STRATEGIES TO IMPROVE INDONESIA'S EXPORT TO THE UNITED ARAB EMIRATES (UAE) MARKET

THESIS

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FACULTY OF ECONOMICS
MAGISTER OF PLANNING AND PUBLIC POLICY
DEPOK
JANUARY 2009

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Submitted in partial fulfillment of the requirements
for the Degree of Master of Economics

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ABSTRACT

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Export promotion is an important policy for developing country in term of foreign exchange earning. And every country has competed with each other to seize in global market in exporting their products. However, to be a winner in global competition, each country should suitably pose their products in certain market. Besides that, each country should also understand their products position (relative to their competitor) and how competitive their products in that market. This study tries to map Indonesia's product position and its performance in United Arab Emirates (UAE) market during 2001 and 2006 period. Using Boston Consulting Group Matrix (BCG Matrix) and Constant Market Share Analysis (CMSA), this study found that some of Indonesia's products were superior in UAE's market especially for certain kind of textile products, paper and pulp products, automotive and parts, agro industrial products (cocoa butter, coffee, and black tea), certain kind of wood products, jewelry from precious metal, glassware, and miscellaneous products (soaps, shampoos, and pasta). While, some products faced declining in position especially for certain kind of textile products, plastic products, furniture products, certain kind of footwear, and electronic part and accessories products. Finally, in order to improve Indonesia's export we must apply different strategy for each product depending on its position and its performance in that market.

Keywords: strategy, BCG Matrix, CMSA, United Arab Emirates' market.

ABSTRAK

Nama   : Rahayu Ningsih
Program Studi : Magister Perencanaan dan Kebijakan Publik
Judul   : Strategi Peningkatan Ekspor Indonesia ke Pasar Uni Emirat Arab

Kebijakan Promosi Ekspor merupakan kebijakan penting bagi negara-negara berkembang terutama dalam hal perolehan devisa. Dan setiap negara berlomba-lomba satu sama lain dalam melakukan ekspor di pasar global. Namun untuk mejadi pemenang dalam kompetisi global, setiap negara seharusnya menempatkan produk yang sesuai di pasar tertentu. Di samping itu, negara juga seharusnya memahami posisi produk mereka relative terhadap pesaing dan kompetitifnya di pasar tersebut. Studi ini berupaya memetakan posisi produk Indonesia dan performanya di pasar Uni Emirat Arab selama periode 2001-2006. Dengan menggunakan metode Boston Consulting Group Matrix (BCG Matrix) dan Constant Market Share Analysis (CMSA), studi ini menemukan bahwa beberapa produk Indonesia unggul di pasar Uni Emirat Arab terutama untuk sebagian jenis produk tekstil, produk kertas, otomotif dan bagiannya, produk agro industri (butter coklat, kopi, dan teh hitam), sebagian jenis produk kayu, perhiasan dari jenis logam mulia, produk kaca, dan produk aneka (sabun, shampo, dan pasta). Sementara itu, sebagian produk Indonesia juga mengalami penurunan posisi terutama untuk sebagian jenis produk tekstil, produk dari plastik, produk furnitur, sebagian jenis produk alas kaki, serta produk elektronik dan bagiannya. Pada akhirnya, untuk meningkatkan ekspor Indonesia di pasar Uni Emirat Arab, kita harus menerapkan strategi yang berbeda-beda untuk setiap jenis produk tergantung dari posisi dan performanya di pasar tersebut.

Kata Kunci: strategi, BCG Matrik, CMSA, pasar Uni Emirat Arab

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INTRODUCTION

1. 1. Background

After the economic crisis hit Indonesia and the Asian countries in the middle year of 1997, Indonesia experienced in the slowdown of export growth. One of the reasons is because the trade efficiency between Indonesia and its traditionally dominant trading partners contracted significantly (Milda Irhami, 2007). Using the stochastic gravity and trade efficiency model for Indonesia, Milda Irhami founded that trade efficiency decreased from 84 percent in 1997 to 71 percent in 1998 for trade between Indonesia and Singapore; and it decreased from 71 percent in 1997 to 63 percent in 1998 for trade between Indonesia and China.

While the export decreased between Indonesia and its traditionally dominant trading partners, on the contrary, the trade increased between Indonesia and its non-traditionally trading partners. This finding implied that the crisis has forced Indonesia to diversify not only its export products but also its export markets. This argument was supported by the result of study done by Hill in 2000. He stated that during the period of rapid growth before the crisis, the direction of bilateral trade in Indonesia underwent a rapid shift, from mainly trading with traditionally dominant trading partners such as US and Europe towards countries in the Western Pacific region, such as Japan and the Asian NIEs.

The indication of shifting from traditionally trading partner to non-traditionally trading partner as export destination has driven Indonesia to search an alternative prospective market. Asia region is the prospective market for non-traditional market. During the period 2002 until 2006, the trend of Indonesia's non-oil and gas export to the non-traditional market in Asia region is about 27.71 percent. This trend is higher than the trend of Indonesia's non-oil and gas total export that is 15.90 percent. It indicates that non-traditional market in Asia region is potential.

Many studies have been done to look at and analyze the prospective of some emerging market. Previous study of "Indonesia's non oil and gas export development to Africa and Middle East Country" has given the information about the opportunity of those countries as an alternative market for Indonesia's export. Using the constant market share analysis, the study showed that the trade pattern between Indonesia and Middle East and North Africa (MENA) countries was less complement. This indicated that what has been Indonesia exported to the MENA countries was incompatible with MENA's import structure. And this condition has led Indonesia lose its opportunity to penetrate those markets.

Table 1.1
Indonesia's Non-oil and Gas Export to the Non-Traditional Market
(US$ million)

NO	REGION	2002	2003	2004	2005	2006	Trend (%)
1	ASIA	14.491,43	16.421,10	20.063,10	24.479,93	40.328,16	27,71
2	AFRICA	1.226,28	1.237,98	1.343,73	1.647,00	1.966,46	13,09
3	AUSTRALIA AND OTHER	1.252,14	1.294,48	1.385,43	1.374,01	1.911,58	9,48
4	AMERICA	1.351,76	1.231,49	1.548,88	1.774,49	2.249,97	14,85
5	EUROPE	542,63	722,58	761,61	949,11	847,50	12,35
	Non-oil & Gas Total Export	45.046,07	47.406,82	55.939,28	66.428,36	79.589,15	15,90

Source: BPS (processed by the author)

Accordingly, we need to assess and analyze the possibility and opportunity of non-traditional market for Indonesia's exported products. The information about market potential and product performance will ease to formulate the strategy in improving market penetration. The strategy to develop the non traditional market[1] can abolish Indonesia from its dependency on traditional market such as US, European Union, and Japan. Diversification of market can reduce the risk of external shock

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[1] Non traditional market means the market that has not been the priority in Indonesia's export destination

faced by its trading partner[2]. The government through Ministry of Trade has striven for improving the penetration of Indonesia's export to the non-traditional prospective market such as Middle East, India, Taiwan, Australia, South Africa, and Russia.

