markets during the period before removal of the MFA (period from 2000 to 2004) and the period after removal of the MFA (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.2. It appears that Indonesia's export growth is positive in the period 2006 - 2008 caused by the increasingly open world markets and USA markets after the MFA removal policy. This indicates that Indonesia was able to enhance the competitiveness of textile products after removal of the MFA.

Indonesian textile and textile product exports are affected positively by the world export growth. The growth was also positively affected by increase in its competitiveness, except in pre MFA (2000 – 2004). On the other hand, the factor of commodity composition has been negative in the pre MFA period. This may be explained because the textiles and textiles product exports of Indonesia tend to concentrate in product groups (HS 2 digit or 4 digits)

Market distribution had negative impact on the growth throughout the period. The factor of market distribution seems to be the main problem for the growth of Indonesian textiles and textiles product exports. This may be explained because the textile and textile products exports of Indonesia not distributed correctly to the center of demand growth. In other words that the USA imports for these products is not the highest in the USA market.

Table 5.2
Constant market share analysis of Indonesia`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 – 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Indonesia								
Standard Growth	102.989,50	-3.892,55	17.785,92	48,86	57.303,00	334,89	12.185,54	377,12
Composition Effect	-2.787,76	105,37	6.286,16	17,27	-1.551,10	-9,06	4.306,79	133,29
Market Distribution Effect	-21.908,28	828,04	-52.360,08	-143,84	-18.679,11	-109,16	-51.677,29	-1.599,32
Competition Effect	-80.939,26	3.059,15	64.688,72	177,71	-19.961,77	-116,66	38.416,16	1.188,91
Total Change	-2.645,81	100,00	36.400,72	100,00	17.111,02	100,00	3.231,20	100,00

Sources: WITS (Processed)

Conditions described above that in the era of liberalization, competitiveness is the key to every country, including Indonesia in order to develop products to be exported, especially textile products. Countries that cannot develop and maintain its competitiveness will be unable to compete with countries that develop the competitiveness of its products continually. Competitiveness of Indonesian textile exports showed a consistent state with a share of the market value of USA exports which have been described in the previous section.

Analysis of Hong Kong's export growth in the world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFA (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.3. In contrast to Indonesia that Hong Kong's export growth is positive occurred in the period 2000 to 2004. While the post the MFA removal policy becomes negative growth. Hong Kong's textile and textile product exports are affected negatively by the world export growth especially in the post removal of the MFA. The competitiveness is negative throughout the period; this indicates that Hong Kong has not been able to compete with other competitors in the period both before and after removal of the MFA.

Market distribution had a negative impact on the growth throughout the period, this may be explained because USA imports of the textile and textile products exports from Hong Kong is not the highest in the USA market. The factor of market distribution seems to be the main problem for the growth of Hong Kong textiles and textiles products exports. Meanwhile the factor of commodity composition has been negative especially in the pre MFA period. This may be explained because the textiles and textiles products exports of Hong Kong tend to concentrate in product groups (HS 2 digits or 4 digits)

Table 5.3
Constant market share analysis of the Hong Kong`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 – 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Hong Kong								
Standard Growth	209.442,57	2.539,72	-10.819,63	4,82	107.867,76	393,22	15.574,26	-10,43
Composition Effect	-5.669,28	-68,75	43.208,38	-19,26	-2.919,81	-10,64	5.504,48	-3,69
Market Distribution Effect	-49.440,49	-599,52	-106.192,33	47,34	-35.161,75	-128,18	-66.048,40	44,24
Competition Effect	-146.086,12	-1.771,45	-150.504,05	67,10	-42.354,29	-154,40	-104.333,58	69,88
Total Change	8.246,67	100,00	-224.307,63	100,00	27.431,92	100,00	-149.303,23	100,00

Sources: WITS (Processed)

The results of analysis of the growth of Indian textile exports in world markets and USA markets during the period before removal of the MFA (period

from 2000 to 2004) and the period after removal of the MFA (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.4. It appears that Indian export growth showed a negative value except in the period 2006 - 2008 in the world market. While in the competitiveness effect, India had a negative throughout the period or the product has not been able to compete with other competitors except post removal of the MFA in the USA market only.

Table 5.4
Constant market share analysis of the India`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 – 2008		2000 – 2004		2006 - 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
India								
Standard Growth	268.559,24	-418,80	38.172,40	168,84	88.947,78	-2.247,56	13.079,17	-39,58
Composition Effect	-7.269,47	11,34	13.491,45	59,67	-2.407,68	60,84	4.622,63	-13,99
Market Distribution Effect	-40.902,44	63,78	-5.602,34	-24,78	-28.994,39	732,64	-55.467,05	167,87
Competition Effect	-284.513,71	443,68	-23.452,71	-103,73	-61.503,23	1.554,09	4.723,81	-14,30
Total Change	-64.126,38	100,00	22.608,80	100,00	-3.957,52	100,00	-33.041,44	100,00

Sources: WITS (Processed)

Market distribution had negative impact on the growth throughout the period, this may be explained because the textile and textile products exports of India not distributed correctly to the center of demand growth. On the other hand, the factor of commodity composition has been negative especially in the pre MFA period. This may be explained because the textiles and textiles product exports of India tend to concentrate in product groups (HS 2 digit or 4 digits).

Export growth of Malaysia on the world market and USA market during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.5. Malaysia's export growth had a negative impact on the growth throughout the period. But the competitiveness effect had positive in the period of post removal of the MFA. This indicates that Malaysia has been able to compete with other competitors in the period after removal of the MFAs policy.

Market distribution had negative impact on the growth throughout the period, this may be explained because the textile and textile products exports of

Malaysia not distributed correctly to the center of demand growth. On the other hand, the factor of commodity composition has been negative especially in the pre MFA period. This may be explained because the textiles and textiles product exports of Malaysia tend to concentrate in product groups (HS 2 digit or 4 digits).

Table 5.5
Constant market share analysis of the Malaysia`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 – 2008		2000 – 2004		2006 - 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Malaysia								
Standard Growth	49.646,14	-252,71	8.001,39	-1.103,79	38.364,65	-412,82	6.072,92	-55,79
Composition Effect	-1.343,84	6,84	2.827,97	-390,12	-1.038,47	11,17	2.146,38	-19,72
Market Distribution Effect	-12.679,44	64,54	-24.391,19	3.364,75	-12.505,76	134,57	-25.754,47	236,61
Competition Effect	-55.268,51	281,33	12.836,92	-1.770,85	-34.113,78	367,08	6.650,33	-61,10
Total Change	-19.645,65	100,00	-724,90	100,00	-9.293,36	100,00	-10.884,84	100,00

Sources: WITS (Processed)

The results of analysis of the growth of textile exports in the Philippines on world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.6. It appears that Philippines' export growth is positive in the period 2006 - 2008 caused by the increasingly open world markets and USA markets after the MFA removal policy. This indicates that the Philippines were able to improve the competitiveness of textile products after the MFA removal policy despite the fact that the share of export value continued to decline throughout the period from 2000 to 2008.

Textile and textile product exports of Philippines are affected positively by the world export growth. The growth was also positively affected by increase in its competitiveness, except in pre MFA (2000 – 2004). Characteristics of the market distribution and commodity composition of Philippines textile and textile product almost similar to Asian countries that market distribution had a negative

impact on the growth throughout the period and the factor of commodity composition has been negative especially in the pre MFA period.