This study will analyze the performance and the competitiveness of Indonesia's products in the United Arab Emirate (UAE) market. With the GDP per capita reached 42,275 US$, it has been shown that there is a potential purchasing power of UAE toward its imported products.

As a wealthiest country in the Middle East region, UAE have become a major regional trading center and a hub for air and sea transport and telecommunications. Dubai's location on one of the rare deep creeks in the region helped it become a major shipping center, a position on which it has capitalized with the establishment of the Jebel 'Ali Free Trade Zone (see Figure 1.1). Moreover, Dubai in the United Arab Emirates lies on the ancient trading route from the East to the West. Ideally situated midway on this route, its status has been further consolidated and it is truly a trading hub today. It challenges Indonesia to use this entry point to penetrate not only UAE market itself but also a Middle East country since UAE has intensively re-exported to that market.

Figure 1.1

The Map of United Arab Emirates

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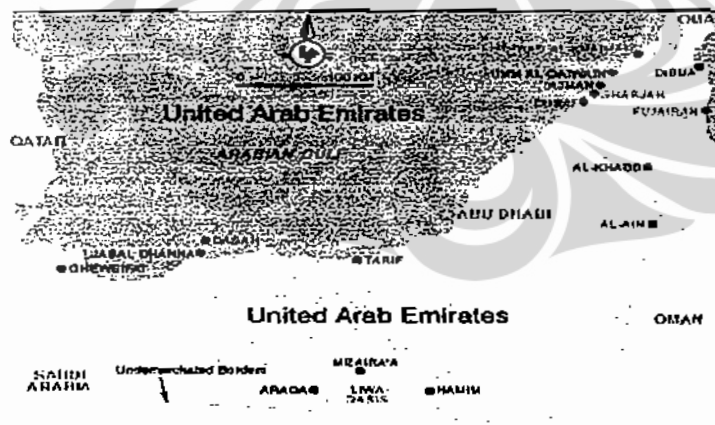
[2] In the writing process of this study, economic crisis triggered by financial crisis happened in United State. The US's economic slowdown has influenced Indonesia's export since US is Indonesia's traditional trading partner. This condition more emphasize that the diversification of export market is very relevant for Indonesia in facing and responding the slowdown of global economy.

Figüre 1.2

Indonesia's Total Export to United Arab Emirates
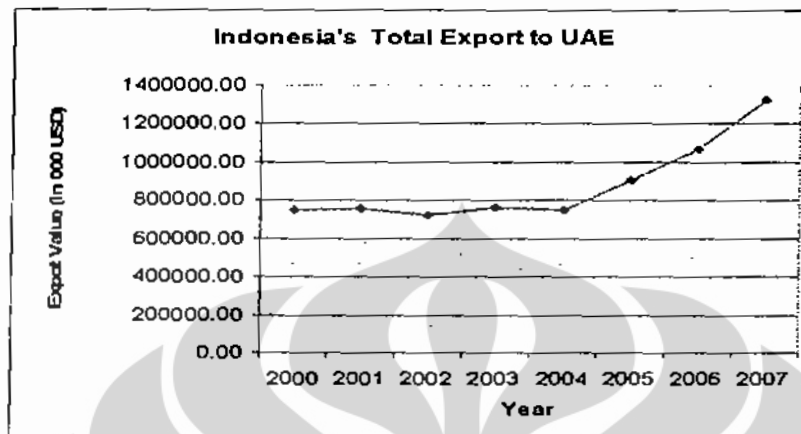
Source: WITS (processed)

The Middle Eastern region, specifically United Arab Emirates (UAE) has long established trade links with Indonesia. Indonesia's non-oil and gas exported products to UAE amounted to US$ 1.324,8 million in year 2007[3]. Indonesia also experienced in surplus in trading with UAE. As a hub country in the region of Middle East, it will be benefit for Indonesia to deepen the trade with UAE since it indicates that the flow of goods and services will apt to increase in this region.

Indonesia can increase its market share in the global market as long as Indonesia can maintain its competitiveness of exported products. Principally, there is no a significant barrier in entering UAE's market as long as Indonesia's exported products is competitive[4]. Unfortunately, the Indonesia's export growth in the UAE market is still relatively low compare to the total world growth. In UAE market, Indonesia's export growth averagely is accounted for 6.58 percent since 2000 until 2006 or lower compare to the world export growth that reached up to 23.34 percent in the same period. In addition, the share of Indonesia's export is very small which is

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[3] Source from BPS
[4] Based on the comment of Bapak Husin Bagis. He is a head of Indonesia's Trade Promotion Center in Dubai.

about 2.4 percent in 2000 and only 0.9 percent in 2006[5] or declined continuously during that period.

When we look at the curve of UAE's import from the world (figure 1.3), we can harness the potential market indicating by exponential slope with progressively export our potential products to that market. UAE as a hub country is not surprisingly showing the tremendous increasing of import. It shows the very exciting growing market of UAE. Even though UAE's market size is not as large as China and India but the potential of UAE market has been shown by the exciting increase.

If we compare Indonesia to Malaysia and China, even, Indonesia was left behind Malaysia. As a closest neighboring country, Malaysia has the similar characteristic of product with Indonesia. Malaysia has successfully penetrated UAE market with average export growth account for 20.67 percent and market share reached 2.06 percent over the period 2004 until 2006.

Figure 1.3
United Arab Emirates' Import from World and Indonesia
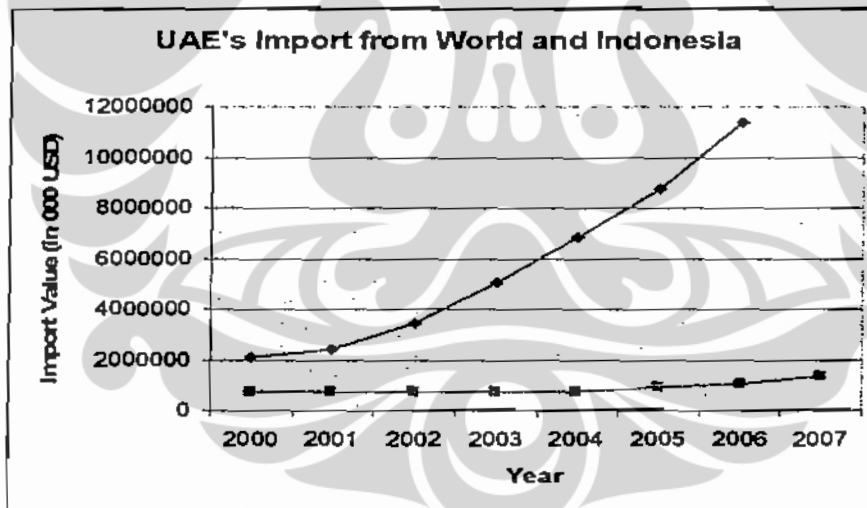
Source: WITS (processed)

The relatively low of Indonesia's share in the UAE market is guessed because of three factors; low of compatibility which means the export structure of Indonesia is

[5] Since the available of data in 2007 is incomplete, the calculation is only from 2000 until 2006. Many countries have not yet reported the data.

relatively different with the UAE's import structure, the lateness of Indonesia in responding the growth of UAE's import, or the loss of competitiveness. The relative low of Indonesia share might also because of the lack of country's capacity. The lack of national capacity in infrastructure and logistic can lead countries lost their competitiveness.

Indonesia can possibly penetrate more in the global market by setting the precise strategy through intensifying the promotion of its products. While, it is uneasy to formulate the strategy to penetrate the global market. In order to maximize on penetrating the market, it should be an availability of a set of information that depict the potential products and its competitiveness in the market. The informative products mapping is needed to support the market intelligence in analyzing the potential exported products in that market.

1.2. Research Questions

1. What are the Indonesia's potential products in UAE?
2. How is the Indonesia's export performance in the UAE dynamic market?
3. How can Indonesia improve its export in UAE market and what kind of strategies must be applied?

1.3. Research Objectives

The objectives of this study are:

1. To identify the potential products of Indonesia in UAE market
2. To analyze the Indonesia's export performance in the UAE market
3. To formulate the strategies to improve Indonesia's exports to the UAE market

1.4. Research Coverage

This study will focus only to the United Arab Emirates as a destination market of Indonesia's export. The commodity will be limited only for HS 6 digit level. This study will provide analysis of data only for the highest top ranking Indonesia's exported products to the UAE during 2001 until 2006.

1.5. Research Methodology

1.5.1. Analysis Methods

The model of this study will be based on constant market share analysis method and Boston Consulting Group-Share Matrix which usually used in business strategy analysis.

Constant Market Share Analysis is a method that will be used to analyze the factors behind the changes of Indonesia's export to UAE market whether it cause by the changes of UAE import growth, the fit of composition supplied products or the changes of product's competitiveness.

The BCG Growth-Share Matrix is a four-cell (2 by 2) matrix used to perform business analysis as a step in the strategic planning process. The BCG Growth-Share Matrix positions the various product lines on the basis of Market Growth Rate and Market Share relative to the most important competitor.

1.5.2. Data

The data that will be used in this study are from many sources such as World Integrated Trade Solution (WITs), National Agency for Export Promotion (NAFED)-Ministry of Trade, Indonesian Trade Promotion Center in Dubai, and Central Statistic Agency (BPS).

The secondary data is extracted from WITs with the classification based on Harmonized System (HS) at six digit level. All of the calculation of CMSA and BCG-Share Matrix are using the secondary data. While, in order to get more information about the current condition of UAE and commodity, the depth interview will be taken to other source such as ITPC Dubai.

1.6. Outline
Chapter I. Introduction
1.1. Background
1.2. Research Questions
1.3. Research Objectives
1.4. Research Coverage
1.5. Research Methodology

CHAPTER II
INTERNATIONAL TRADE AND GLOBAL MARKETING STRATEGY

2.1. International Trade, Theory and Its Applications

There are two reasons why countries engage in international trade. First, country trade because they are different from each other. Nations, like individuals, can benefit from their differences by reaching an arrangement in which each does the things it does relatively well. Second, countries trade to achieve economies of scale in production. If each country produces only a limited range of goods, it can produce each of these goods at a larger scale and hence more efficiently than if it tried to produce everything. In the real world, pattern of international trade reflect the interaction of both these motives (Krugman, 2006, pp 24).

In addition, there are two points as a base of products possibly traded in international market. First, products can be traded if those products have absolute advantage or comparative advantage in the cost of production compare to other products produced in other country. Second, the products are appropriate with the customer's taste and need abroad. The principle of this is lies on the consumer's interest. Products or commodities that have export potential are those who have quality, design, on-time delivery, packaging, and standard that is in line with the consumer's taste.

The concept of relative cost and price differences is basic to the theory of international trade. The most basic concept of international trade is the concept of comparative advantage. Beside that concept, there is also competitive advantage theory constructed by Porter. Unlike the theory of comparative advantage that based on factors of production in explaining the pattern of trade, the competitive advantage theory explain more about how the technological differences, the role of multinational corporations and the role of nation leads the difference of competitive advantage among the nations.

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2.1.1. The Concept of Comparative Advantage

The concept of comparative advantage is originally developed by the British economist David Ricardo. This concept was introduced in the early nineteenth century. Based on this theory, a country is said has a comparative advantage in producing a good if the opportunity cost of producing that goods is lower in that country than it is in other countries. Furthermore, trade between two countries can benefit both country exports the goods in which it have a comparative advantage.

According to the law of comparative advantage, even if one nation is less efficient than (has an absolute disadvantage with respect to) the other nation in the production of both commodities, there is still a basis for mutually beneficial trade. The first nation should specialize in the production of and export the commodity in which its absolute disadvantage is smaller (this is the commodity of its comparative advantage) and import the commodity in which its absolute disadvantage is greater (this is the commodity of its comparative disadvantage).

2.1.2. The Concept of Competitive Advantage

The concept of competitive advantage is firstly introduced by Michael Porter (Porter, 1990). This concept was appeared to complete the concept of comparative advantage. In the book of "The Competitive Advantage of the Nation", Porter defined that the nature of competition is embodied in five competitive forces : (1) the threats of new entrants, (2) the threat of subtitute products or services, (3) the bargaining power of suppliers, (4) the bargaining power of buyers and, (5) the rivalry among the existing competitors.

The strength of the five forces varies from industry to industry and determinnes long-term industry profitability. The five competitive forces determine industry profitability because they shape the prices firms can charge, the costs they have to bear, and the investment required to compete in the industry. The strength of each of the five competitive forces is a function of industry structure, or the underlying economic and technical characteristics of an industry structure. Industry structure play an important role in the international competition.