Table 5.6
Constant market share analysis of the Philippines`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 – 2008		2000 – 2004		2006 - 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Philippines								
Standard Growth	57.115,35	-361,28	8.188,57	5,45	50.249,84	-348,49	6.758,40	17,10
Composition Effect	-1.546,02	9,78	2.894,13	1,93	-1.360,18	9,43	2.388,65	6,05
Market Distribution Effect	-17.593,35	111,28	-28.526,51	-18,98	-16.379,98	113,60	-28.661,50	-72,53
Competition Effect	-53.785,27	340,21	167.724,28	111,61	-46.929,18	325,46	59.028,82	149,39
Total Change	-15.809,30	100,00	150.280,48	100,00	-14.419,51	100,00	39.514,37	100,00

Sources: WITS (Processed)

Growth of Taiwan's textile exports in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.7. Taiwan export growth had a negative impact on the growth throughout the period. The competitiveness is negative throughout the period; this indicates that Taiwan has not been able to compete with other competitors in the period both before and after removal of the MFAs policy.

Market distribution had a negative impact on the growth throughout the period. This may be explained because USA imports of the textile and textile products exports from Taiwan is not the highest in the USA market. The factor of market distribution seems to be the main problem for the growth of Taiwan textiles and textiles products exports. Meanwhile the factor of commodity composition has been negative especially in the pre MFA period. This may be explained because the textiles and textiles products exports of Taiwan tend to concentrate in product groups (HS 2 digits or 4 digits).

Table 5.7
Constant market share analysis of the Taiwan`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Taiwan								
Standard Growth	42.511,81	-118,10	2.878,43	-28,05	40.873,21	-116,76	2.790,06	-23,65
Composition Effect	-1.150,73	3,20	1.017,34	-9,91	-1.106,37	3,16	986,11	-8,36
Market Distribution Effect	-13.564,85	37,68	-11.845,00	115,43	-13.323,48	38,06	-11.832,30	100,28
Competition Effect	-63.792,71	177,22	-2.312,20	22,53	-61.450,15	175,54	-3.742,74	31,72
Total Change	-35.996,47	100,00	-10.261,44	100,00	-35.006,79	100,00	-11.798,87	100,00

Sources: WITS (Processed)

The results of analysis of the growth of China's textile exports in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.8. It appears that the positive export growth in China during the period from 2000 to 2008. This indicates that China has been able to develop and maintained its competitiveness of textile products both pre and post removal of the MFA. China's textile and textile products exports are affected positively by the world export growth. The growth was also affected by positively increase in its competitiveness. Market distribution had a negative impact on the growth throughout the period. Meanwhile the factor of commodity composition has been negative especially in the pre MFA period.

Table 5.8
Constant market share analysis of the China`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
China								
Standard Growth	302.945,58	139,14	95.425,13	17,83	21.068,69	1.698,22	10.718,96	5,10
Composition Effect	-8.200,26	-3,77	33.726,56	6,30	-570,30	-45,97	3.788,45	1,80
Market Distribution Effect	-119.044,68	-54,68	-12.744,30	-2,38	-6.867,78	-553,57	-45.457,70	-21,65
Competition Effect	42.022,32	19,30	418.721,89	78,25	-12.389,98	-998,68	240.954,80	114,74
Total Change	217.722,96	100,00	535.129,28	100,00	1.240,63	100,00	210.004,51	100,00

Sources: WITS (Processed)

Conditions above illustrates that the competitiveness of China's textile exports showed a consistent state with a share of the market value of USA exports which have been described in the previous section. Not surprisingly, after removal of the MFA, China becomes a giant world textile trade because of its ability to develop competitiveness of textiles products both before and after removal of the MFAs.

Table 5.9
Constant market share analysis of the Italy`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 - 2004		2006 - 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Italy								
Standard Growth	109.043,59	61,81	27.499,02	16,81	18.777,19	293,15	2.748,56	77,43
Composition Effect	-2.951,64	-1,67	9.719,11	5,94	-508,27	-7,94	971,44	27,37
Market Distribution Effect	53.718,37	30,45	29.275,69	17,90	-6.120,82	-95,56	-11.656,28	-328,36
Competition Effect	16.592,85	9,41	97.059,64	59,34	-5.742,81	-89,66	11.486,13	323,57
Total Change	176.403,17	100,00	163.553,47	100,00	6.405,30	100,00	3.549,85	100,00

Sources: WITS (Processed)

Based on the results shown in table 5.9 above, the analysis of the Italy's export growth in the world markets and the USA market during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of

the MFAs (the period from 2006 to 2008) by using CMS indicates that growth exports of Italy positively on the entire period from 2000 to 2008. This condition is very similar to China that Italy able to develop competitiveness of textile products both before and after the MFA removal policy. Italy textile and textile products exports are affected positively by the world export growth. The growth was also affected by positively increase in its competitiveness except pre removal of the MFA in the USA market. Market distribution also had positive impact on the growth, except in the USA market. On the other hand, the factor of commodity composition has been negative, except on the post MFA period.

Growth of Mexico's textile exports in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.10. Mexico's export growth had a negative impact on the growth throughout the period. But the growth positively affected by increase in its competitiveness, except in pre MFA (2000 – 2004).This indicates that Mexico has been able to compete with other competitors in the period after removal of the MFA.

Table 5.10
Constant market share analysis of the Mexico`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Mexico								
Standard Growth	38.801,65	-112,94	3.639,26	-81,09	38.493,55	-106,59	3.601,31	-69,19
Composition Effect	-1.050,30	3,06	1.286,24	-28,66	-1.041,96	2,89	1.272,83	-24,45
Market Distribution Effect	-13.040,22	37,96	-15.209,91	338,90	-12.547,78	34,74	-15.272,68	293,41
Competition Effect	-59.066,97	171,93	5.796,43	-129,15	-61.018,08	168,96	5.193,39	-99,77
Total Change	-34.355,85	100,00	-4.487,97	100,00	-36.114,27	100,00	-5.205,16	100,00

Sources: WITS (Processed)

Characteristics of the market distribution and commodity composition of Mexico textile and textile product almost similar to Asian countries that market distribution had a negative impact on the growth throughout the period and the

factor of commodity composition has been negative especially in the pre MFA period.

Table 5.11
Constant market share analysis of the Turkey`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 – 2008		2000 - 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Turkey								
Standard Growth	50.528,54	20,67	21.828,12	36,60	8.189,60	18,76	1.678,77	-17,45
Composition Effect	-1.367,73	-0,56	7.714,82	12,93	-221,68	-0,51	593,33	-6,17
Market Distribution Effect	28.108,44	11,50	17.311,96	29,02	-2.669,57	-6,12	-7.119,44	74,00
Competition Effect	167.147,55	68,39	12.792,13	21,45	38.357,26	87,86	-4.773,09	49,61
Total Change	244.416,80	100,00	59.647,02	100,00	43.655,61	100,00	-9.620,42	100,00

Sources: WITS (Processed)

The results of analysis of the Turkey's export growth in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis shown in table 5.11. As seen that the growth of Turkey shown positive trend except post the MFA removal in USA market. This condition indicates that Turkey can maintain its competitiveness in world markets but not yet able to compete in the USA market after the MFA abolition policy. Market distribution also had positive impact on the growth, except in the USA market. On the other hand, the factor of commodity composition has been negative, except on the post MFA period.

5.3 The CMS Analysis of 10 major exporting countries for HS 6205

The results of CMS analysis of Indonesian exports growth in the world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) shown in table 5.12. It appears that Indonesia's export growth is positive in the period 2006 - 2008 except in USA market which caused by the increasingly open world markets after the MFA removal policy. This indicates

that Indonesia was able to enhance the competitiveness of textile products after removal the MFA.

Indonesian textile and textile products exports are affected positively by the world export growth. The growth was also positively affected by increase in its competitiveness, except in pre MFA (2000 – 2004) in the world market and USA market. Market distribution had negative impact on the growth throughout the period, this may be explained because the textile and textile products exports of Indonesia not distributed correctly to the center of demand growth. On the other hand, the factor of commodity composition has been negative throughout the period, especially in the pre MFA period. The factor of commodity composition seems to be the main problem for the growth of Indonesian textiles and textiles product exports.

Table 5.12
Constant market share analysis of the Indonesia`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 - 2008	
	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)
Indonesia								
Standard Growth	146.349,228	39.486,06	155.673,69	737,74	66.204,19	171,05	96.948,98	-1.069,33
Composition Effect	-27.418,740	-7.397,77	-169.578,59	-803,64	-12.403,45	-32,05	-105.608,55	1.164,84
Market Distribution Effect	-13.503,860	-3.643,44	-63.445,85	-300,67	-11.132,43	-28,76	-64.298,03	709,20
Competition Effect	-105.055,992	-28.344,85	98.452,06	466,57	-3.962,78	-10,24	63.891,25	-704,71
Total Change	370,64	100,00	21.101,31	100,00	38.705,53	100,00	-9.066,33	100,00

Sources: WITS (Processed)

Growth of export value of Hong Kong in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.13. In the HS 4 digits level, Hong Kong's export growth had a negative impact on the growth throughout the period. This indicates that Hong Kong has not been able to compete with other competitors. As seen from the table 5.13 the competitiveness of Hong Kong has been negative throughout the period

Table 5.13
Constant market share analysis of the Hong Kong's textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 - 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Hong Kong								
Standard Growth	281.322,523	-254,84	165.468,66	-70,70	132.147,62	-124,10	107.029,51	-69,89
Composition Effect	-52.706,182	47,74	-180.248,45	77,02	-24.758,05	23,25	-116.589,47	76,14
Market Distribution Effect	-64.889,055	58,78	-101.898,67	43,54	-107.389,57	100,85	-70.983,58	46,35
Competition Effect	-274.119,528	248,31	-117.355,43	50,14	-106.484,75	100,00	-72.591,16	47,40
Total Change	-110.392,24	100,00	-234.033,90	100,00	-106.484,75	100,00	-153.134,70	100,00

Sources: WITS (Processed)

Market distribution had a negative impact on the growth throughout the period, this may be explained because USA imports of the textile and textile products exports from Hong Kong is not the highest in the USA market. The factor of commodity composition had negative impact throughout the period.

The results of CMS analysis of India exports growth in the world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) shown in table 5.14. Almost same condition with Indonesia, India was able to enhance its competitiveness of textile products after the MFA removal policy in level HS 4 digits.

Market distribution had a negative impact on the growth throughout the period, this may be explained because USA imports of the textile and textile products exports from Hong Kong is not the highest in the USA market. The factor of commodity composition had negative impact throughout the period.

Table 5.14
Constant market share analysis of the India`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 - 2008	
	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)
India								
Standard Growth	314.331,46	-276,99	292.658,56	838,11	99.981,83	-1.157,59	98.727,65	-221,50
Composition Effect	-58.890,45	51,89	-318.799,05	-912,97	-18.731,74	216,88	-107.546,08	241,28
Market Distribution Effect	-1.251,68	1,10	1.628,00	4,66	-16.812,24	194,65	-65.477,66	146,90
Competition Effect	-367.669,90	323,99	59.431,34	170,20	-73.074,88	846,06	29.723,14	-66,68
Total Change	-113.480,58	100,00	34.918,85	100,00	-8.637,04	100,00	-44.572,96	100,00

Sources: WITS (Processed)

Export growth of Malaysia on the world market and USA market during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.15. Malaysia's export growth had a positive impact on the post the MFA period. This indicates that Malaysia has able to compete with other competitors in the period after removal of the MFAs policy.

Table 5.15
Constant market share analysis of the Malaysia`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 - 2008	
	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)
Malaysia								
Standard Growth	51.827,33	-222,62	57.150,10	-1.265,98	39.410,03	-345,25	41.190,53	-379,48
Composition Effect	-9.709,93	41,71	-62.254,79	1.379,06	-7.383,53	64,68	-44.869,70	413,37
Market Distribution Effect	-8.376,60	35,98	-24.839,60	550,24	-6.626,92	58,05	-27.318,18	251,67
Competition Effect	-57.021,27	244,93	25.429,99	-563,32	-36.814,63	322,51	20.142,74	-185,57
Total Change	-23.280,46	100,00	-4.514,30	100,00	-11.415,04	100,00	-10.854,61	100,00

Sources: WITS (Processed)

Export growth of Philippines on the world market and USA market during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis

method is shown in table 5.16. Philippines export growth had a positive impact only on the USA market in pre and post the MFA period. The growth was also positively affected by increase in its competitiveness, except in the world market. While in the world market shown that Philippines not able to compete with other competitors in the period before and after removal of the MFAs policy.

Market distribution had a negative impact on the growth throughout the period, this may be explained because USA imports of the textile and textile products exports from Hong Kong is not the highest in the USA market. The factor of commodity composition had negative impact throughout the period.

Table 5.16
Constant market share analysis of the Philippines`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Philippines								
Standard Growth	68.497,45	-212,76	58.366,00	-238,14	58.155,88	40,96	47.084,90	136,54
Composition Effect	-12.833,10	39,86	-10.934,96	44,62	-63.350,41	-44,62	-51.290,56	-148,74
Market Distribution Effect	-9.443,09	29,33	-9.814,42	40,04	-30.490,90	-21,48	-31.227,41	-90,56
Competition Effect	-78.415,98	243,57	-62.125,63	253,48	177.659,52	125,14	69.916,69	202,75
Total Change	-32.194,71	100,00	-24.509,00	100,00	141.974,09	100,00	34.483,62	100,00

Sources: WITS (Processed)

The results of CMS analysis of Taiwan exports growth in the world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) shown in table 5.14. It appears that Taiwan's export growth is negative throughout the period. But the competitiveness affected positively in the post removal of the MFA. From this result indicate that Taiwan has been able to enhance its competitiveness after removal of the MFA.