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In addition, there are two basic types of competitive advantage : lower cost and differentiation. Lower cost is the ability of the firm to design, produce, and market a comparable product more efficiently than its competitors. While differentiation is the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service. Differentiation allows a firm to command a premium price, which leads to superior profitability provided costs are compareable to those of competitors (Porter, 1994).

Finally, according to the "national diamond" of Porter - which consists of (1) factor conditions, (2) demand conditions, (3) related and supporting industries and (4) firm strategy, structure, and rivalry - the government role together with the chanee has also inportant influence on national competitive advantage.

2.2. Global Marketing Strategy

Global market is defined as a market in the global world. While, strategy is defined as a long term plan of action designed to achieve a particular goal, most often "winning." Strategies are used to make the problem easier to understand and solve.

In the initial phase of entry into international markets, as a key objeetive is the geographic expansion of operations, to identify markets in other countries for existing products and services and to leverage potential economies of scale in production and marketing (Douglas, Susan 1995).

To be successful in global markets is determined by whether the firm or industry is able to establish a sustainable competitive advantage. This provides the basis for crafting the distinctive features of a strategy that enables the firm to triumph over its competition.

Moreover, the firm needs to examine whether the eompetitive advantage it has developed in its domestic market will extend into foreign markets. Conditions in the domestic market may generate an advantage in competing internationally. On the other hand, the nature of competition and type of competitors in foreign market differ and may impact the relevance of its competitive advantage.

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2.2.1. The Forces Shaping Global Marketing Strategies

The forces influencing global strategy provide the backdrop for the formulation and implementation of global strategy. There are four forces that influence the global marketing strategy which consist of economic, technological, political, and sociocultural (Douglas, Susan, 1995). These forces are complex in and of themselves and interact both with one another and with strategies of firms.

a. Economic Forces

Economic forces impact global marketing strategies at both a macro and microeconomic level. At a macroeconomic level, they impact the nature and location of global marketing opportunities as well as the spatial configuration of markets. Often macroeconomic forces are closely interlinked with political initiative designed to stimulate or restrict natural economic flow and growth.

While microeconomic forces, on the other hand, impact the organization and efficiency of the firm's operations. The cost and availability of resources in different geographic locations impacts production and sourcing logistics as well as capital or labor substitution.

Economic forces also underlie capital intensity of operations and potential for economies of scale and scope. Furthermore, economic conditions also impact a firm's ability to compete in the world markets and can create pressure to improve efficiency.

b. Technological

Technological forces are often closely intertwined with economic forces, especially insofar as technological developments impact the economic scale of operations and efficiency of production. The technological breakthroughs in communications have not only facilitated the development of international business operations but also have fostered greater awareness and life style in other countries. Technological developments are important forces that help link and integrate market while at the same time spawning increasing heterogeneity and market fragmentation.

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In the global market that become more competitive, the technology play the important role in winning the national competition (Porter, 1994). Furthermore Gumbira-Sa'id (1999) has srutinized some role of technology which is: (1) increase added value; (2) product development; (3) job creation; (4) open and penetrate the market; (5) economie development; and (6) foreign exchange revenue. While, Porter (1994) said that technology will improve competitive advantage if it has the real role in positioning relative price or relative differentiated products. Consequently, technology should be managed so that it can create competitive advantage.

c. Political

Political actions are often closely linked with macroeconomic and technological conditions. These can be designed either to encourage or hamper the internationalization of business. Government policy, for example, can foster the growth of international trade and market integration by removing barriers to trade and establishing linkages in the market infrastructure.

Alternatively, government policy can be designed to protect national competitors and national markets through erecting barriers to international competitors and establishing industrial policy favoring local companies. Similarly, political instability or insurgence will dampen economic growth and stifle technological progress.

The advantages stemming from the creation of larger market areas, together with economic pressures toward the internationalization of markets, have encourage a number f governments to dismantle or simplify trade barriers, such as customs regulation, border formalities, and other administrative restrictions, as well as to lower tariffs and quotas. In many cases, regional trade agreements have been established to create larger regional markets and trading areas sueh as NAFTA, ASEAN, and Mercusor.

Thus, while political forces may operate to expand the geographic scope of markets and open up new opportunities, at the same time they may impose

constraints on the firm's ability to exploit these opportunity and operate freely within world markets.

d. Socioculture

Social and cultural forces shape patterns of market demand and underlie the emergence of new interests and tastes, as well as the growth of new market segments. At the same time, sociocultural trends often reflect the impact of changing economic and technological conditions. Douglas, Susan (1995) quoted from Saporito, Bill (1993), "Where the Global Action Is", Fortune Autumn/Winter, pp 62-65, that the response of international marketers to evolving consumer taste has further expanded the range of alternative consumption style available to consumers in countries throughout the world. As a result, life style has become more diverse and less indigenous in orientation, incorporating products and behavior patterns from other cultures and countries.

While, in term of trade negotiation, John L Graham (1996) argue that when the business actor involve in the business negotiation, then the cultural differences between business partners can cause divisive, even decisive problems. Consequently, language becomes important especially in doing transaction and negotiation.

2.2.2. Market Potential Assessment

There are many steps are needed in entering the global market. Market potential assessment is one of its steps. Market potential assessment is a way to identify the characteristic of the market. While, market potential is defined as *the amount of a product which the market could absorb over some indefinite time period under optimum conditions of market development* (Albaum 1998:167). Accordingly, before assessing toward the market, there are two factors must be considered by the exporters. First, the amount of possible consumers and the second is the maximum quantity of purchase rate. Then, market potential and selling potential of the company is ideally the same.

Based on the Overall Market Opportunity Index (OMOI), there are seven indicators of market opportunity. Those are market size, market growth rate, market intensity, capacity of market consumption, commercial infrastructure, economy freedom, and market receptivity.

Market size can be measured by looking at the total population of country. Market growth rate is measured by looking at the average growth of industry in one country. There are two indicators that can be a proxy of market intensity. The first indicator is estimated purchasing power parity (ppp) of GNP per capita[6]. The second indicator is private consumption per capita[7]. Capacity of market consumption is the proportion of the middle class income. Commercial infrastructure can be proxy as the easiness of accessing telephone line, population per retail outlet, truck and bus per capita and the percentage of house with TV color.