Table 5.17
Constant market share analysis of the Taiwan`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 - 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Taiwan								
Standard Growth	51.876,97	-93,25	20.463,28	-180,60	49.397,25	-92,41	19.517,22	-155,77
Composition Effect	-9.719,23	17,47	-22.291,08	196,73	-9.254,65	17,31	-21.260,51	169,68
Market Distribution Effect	-8.162,47	14,67	-12.864,67	113,54	-8.306,30	15,54	-12.944,11	103,31
Competition Effect	-89.629,97	161,10	3.361,90	-29,67	-85.288,06	159,56	2.157,73	-17,22
Total Change	-55.634,69	100,00	-11.330,57	100,00	-53.451,76	100,00	-12.529,68	100,00

Sources: WITS (Processed)

The results of analysis of China's textile exports growth in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.18. It appears that the positive export growth in China occurred during the period from 2000 to 2008. As conditions in the level HS 6 digits, this indicates that China was able to develop and maintained competitiveness of textile products both before and after removal of the MFAs. China's textile and textile products exports are affected positively by the world export growth. The growth was also affected by positively increase in its competitiveness.

Market distribution had a negative impact on the growth except post removal of the MFA in the world market, this may be explained because USA imports of the textile and textile products exports from China is not the highest in the USA market. On the other hand, the factor of commodity composition had negative impact throughout the period.

Table 5.18
Constant market share analysis of the China`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
China								
Standard Growth	610.555,54	121,38	1.039.400,76	249,96	70.766,26	60,85	163.837,04	93,91
Composition Effect	-114.388,46	-22,74	-1.132.240,86	-272,29	-13.258,16	-11,40	-178.471,09	-102,30
Market Distribution Effect	-260.554,23	-51,80	56.324,44	13,55	-11.899,56	-10,23	-108.659,19	-62,28
Competition Effect	267.392,49	53,16	452.343,09	108,78	70.687,32	60,78	297.759,40	170,67
Total Change	503.005,33	100,00	415.827,43	100,00	116.295,86	100,00	174.466,16	100,00

Sources: WITS (Processed)

The results of analysis of Italy's textile exports growth in the world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.19. It appears that the positive export growth in Italy during the period from 2000 to 2008 except post removal of the MFA in the USA market. This indicates that Italy was able to develop and maintained competitiveness of textile products both before and after removal of the MFAs. Italy's textile and textile products exports are affected positively by the world export growth. The growth was also affected by positively increase in its competitiveness except pre removal of the MFA. Market distribution has been positive except in USA market. On the other hand, the factor of commodity composition has been negative throughout the period.

Table 5.19
Constant market share analysis of the Italy`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 – 2008	
	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)
Italy								
Standard Growth	129.772,67	67,51	204.917,44	123,21	23.031,87	613,90	21.467,08	-14.895,49
Composition Effect	-24.313,10	-12,65	-223.220,83	-134,22	-4.315,06	-115,02	-23.384,54	16.225,97
Market Distribution Effect	65.373,64	34,01	37.191,00	22,36	-3.872,88	-103,23	-14.237,29	9.878,91
Competition Effect	21.408,18	11,14	147.424,72	88,64	-11.092,21	-295,66	16.010,63	-11.109,39
Total Change	192.241,39	100,00	166.312,34	100,00	3.751,73	100,00	-144,12	100,00

Sources: WITS (Processed)

The results of CMS analysis of Mexico exports growth in the world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) shown in table 5.14. It appears that Mexico’s export growth is positive in the period after the MFA removal policy. From this result indicate that Mexico able to enhance its competitiveness after the MFA removal policy. Market distribution has been has been negative throughout the period. On the other hand, the factor of commodity composition has been negative throughout the period also.

Table 5.20
Constant market share analysis of the Mexico`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 - 2004		2006 - 2008	
	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)	Trade Value ($ ‘000)	Share (%)
Mexico								
Standard Growth	60.266,01	744,36	59.404,78	-226,20	59.691,11	908,67	58.971,11	-212,82
Composition Effect	-11.290,92	-139,46	-64.710,87	246,41	-11.183,22	-170,24	-64.238,45	231,83
Market Distribution Effect	-10.816,91	-133,60	-39.039,71	148,65	-10.037,24	-152,80	-39.110,53	141,14
Competition Effect	-30.061,87	-371,30	18.083,82	-68,86	-31.901,63	-485,64	16.668,19	-60,15
Total Change	8.096,30	100,00	-26.261,97	100,00	6.569,03	100,00	-27.709,69	100,00

Sources: WITS (Processed)

The results of analysis of Turkey's textile exports growth in world markets and USA markets during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) by using CMS analysis method is shown in table 5.21. It appears that the positive export growth in Turkey during the period from 2000 to 2008 except post removal of the MFA in USA market. This indicates that Turkey was able to develop and maintained competitiveness of textile products both before and after removal of the MFAs except post removal of the MFA in USA market. Market distribution has been positive except in USA market. On the other hand, the factor of commodity composition has been negative throughout the period.

Table 5.21
Constant market share analysis of the Turkey`s textiles and textiles products exports

Main Exporter Countries	World Market				USA Market			
	Pre MFA		Post MFA		Pre MFA		Post MFA	
	2000 – 2004		2006 - 2008		2000 – 2004		2006 – 2008	
	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)	Trade Value ($ '000)	Share (%)
Turkey								
Standard Growth	62.515,14	24,73	158.984,84	232,71	9.715,63	23,35	11.526,11	-122,10
Composition Effect	-11.712,30	-4,63	-173.185,50	-253,50	-1.820,24	-4,38	-12.555,63	133,00
Market Distribution Effect	30.685,20	12,14	30.389,03	44,48	-1.633,71	-3,93	-7.644,29	80,98
Competition Effect	171.264,90	67,76	52.130,40	76,30	35.338,99	84,95	-766,40	8,12
Total Change	252.752,94	100,00	68.318,78	100,00	41.600,67	100,00	-9.440,21	100,00

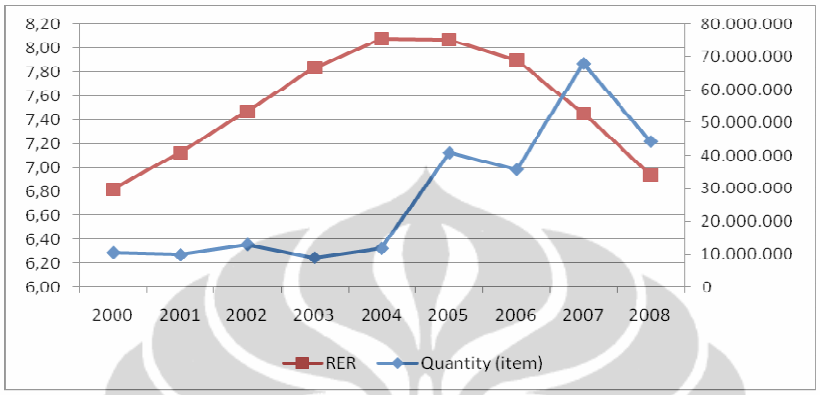
Sources: WITS (Processed)

5.4 Domestic Currency and Export Growth

Export of a country able to compete with others exporting countries can also explain because of two side, both because of high or low of productivity export growth or because of depreciation or appreciation of domestic currency. Furthermore we will discuss on the sub chapter below.

The results of analysis of China's textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.1. From the export growth side, China's exports growth has shown an increase in the pre removal of the MFA. But after removal of the MFA

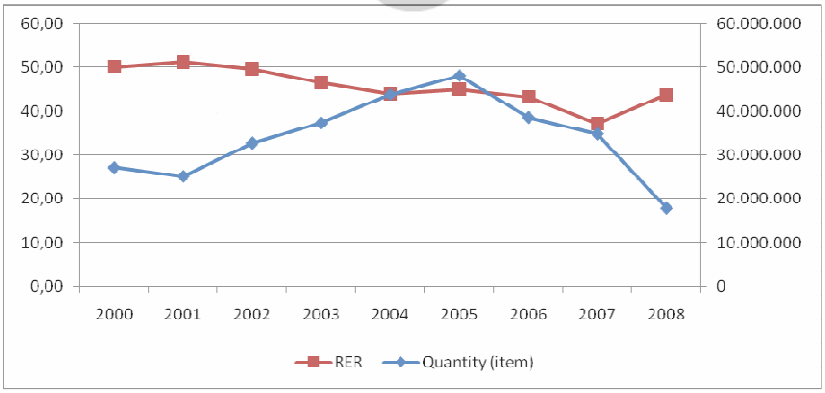
its export growth is declining. Meanwhile from the domestic currency side has shown depreciation on the pre MFA period then appreciation occurred during the post removal of the MFA or after 2005.



Sources: WITS and IFS (Processed)

Figure 5.1 Analysis of domestic currency and export growth of the China`s textiles and textiles products exports

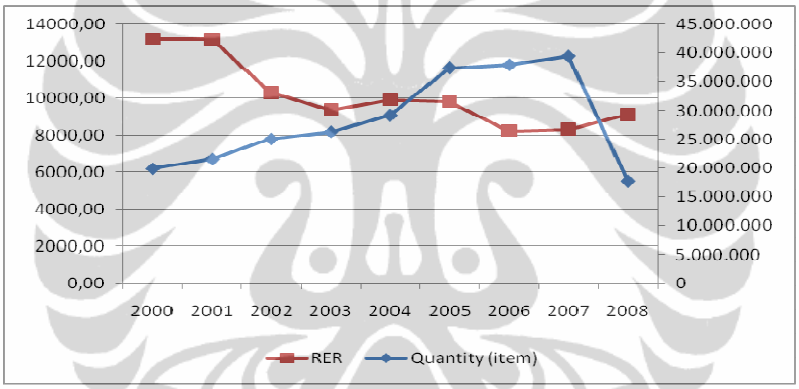
Almost similar to China's export growth, export growth of India pre removal of the MFA has shown an increase. But after removal of the MFA period, India's export growth was decreased. This trend is reflected also in the value of domestic currency. From the domestic currency side, appreciation occurred during the year 2000 until 2007 but at 2008 domestic currency of India has shown depreciation. In the year 2008 India's domestic currency depreciation is not followed by a rise in exports.



Sources: WITS and IFS (Processed)

Figure 5.2 Analysis of domestic currency and export growth of the India`s textiles and textiles products exports

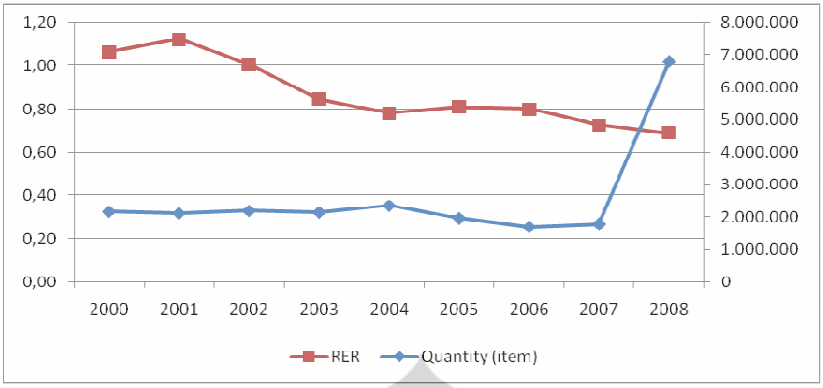
The results of analysis of Indonesian textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.3. From the export growth side, Indonesian exports growth on the pre period and post period removal of the MFA shows an increase except in the year 2008. However it is different from the domestic currency side. Appreciation occurred during the year 2001 until 2006. In the year 2007 has shown depreciation which followed also by rising exports. But in the year 2008 Indonesia's domestic currency depreciation is not followed by a rise in exports otherwise declining exports. This dependence may caused by the import of several raw materials originating from abroad.



Sources: WITS and IFS (Processed)

Figure 5.3 Analysis of domestic currency and export growth of the Indonesia`s textiles and textiles products exports

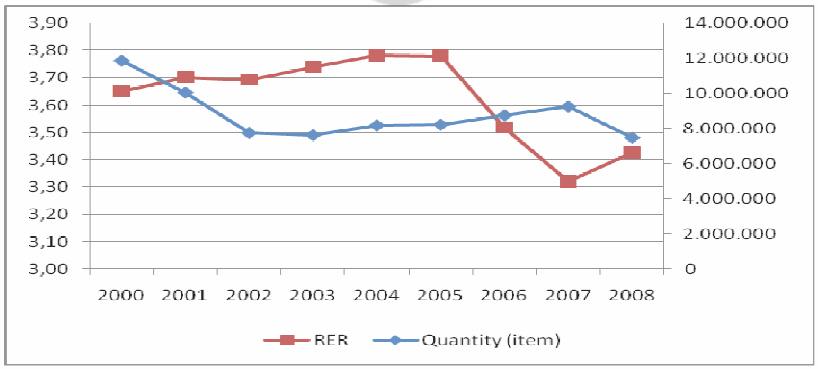
The results of analysis of Italy's textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.4. The development of Italy export during the year 2000 to 2008 has shown a stable condition. But after removal of the MFA period in 2008, precisely the development of export growth has a significant increase. Meanwhile from the domestic currency side, the value of domestic currency has shown appreciation throughout the period either pre removal or post removal of the MFA.



Sources: WITS and IFS (Processed)

Figure 5.4 Analysis of domestic currency and export growth of the Italy`s textiles and textiles products exports

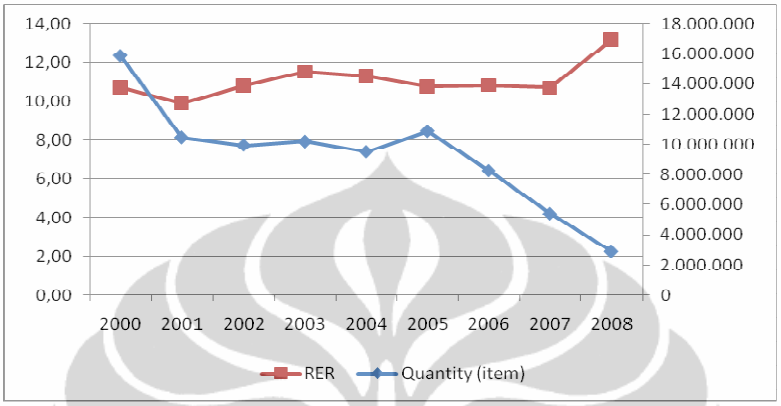
The results of analysis of Malaysia's textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.5. From the export side, Malaysian exports growth during pre removal of the MFA has shown fluctuation trend, from 2001 until 2002 its export has decrease and then increase in the 2003 to 2004. While in the post removal of the MFA, the export growth has shown an increase trend except in the year 2008. As seen from the domestic currency side has shown depreciation of the year show 2000 until 2005 or pre removal of the MFA. While in the period post removal of the MFA, the domestic currency of Malaysia is appreciation except in the year 2008 but this condition not followed by a rise in exports.