The measurement of economy freedom is an index developed by Johnson and Sheehy from Heritage Foundation. This index is a measurement of tax and trade policy, banking and monetary policy, government spending, foreign investment and capital flow, price and wage controlling, regulatory policy and black market activity. Meanwhile, the market receptivity is the openness from importing of country's export in foreign market.

Finally, beside market potential, there remains some points musts be taken into consideration by the exporters in choosing the market. Kcegan (2002:235-252) argue that market access, shipping cost, potential competition & service requirement and product fit are the factors that are affecting the process of choosing the market.

2.2.3. Strategy of Product-Market Growth

In order to formulate the strategy to improve the product and market growth we firstly have to describe the position and condition of product and market. After we recognize either the product and market condition then we can formulate the strategy to improve the product and market growth.

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[6] PPP is measured based on wage, corporate income, net interest, and royalty
[7] Private consumption represents the household and non-profit private institution spending

The Ansoff **Product-Market Growth Matrix** is a marketing tool created by Igor Ansoff and first published in his article "Strategies for Diversification" in the Harvard Business Review (1957).

Figure 2
Igor Ansoff's Product-Market Growth Matrix
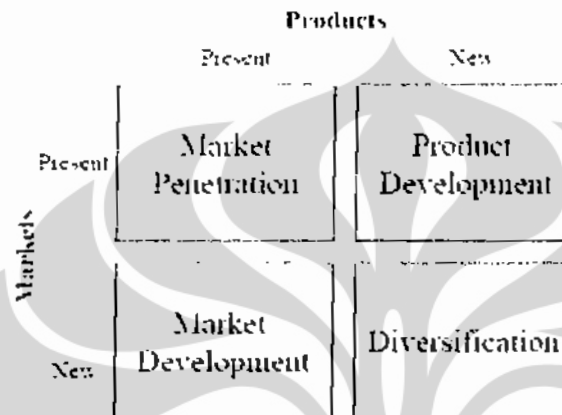
The matrix allows marketers to consider ways to grow the business via existing and/or new products, in existing and/or new markets. There are four possible product/market combinations. This matrix helps in deciding what course of action should be taken given current performance. The matrix consists of four strategies:

- **Market Penetration** (markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions. Market penetration is the least risky way for a company to grow.

- **Product Development** (existing markets, new products): A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. For example, McDonalds is always within the fast-food industry, but frequently markets new burgers. Frequently, when a firm creates new products, it can gain new customers for these

products. Hence, new product development can be a crucial business development strategy for firms to stay competitive.

- **Market development** (new markets, existing products): An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm. For example, Lucozade was first marketed for sick children and then rebranded to target athletes. This is a good example developing a new market for an existing product.

- **Diversification** (new markets, new products): Virgin Cola, Virgin Megastores, Virgin Airlines, Virgin Telecommunications are examples of new products created by the Virgin Group of UK, to leverage the *Virgin* brand. This resulted in the company entering new markets where it had no presence before.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than 'penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of all. In original work, which did not use the matrix form, Igor Ansoff stressed that the diversification strategy stood apart from the other three. While the latter are usually followed with the same technical, financial, and merchandising resources which are used for the original product line, diversification usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

For this reason, most marketing activity revolves around penetration; and the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open.

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CHAPTER III
RESEARCH METHODOLOGY

3.1. Analytical Framework

Export promotion (outward-looking) is important policy for developing country like Indonesia. There is some reason why export promotion is important for developing country. One of the reasons is that export orientation is associated with growth through its impact on foreign exchange earnings. Balassa (1971) has found that export growth is associated with "raising national income" and greater foreign exchange earnings.

In order to boost export in the global market, Indonesia's products should have the capacity and ability to compete in the global market. Not only comparative advantage but also the competitive advantage should be owned by Indonesia's products in competing in the global market. Price, quality, design and just in time service are part of requirement must be fulfilled in winning the global competition.

In order to have a greater market share in a certain market, we need to know first about our products position in a given market relatively compares to our competitors. After we know the position of our products in a given market, then we can know which products are potential to be developed in that market. Boston Consulting Group Share-Matrix is a tool that can be used to view the products position in certain market and may serve as a starting point for analyzing resource allocation among strategic product units.

Not only product position, in an existing market, we must also analyze our products performance. One of the method can be used is constant market share analysis (CMSA). The result of CMSA can give us information about our competitiveness (supply side), the composition of the products as initial effect (demand side) and the responsiveness of our products toward demand changing in the market (adaptation effect).

Study about the Middle East as a potential market for Indonesia has been done by using Trade Performance Indices to analyze the potential Indonesia's exported product to the Middle East Countries such as Saudi Arabia, Iran, Egypt, UAE and Jordan. Revealed Comparative Advantage (RCA) and Constant Market Share Analysis (CMSA) are the tools that are used to look at the Indonesia's product, its competitiveness and its market share changes in those markets. However, that study used the data in the aggregate level (HS 2 Digit), accordingly, the analysis was still lack of information about what are the specific product that can be improved to be penetrated deeply in the market. This study tries to complete the analysis in the specific product level (HS 6 digit) and specific market (United Arab Emirates) so that the output of this study will be more informative and applicable for decision and policy maker.

Finally, the combination of CMSA and BCG Growth-Share Matrix will give the complementary information about the products performance. The BCG matrix will inform about the position of the products while CMSA will give complement information implying the products position changes. The combination of these two models will provide basis of analysis to formulate the strategy to improve the Indonesia's export performance in UAE market.

3.2. Analysis Methods

The analysis methods that will be used in this study are Constant Market Share Analysis (CMSA) and Boston Consulting Group (BCG) Growth-Share Matrix.

3.2.1. Measuring the Export Performance

In measuring export performance, this study will adopt what may be called "constant-market share analysis of export growth". The characteristic feature in this method is the assumption or norm that a country's export share in a given market should remain unchanged over time.