Sources: WITS and IFS (Processed)

Figure 5.5 Analysis of domestic currency and export growth of the Malaysia`s textiles and textiles products exports

The results of analysis of Mexico's textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.6.

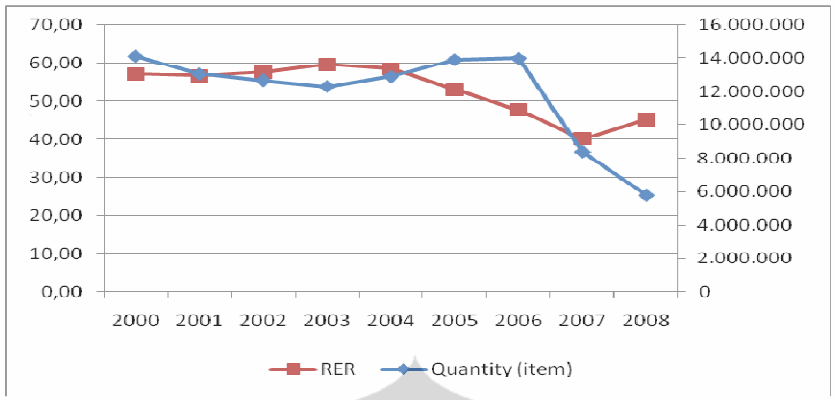


Sources: WITS and IFS (Processed)

Figure 5.6 Analysis of domestic currency and export growth of the Mexico`s textiles and textiles products exports

From the export side, Mexico's exports growth during pre removal of the MFA has shown decrease trend. While in the post removal of the MFA, the export growth also has shown an increase trend. From the domestic currency side has shown depreciation of post removal of the MFA. However, these conditions are not followed by rising exports.

The results of analysis of Philippines's textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.7. Philippines export growth pre removal of the MFA has shown an increase. But post removal of MFA, export growth going declined. Meanwhile from the domestic currency side, pre removal of the MFA has shown depreciation. But in post removal of the MFA, the domestic currency has shown appreciation except in 2008. However in the year 2008, the domestic currency depreciation is not followed by a rise in exports of otherwise declining exports.

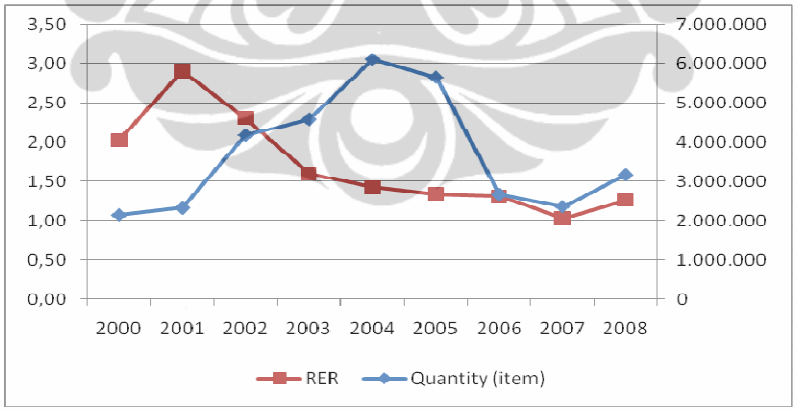


Sources: WITS and IFS (Processed)

Figure 5.7 Analysis of domestic currency and export growth of the Philippines' textiles and textiles products exports

The results of analysis of Turkey's textile exports growth and domestic currency during the period before removal of the MFAs (period from 2000 to 2004) and the period after removal of the MFAs (the period from 2006 to 2008) is shown in figure 5.8.

Figure 5.8
Export Growth and Domestic Currency Analysis of the Turkey`s Textiles and Textiles Products Exports



Sources: WITS and IFS (Processed)

Figure 5.8 Analysis of domestic currency and export growth of the Turkey's textiles and textiles products exports

Turkey's export growth pre removal of the MFA has shown an increase. But after removal of the MFA, export growth going declined. This trend is

reflected also in the domestic currency. From the domestic currency side, in the period pre removal of the MFA has shown depreciation but post removal of the MFA has shown appreciation except in the year 2008. In that year, the domestic currency depreciation not followed by a rise in exports.

5.5 Competitiveness of Textile and Textile Product Exports of 10 Main Exporting Countries

Competitiveness of textile and textile product exports between Indonesian and other main exporting countries in world markets and USA markets during the period pre removal of the MFA (period from 2000 to 2004) and the period post removal of the MFA (the period from 2006 to 2008) by using CMS analysis method has shown in table 5.22.

Table 5.22 Competitiveness of 10 main exporting countries of textile and textile product export

Main Exporter Countries	World Market		USA Market	
	Pre MFA	Post MFA	Pre MFA	Post MFA
	2000 – 2004	2006 - 2008	2000 – 2004	2006 – 2008
	Trade Value ($ '000)	Trade Value ($ '000)	Trade Value ($ '000)	Trade Value ($ '000)
China				
HS 6205	267.392,49	452.343,09	70.687,32	297.759,40
HS 620520	42.022,32	418.721,89	-12.389,98	240.954,80
Hong Kong				
HS 6205	-274.119,528	-117.355,43	-106.484,75	-72.591,16
HS 620520	-146.086,12	-150.504,05	-42.354,29	-104.333,58
India				
HS 6205	-367.669,90	59.431,34	-73.074,88	29.723,14
HS 620520	-284.513,71	-23.452,71	-61.503,23	4.723,81
Indonesia				
HS 6205	-105.055,992	98.452,06	-3.962,78	63.891,25
HS 620520	-80.939,26	64.688,72	-19.961,77	38.416,16
Italy				
HS 6205	21.408,18	147.424,72	-11.092,21	16.010,63
HS 620520	16.592,85	97.059,64	-5.742,81	11.486,13
Malaysia				
HS 6205	-57.021,27	25.429,99	-36.814,63	20.142,74
HS 620520	-55.268,51	12.836,92	-34.113,78	6.650,33
Mexico				
HS 6205	-30.061,87	18.083,82	-31.901,63	16.668,19
HS 620520	-59.066,97	5.796,43	-61.018,08	5.193,39
Philippines				
HS 6205	-78.415,98	-62.125,63	177.659,52	69.916,69
HS 620520	-53.785,27	167.724,28	-46.929,18	59.028,82
Taiwan				
HS 6205	-89.629,97	3.361,90	-85.288,06	2.157,73
HS 620520	-63.792,71	-2.312,20	-61.450,15	-3.742,74
Turkey				
HS 6205	171.264,90	52.130,40	35.338,99	-766,40
HS 620520	167.147,55	12.792,13	38.357,26	-4.773,09

Sources: WITS (Processed)

For HS 6205 and HS 620520, Indonesian competitiveness of textile and textile product exports is positive, except in pre MFA (2000 – 2004). This indicates that Indonesia was able to enhance the competitiveness of textile products after removal of the MFA. Hong Kong's competitiveness is negative throughout the period; this indicates that Hong Kong has not been able to compete with other competitors in the period both before and after removal of the MFA. This result also happened in HS 6205 where Hong Kong's competitiveness is negative throughout the period. This indicates that Hong Kong has not been able to compete with other competitors.