Accordingly, the difference between the actual export growth from a member country into a given market and the unchanging export share implied by this constant-market share norm may be attributed to the following three factors:

1. The effects of a general increase in demand for imports in the given market

2. Commodity composition and

3. Changes in competitiveness

It would be enabled to make various interesting calculations from the constant-market share analysis. The calculation can be derived from simple formula. Firstly, some notations or variables can be defined as follow;

X : exports of country A to country B

X_i: commodity i exports of country A to country B

m: Percentage increase in country B's total imports from period 0 to period t

m_i: Percentage increase in country B's imports of commodity i between period 0 to period t. If country A maintains its export market share in country B's market, A's exports to B could increase by: mX (3.1)

This application of the constant-share norm divides the growth of country A's exports to B into two parts: it is partly associated with the general increase in B's total imports (m); and it is partly an unexplained residual. Formally, this may be expressed as

$$X(t)-X(0) = mX(0) +X(t) -X(0) -mX(0) \qquad (3.2)$$

Considering the fact that exports are in fact a quite diverse set of commodities and that we know country B's import market for a particular commodity class, we may write equation

(3.2) for an individual commodity as (3.3):

$$X_i(t)-X_i(0) = m_iX_i(0) +X_i(t) -X_i(0) -m_iX_i(0) \qquad (3.3)$$

Since we have the following relationship by definition,

$$X = \text{SUM } X_i \qquad (3.4)$$

where $\text{SUM } X_i = X_1 + X_2 + \ldots + X_i$

The expression (3.3) may be aggregated to

$$X(t)-X(0) = SUM\ X_i(t) - SUM\ X_i(0) \qquad (3.5)$$
$$= SUM\ m_iX_i(0) + SUM\ \{\ X_i(t)- X_i(0)- m_iX_i(0)\}$$
$$= mSUM\ X_i(0) + SUM\ \{(m_i-m)\ X_i(0)\} + SUM\ \{\ X_i(t)-X_i(0)- m_iX_i(0)\}$$

that is:

$$X(t)-X(0) = m\ X(0) + SUM\ \{(\ m_i-m)\ X_i(0)\} + SUM\ \{\ X_i(t)- X_i(0)- m_iX_i(0)\} \qquad (3.6)$$

Expression (3.6) represents an analysis in which the growth of country A's exports to B can be broken into three parts attributed to the following:

(a) the general rise in country B's total imports

(b) the commodity composition of country A's exports to B in period 0 and

(c) an unexplained residual indicating the difference

$$(3.2) \qquad X(t)-X(0) = mX(0) + X(t) - X(0) - mX(0)$$

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where $SUM\ X_i = X_1 + X_2 + \ldots + X_i$

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that is:

$$(3.6) \qquad X(t)-X(0) = m\ X(0) + SUM\ \{(\ m_i-m)\ X_i(0)\} + SUM\ \{\ X_i(t)- X_i(0)- m_iX_i(0)\}$$

Expression (3.6) represents an analysis in which the growth of country A's exports to B can be broken into three parts attributed to the following:

(a) the general rise in country B's total imports

(b) the commodity composition of country A's exports to B in period 0 and

(c) an unexplained residual indicating the difference

$$X_i(t)/ M_i(t) - X_i(0)/ M_i(0) = [\text{A's share of i products in B's market at time t}] - [\text{A's share of i products in B's market at time 0}] \qquad (3.8)$$

Demand for imports in a given market (country B) from two competing sources of supply (country A and the rest of the world) may be described by the following relationship;

$$X_i/WX_i = f(P_i/WP_i) \qquad (3.9)$$

where P_i = the export price of commodity i to country B

WX_i = the rest of the world's export of commodity i to country B

WP_i = the export price of commodity i from the rest of the world to country B

Expression (3.9) may be altered by multiplying by P_i/ WP_i to obtain:

$$(P_i/ WP_i)(X_i/ WX_i) = P_i/ WP_i f (P_i/ WP_i) \qquad (3.10)$$

The left hand side of the above expression implies:

$$P_i X_i/ (P_i X_i + WP_i WX_i) = (1+WP_i WX_i/ P_i X_i)_{-1} \qquad (3.11)$$

$$= \{1+ (P_i X_i/ WP_i WX_i)_{-1}\}_{-1}$$

$$= [1+ \{P_i/ WP_i f (P_i/ WP_i)\}_{-1}]_{-1}$$

$$= g (P_i/ WP_i)$$

Expression (3.11) indicates that country A's share in country B will remain constant except as P_i/ WP_i varies.

Substituting (3.11) into (3.8), we have

$$(X_i(t)/ M_i(t)) - (X_i(0)/ M_i(0)) = g(P_i(t)/ WP_i(t)) - g(P_i(0)/ WP_i(0)) \qquad (3.12)$$

The expression (3.12) suggests that the unexplained residual term (c) may be labeled the "competitiveness effect".

Thus, when a country fails to maintain its market share in a given market, the competitiveness term will be negative and will indicate that the price increase for the country in question is somewhat greater than its competitors.

3.2.2. Product Position Assessment

The BCG Growth-Share Matrix is a portfolio planning model developed by Bruce Henderson of the Boston Consulting Group in the early 1970's. The BCG Growth-Share Matrix is used to perform business analysis as a step in the strategic planning process. It is based on the observation that a company's business units can be classified into four categories based on combinations of market growth and market share relative to the largest competitors, hence the name "growth-share". Market growth serves as a proxy for industry attractiveness and relative market share serves as a proxy for competitive advantage. The growth-share matrix thus maps the business unit or products positions within these two important determinants of profitability.

Boston Consulting Group (BCG) matrix will be used in this study to assess the position of the products. This study will use export value as approach of total sale of Indonesia's products in a global market and specifically in United Arab Emirates market.

3.2.2.1. Market Growth Rate

Market growth rate is the rate of export growth during the analyzing period of time. The export growth is calculated year by year since 2001 until 2006 and the average of export growth will be got afterwards.

The analysis will be conducted in two sessions. The first session will be start on 2001 until 2004 and the second session will be start on 2004 until 2006. The average of UAE's import growth will be used as a cut-off point. Since the analysis is conducted in two sessions (2004 and 2006) then there are two cut-off points. The value of market growth rate can be either negative or positive. The value above the cut off point will be classified as stars or question mark while below the cut off point will be classified as cash cow or dogs.

The calculation of market growth rate can be defined as follow:

$$\text{Growth } (nX) = (X_t - X_{t-1})/ X_{t-1} \qquad (3.14)$$

3.2.2.2. Relative Market Share (RMS)

Relative Market Share (RMS) was calculated as proportion or ratio of Indonesia's market share over the competitors' market share. The competitor is the main competitor in that market. The main competitor used in this study is China since China has the biggest share in UAE market after European Union. For some products were used the absolute market share rather than relative market share. This is because China did not export those kinds of products. Absolute market share is used as an approach of relative market share. Absolute market share is share of Indonesia's products toward the total world share.

Relative Market Share (RMS) = Indonesia's export share / competitor's export share

(3.15)

Absolute Market Share (AMS) = Indonesia's export / Total world export   (3.16)

3.2.2.3. Four Category of Quadrant in BCG Matrix

There are four quadrants in BCG Matrix which are dog, question mark, star, and cash cow.