The competitiveness in HS 620520, India had a negative throughout the period or the product has not been able to compete with other competitors except post removal of the MFA in the USA market only. But in HS 6205 almost same condition to Indonesia, India was able to enhance its competitiveness of textile products after the MFA removal policy. For HS 6205 and 620520, Malaysia's competitiveness effect had positive in the period of post removal of the MFA. This indicates that Malaysia has been able to compete with other competitors in the period after removal of the MFAs policy.

Philippines competitiveness is positive, except in pre MFA (2000 – 2004). This indicates that the Philippines were able to improve the competitiveness of textile products after the MFA removal policy. While for HS 6205, Philippines' competitiveness is positive, except in the world market. In the world market shown that Philippines not able to compete with other competitors in the period before and after removal of the MFAs policy. Taiwan competitiveness is negative throughout the period both HS 6205 and HS 620520; this indicates that Taiwan has not been able to compete with other competitors in the period both before and after removal of the MFAs policy.

For HS 6205 and 620520, China's competitiveness is positive during the period pre and post removal of the MFA. This indicates that China has been able to develop and maintained its competitiveness of textile products both pre and post removal of the MFA. For HS 620520 and 6205, Italy's competitiveness is positive both before and after the MFA removal policy except pre removal of the MFA in USA market. This indicates that Italy was able to develop and maintained

competitiveness of textile products both before and after removal of the MFA except pre removal of the MFA in USA market.

For HS 6205 and HS 620520, Mexico's competitiveness is positive, except in pre MFA (2000 – 2004). This indicates that Mexico has been able to compete with other competitors in the period after removal of the MFA. Turkey has positive competitiveness except post the MFA removal in USA market. This condition indicates that Turkey can maintain its competitiveness in world markets but not yet able to compete in the USA market after the MFA abolition policy both HS 6205 and 620520.

CHAPTER 6
CONCLUSION AND RECOMMENDATION

6.1 Conclusion

Based on the analysis, this research concludes as follows:

1. For HS 620520 Indonesian textile and textile product exports are affected positively by the world export growth. The growth was also positively affected by increase in competitiveness, except in pre MFA (2000 – 2004). This indicates that Indonesia was able to enhance the competitiveness of textile and textile products after removal of the MFA in the world market and USA market. The factor of commodity composition has been negative in the pre MFA period. This may be explained because exports of Indonesia tend to concentrate in product groups (HS 2 digits or 4 digits). Market distribution had negative impact on the growth throughout the period. The factor of market distribution seems to be the main problem for the growth of Indonesian textiles and textiles product exports. This may be explained because the textile and textile products exports of Indonesia not distributed correctly to the center of demand growth.

   Similar to HS 6 digits, HS 6205 has shown that Indonesian textile and textile products exports are affected positively by the world export growth. The growth was also positively affected by increase in its competitiveness, except in pre MFA (2000 – 2004). This indicates that Indonesia was able to enhance the competitiveness of textile products after removal the MFA. Meanwhile, the factor of commodity composition has been negative throughout the period. Market distribution had negative impact on the growth throughout the period.
2. There are 9 main exporting producers that become competitors for Indonesia namely China, Hong Kong, India, Italy, Malaysia, Mexico, Philippines, Taiwan, and Turkey. For HS 6205 and HS 620520, China and Italy become main competitor because they have been able to develop and maintained their competitiveness of textile products both pre and post removal of the MFA.

6.2 Recommendation

Based on the finding of this research, there are some recommendations for the Indonesian government in order to boost textile and textile product exports.

1. The Indonesian government should give first priority to find ways to enhance exports of textile and textile product through revitalization in textile and textile product industry in order to increase productivity, increase the output and make it more competitive. Government also should create simply bureaucracy and build the infrastructure in order to improve trade facilitation.
2. Trade negotiation and promotion are strategy options for export expansion of product markets. Government could engage in trade negotiation both at bilateral and multilateral levels. Such negotiation is very important especially to penetrate barriers implemented by the authorities in market destinations.
3. For further research, Because of the data limitation I suggest to the next research to identify determinant factors of Indonesian textiles and textile product export in term of pre and post removal of the MFA in order to know what kind of determinant that influence the export of Indonesian textile and textile product.

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ANNEXES

Annex 1. Export quantity of main countries of textile and textile product, 2000-2008 (item)

Country	Year								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
China	10,524,456	9,828,432	12,933,408	8,916,156	11,779,020	40,835,604	35,782,008	68,000,436	44,276,503
India	27,129,324	25,127,100	32,737,092	37,307,316	43,825,440	48,143,652	38,592,096	34,835,052	17,815,260
Indonesia	19,881,828	21,562,332	25,033,104	26,292,552	29,161,164	37,435,236	37,939,680	39,447,432	17,724,180
Italy	2,168,628	2,112,636	2,190,192	2,143,356	2,354,004	1,967,724	1,706,952	1,794,324	6,798,267
Malaysia	11,865,960	10,053,132	7,744,116	7,622,640	8,176,188	8,217,840	8,755,332	9,253,404	7,475,073
Mexico	15,880,680	10,466,568	9,949,056	10,202,244	9,531,408	10,879,236	8,270,088	5,423,916	2,918,008
Philippines	14,109,012	13,044,576	12,664,152	12,296,760	12,885,780	13,898,208	13,984,776	8,380,020	5,780,596
Turkey	2,151,708	2,330,268	4,183,836	4,587,780	6,116,388	5,662,404	2,675,100	2,364,636	3,172,242

Annex 2. RER of main exporting countries of textile and textile product export, 2000-2008 (national currency per US$)

Country	Year								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
China	6,82	7,12	7,47	7,84	8,08	8,07	7,90	7,45	6,94
India	50,10	51,21	49,68	46,47	43,94	45,07	43,17	37,18	43,81
Indonesia	13201,00	13194,98	10299,11	9357,04	9924,28	9830,00	8231,80	8315,52	9117,65
Italy	1,06	1,12	1,01	0,84	0,78	0,81	0,80	0,73	0,69
Malaysia	3,65	3,70	3,69	3,74	3,78	3,78	3,52	3,32	3,43
Mexico	10,73	9,91	10,81	11,52	11,33	10,78	10,84	10,71	13,18
Philippines	57,24	56,67	57,73	59,67	58,58	53,07	47,73	40,25	45,15
Turkey	2,03	2,91	2,31	1,60	1,43	1,35	1,32	1,03	1,27

Annex 3. Total export of main producers of textile and textile product export for HS 6205, 2000 and 2004 (‘000 $)

Country	Year	
	2000	2004
China	1.614.900,78	2.117.513,58
Hong Kong	744.089,49	633.516,39
India	831.397,11	717.714,45
Indonesia	387.089,24	387.365,79
Italy	343.244,76	535.402,72
Malaysia	137.081,72	113.767,94
Mexico	159.401,75	167.459,31
Philippines	181.173,68	148.934,93
Taiwan	137.213,00	81.544,96
Turkey	165.350,64	418.063,38

Annex 4. Total export of main producers of textile and textile product export for HS 6205, 2006 and 2008 (‘000 $)

Country	Year	
	2006	2008
China	2.749.183,31	3.164.378,61
Hong Kong	437.659,55	203.525,02
India	774.072,95	808.813,81
Indonesia	411.752,16	432.758,79
Italy	542.000,39	708.188,10
Malaysia	151.160,28	146.611,22
Mexico	157.123,84	130.825,74
Philippines	153.820,53	295.759,25
Taiwan	54.124,76	42.781,74
Turkey	420.510,06	488.732,16

Annex 5. Total export of main producers of textile and textile product export for HS 620520, 2000 and 2004 ('000 $)

Country	Year	
	2000	2004
China	801.281,81	1.019.131,16
Hong Kong	553.969,20	562.303,25
India	710.330,99	646.316,65
Indonesia	272.404,09	269.801,25
Italy	288.416,97	464.865,63
Malaysia	131.312,53	111.687,59
Mexico	102.629,17	68.289,51
Philippines	151.068,36	135.282,89
Taiwan	112.442,44	76.463,70
Turkey	133.646,45	378.084,33

Annex 6. Total export of main producers of textile and textile product export for HS 620520, 2006 and 2008 ('000 $)

Country	Year	
	2006	2008
China	1.669.463,86	2.203.990,17
Hong Kong	418.669,30	194.210,46
India	667.826,56	690.194,16
Indonesia	311.164,91	347.453,24
Italy	481.095,72	644.475,43
Malaysia	139.984,46	139.208,99
Mexico	63.668,94	59.157,98
Philippines	143.259,18	293.487,92
Taiwan	50.358,11	40.078,48
Turkey	381.883,19	441.392,29

Annex 7. Import of USA from main producers of textile and textile product for HS 6205, 2000 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	Hong Kong, China	6205	Men's or boys' shirts.	380.062,508
United States	China	6205	Men's or boys' shirts.	250.273,907
United States	India	6205	Men's or boys' shirts.	230.958,655
United States	Indonesia	6205	Men's or boys' shirts.	172.223,383
United States	Mexico	6205	Men's or boys' shirts.	158.380,476
United States	Philippines	6205	Men's or boys' shirts.	146.833,156
United States	Taiwan, China	6205	Men's or boys' shirts.	133.708,983
United States	Malaysia	6205	Men's or boys' shirts.	130.566,107
United States	Italy	6205	Men's or boys' shirts.	76.902,458
United States	Turkey	6205	Men's or boys' shirts.	27.753,496

Annex 8. Import of USA from main producers of textile and textile product for HS 6205, 2004 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	China	6205	Men's or boys' shirts.	429.465,058
United States	Hong Kong, China	6205	Men's or boys' shirts.	361.965,269
United States	India	6205	Men's or boys' shirts.	304.959,658
United States	Indonesia	6205	Men's or boys' shirts.	230.744,664
United States	Mexico	6205	Men's or boys' shirts.	155.398,578
United States	Philippines	6205	Men's or boys' shirts.	118.341,288
United States	Italy	6205	Men's or boys' shirts.	100.637,181
United States	Malaysia	6205	Men's or boys' shirts.	93.987,535
United States	Turkey	6205	Men's or boys' shirts.	76.879,300
United States	Taiwan, China	6205	Men's or boys' shirts.	76.151,637

Annex 9. Import of USA from main producers of textile and textile product for HS 6205, 2006 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	China	6205	Men's or boys' shirts.	542.447,306
United States	Hong Kong, China	6205	Men's or boys' shirts.	306.064,903
United States	Indonesia	6205	Men's or boys' shirts.	286.631,981
United States	India	6205	Men's or boys' shirts.	264.764,848
United States	Mexico	6205	Men's or boys' shirts.	131.321,733
United States	Philippines	6205	Men's or boys' shirts.	114.039,454
United States	Malaysia	6205	Men's or boys' shirts.	100.006,599
United States	Italy	6205	Men's or boys' shirts.	88.492,071
United States	Taiwan, China	6205	Men's or boys' shirts.	53.473,128
United States	Turkey	6205	Men's or boys' shirts.	45.402,309

Annex 10. Import of USA from main producers of textile and textile product for HS 6205, 2008 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	China	6205	Men's or boys' shirts.	853.382,482
United States	Indonesia	6205	Men's or boys' shirts.	263.868,274
United States	India	6205	Men's or boys' shirts.	244.114,582
United States	Hong Kong, China	6205	Men's or boys' shirts.	142.221,668
United States	Mexico	6205	Men's or boys' shirts.	98.180,097
United States	Malaysia	6205	Men's or boys' shirts.	95.108,315
United States	Italy	6205	Men's or boys' shirts.	94.440,956
United States	Philippines	6205	Men's or boys' shirts.	77.497,259
United States	Turkey	6205	Men's or boys' shirts.	41.465,973
United States	Taiwan, China	6205	Men's or boys' shirts.	41.255,812

Annex 11. Import of USA from main producers of textile and textile product for HS 620520, 2000 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	Hong Kong, China	620520	Of cotton	310.779,09
United States	India	620520	Of cotton	200.550,68
United States	Indonesia	620520	Of cotton	153.171,91
United States	Malaysia	620520	Of cotton	126.129,44
United States	Philippines	620520	Of cotton	125.816,76
United States	Taiwan, China	620520	Of cotton	113.997,15
United States	Mexico	620520	Of cotton	103.472,32
United States	China	620520	Of cotton	88.573,57
United States	Italy	620520	Of cotton	58.181,63
United States	Turkey	620520	Of cotton	24.331,37

Annex 12. Import of USA from main producers of textile and textile product for HS 620520, 2004 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	Hong Kong, China	620520	Of cotton	338.495,49
United States	India	620520	Of cotton	279.379,12
United States	Indonesia	620520	Of cotton	196.487,41
United States	Philippines	620520	Of cotton	108.372,54
United States	Malaysia	620520	Of cotton	91.845,52
United States	China	620520	Of cotton	88.016,11
United States	Italy	620520	Of cotton	87.825,14
United States	Turkey	620520	Of cotton	74.780,74
United States	Taiwan, China	620520	Of cotton	72.731,59
United States	Mexico	620520	Of cotton	63.017,63

Annex 13. Import of USA from main producers of textile and textile product for HS 620520, 2006 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	Hong Kong, China	620520	Of cotton	294.241,36
United States	India	620520	Of cotton	244.083,27
United States	Indonesia	620520	Of cotton	240.824,67
United States	China	620520	Of cotton	226.121,53
United States	Philippines	620520	Of cotton	107.620,32
United States	Malaysia	620520	Of cotton	98.808,20
United States	Italy	620520	Of cotton	78.202,34
United States	Mexico	620520	Of cotton	55.520,15
United States	Taiwan, China	620520	Of cotton	50.857,27
United States	Turkey	620520	Of cotton	44.018,08

Annex 14. Import of USA from main producers of textile and textile product for HS 620520, 2008 (‘000 $)

Reporter Name	Partner Name	Product	Product Name	Trade Value ($ '000)
United States	China	620520	Of cotton	562.260,02
United States	India	620520	Of cotton	226.233,05
United States	Indonesia	620520	Of cotton	225.076,45
United States	Hong Kong, China	620520	Of cotton	135.629,62
United States	Malaysia	620520	Of cotton	94.924,72
United States	Italy	620520	Of cotton	86.330,08
United States	Philippines	620520	Of cotton	73.406,84
United States	Turkey	620520	Of cotton	40.283,78
United States	Taiwan, China	620520	Of cotton	40.122,19
United States	Mexico	620520	Of cotton	37.055,31