Dogs

Dogs have low market share and a low growth rate and thus neither generate nor consume a large amount of cash. However, dogs are cash traps because of the money tied up in a business that has little potential. Such businesses are candidates for divestiture.

Question Marks

Question Marks are growing rapidly and thus consume large amounts of cash, but because they have low market shares they do not generate much cash. The result is large net cash consumptions. A question mark also known as a "problem child" that has a potential to gain market share and become a star, and eventually a cash cow when the market growth slows. If the question mark does not succeed in becoming the market leader, then after perhaps years of cash consumption, it will degenerate into a dog when the market growth declines. Question marks must be analyzed

carefully in order to determine whether they are worth the investment required to grow market share.

Stars

Stars generate large amounts of cash because of their strong relative market share, but also consume large amounts of cash because of their high growth rate; therefore the cash in each direction approximately nets out. If a star can maintain its large market share, it will become a cash cow when the market growth rate declines. The portfolio of a diversified company always should have stars that will become the next cash cows and ensure future cash generation.

Cash cows

As leader in mature market, cash cows exhibit a return on assets that is greater than market growth rate, and thus generate more cash than they consume. Such business units should be "milked", extracting the profits and investing as little cash as possible. Cash cows provide the cash required to turn question marks into market leaders, to cover the administrative costs of the company, to fund research and development, to service the corporate debt, and to pay dividends to shareholders. Because the cash cow generates a relatively stable cash flow, its value can be determined with reasonable accuracy by calculating the present value of its cash stream using a discounted cash flow analysis.

Under the growth-share matrix model, as an industry matures and its growth rate declines, a business unit will become either a cash cow or a dog, determined soled by whether it had become the market leader during the period of high growth.

While originally developed as a model for resource allocation among the various business units in a corporation, the growth-share matrix also can be used for resource allocation among products within a single business unit. Its simplicity is its strength-the relative positions of the firm's entire business portfolio can be displayed in a single diagram. Furthermore, a different strategic approach is taken for each of the four different categories.

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Figure 3.1

The BCG Growth-Share Matrix
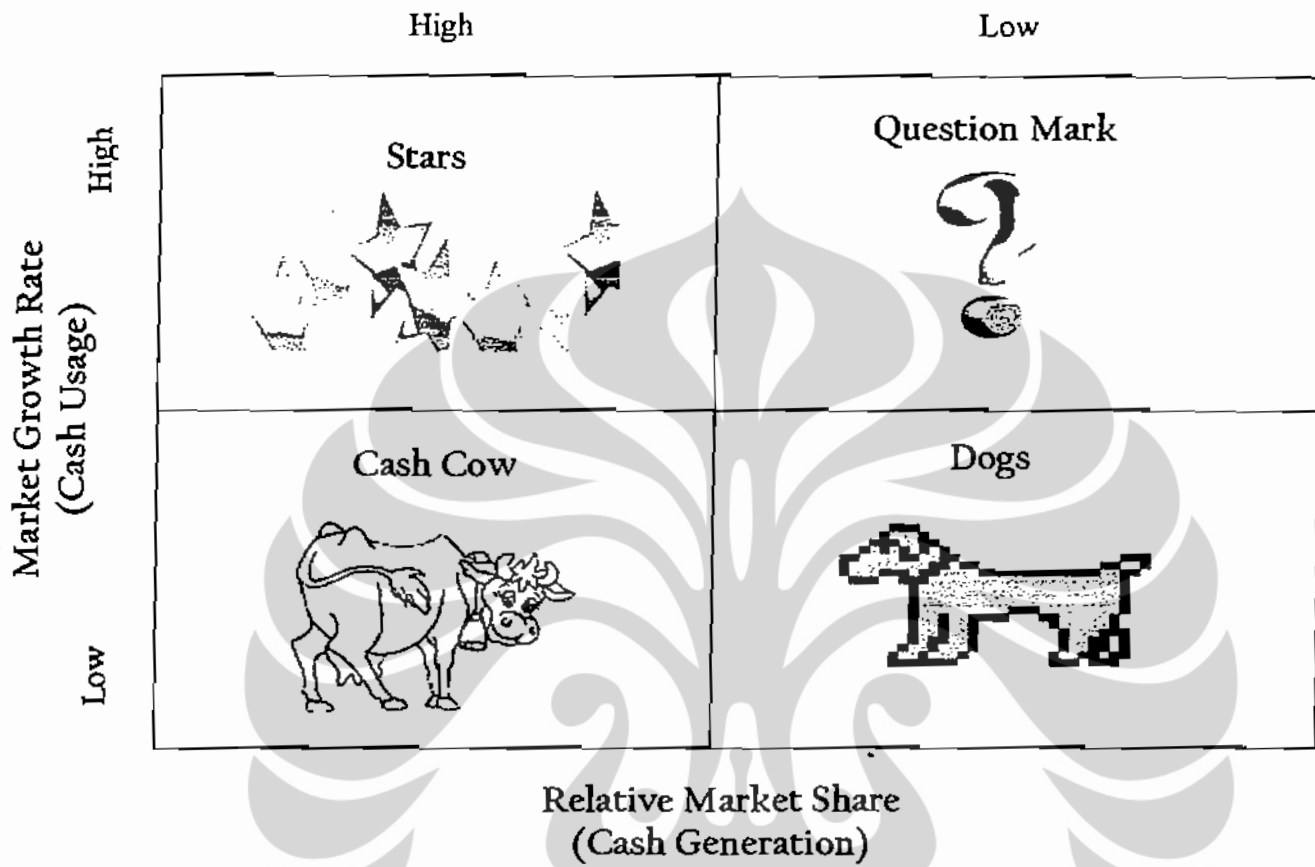
Even the growth-share matrix once used widely, it has some limitation and weaknesses. Some of its weaknesses are market growth rate is only one factor in industry attractiveness, and relative market share is only one factor in competitive advantage. The growth-share matrix overlooks many other factors in these two important determinants of profitability. The framework assumes that each business unit is independent of the others. In some cases, a business unit that is a "dog" may be helping other business units gain a competitive advantage. The matrix depends heavily upon the breadth of the definition of the market. A business unit may dominate its small niche, but have very low market share in the overall industry. In such a case, the definition of the market can make the difference between a dog and a cash cow.

While its importance has diminished, the BCG matrix still can serve as a simple tool for viewing a country's export portfolio at a glance, and may serve as a starting point for discussing resource allocation among strategic business units.

Figure 3.2
BCG position throughout the product life cycle

BCG positions throughout the product life cycle:
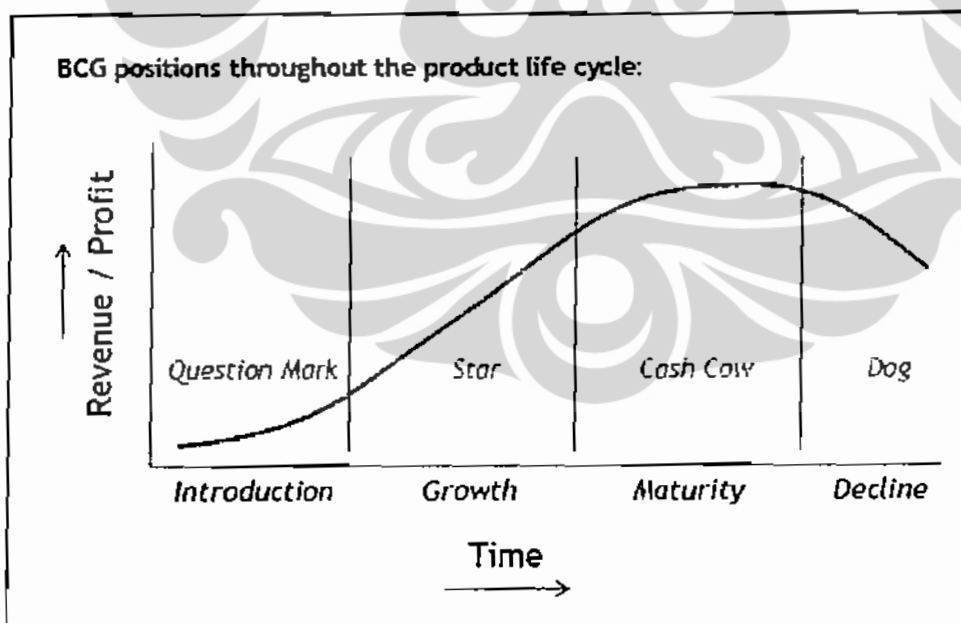
Source: www.mrdashboard.com

3.3. Data and Source

The data will be collected from many sources such as Trade Data Center-Ministry of Trade, National Agency for Export Promotion (NAFED)-Ministry of Trade, ITPC Dubai, and Central Statistic Agency (BPS).

The primary data are collected from interviewing directly and indirectly with some parties. Information about the recent condition of UAE is got from Head of Indonesian Trade Promotion Center in Dubai. While direct interview with some parties was also undertaken in order to get the information about the problems and solutions regarding the strategy to improve export to the UAE market.

Otherwise, the secondary data are collected from WITs[8] (World Integrated Trade Solution), BPS (Central Agency of Statistic), and some sources of website from International Organization.

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[8] The system of information and data was constructed by the three remarkable international organization which is World Trade Organization, World Bank and IMF.

CHAPTER IV
AN OVERVIEW OF UNITED ARAB EMIRATES

4.1. General Indicator of United Arab Emirates

The United Arab Emirates (UAE) extends along the coast of the Gulf, from the base of Qatar peninsula to a short way beyond Ras Al Khaimah and across the Mussandum peninsula to the Gulf of Oman.

The UAE is a Federal Sovereign State that consists of seven emirates. The federation comprises the seven emirates of Abu Dhabi (the capital), Dubai (the thriving commercial capital), Sharjah, Umm Al Quwain, Ajman, Ras Al Khaimah and Fujairah. In all, the UAE covers an area of about 83.6 thousand square kms. The federation was established on the 2nd December 1971 of six emirates. The emirate of Ras Al Khaimah joined the federation on the 10th February 1972. The supreme power in the presidential system is hold by Emir of Abu Dhabi (Sheikh Khalifa bin Zayed Al Nahyan). The executive power of Vice President all together with Prime Ministry is hold by Emir of Dubai (Sheikh Muhammad Bin Rashid Al Maktoum). UAE also has Supreme Council that consists of each member of seven emirates.

According to the data from Economy Ministry- Federal Custom Authority (reported by ITPC), UAE's GDP in 2007 reached US$ 191 billion with the economic growth account for 7,4 percent. The role of non-oil and gas over GDP is about 65 percent which is manufacturing industries 13%, building and construction 8%, trade 11%, transportation and communication 6%, real estate 8%, government services 7%, and others 12%. While, the role of oil and gas declined from 37, 3 percent in 2006 to become 35 percent in 2007.

UAE is the fourth richest country in the world with the income per capita reached US$ 42,275 and population is about 5 million in 2007 (see Table 4.1). With the GDP per capita reached 42,275 US$ has shown the potential purchasing power of UAE toward its imported products. The relative high value of non-oil and gas total import compare to non-oil and gas total export, show that UAE is net importer for

non-oil and gas products. This fact indicates potential market for non-oil and gas produets. Moreover, the re-export value for non-oil and gas produets reached more than 30% from its total import.

Condition of demography in UAE consists of 20% of indigenous (Arabian) and 80% of forcigner. The most foreigners are from Asian Sub-continent (Indian, Pakistan, Bangladesh, and Srilanka) and the rest is from Arabian (Sudan, Egypt, Syria, Lebanon, Palestine, Yemen, Oman, and Maroko).

Table 4.1
Indicators of UAE's Macro Economy in 2007

GDP (nominal/US$ billion)	191
Population (million)	5
GDP per capita (US$)	42,275
Economic growth (%)	7.4
Import of Non-oil and gas (US$ billion)	107.9
Export of Non-oil and gas (US$ billion)	9.8
Re-export of Non-oil and gas (US$ billion)	33.7
Inflation (%)	11
Interest Rate (%)	4.88
Exchange Rate (USD-Dirham)	3.67

Source: Economy Ministry, Federal Custom Authority

UAE as the biggest five of oil exporter in the world has been suceeed in doing diversification in order to support the economic growth from the dependency toward oil sector to non-oil and gas. UAE developed real estate, financial and infrastructure sector.

With respect to the investment, the total of investment in 2007 reached AED 144.5 trillion (US$ 39.59 billion) or increased 22.1 percent compare to 2006 that was recorded AED 121 trillion (US$ 33.15 billion). And the role of investment over GDP is account for 20.7 percent.

4.1.1. Overview of UAE's Business Situation

The UAE economy has witnessed rapid economic development. Even before 1957, the economy of the Emirates constituting the Federation, under their self-ruling system, was dependent on the available natural and human resources. Economic resources varied in each Emirate in accordance to the area, population and the abundance of the resources of each of them. They were almost wholly dependent on certain activities such as pearl fishing and trading, fishing, trade, agriculture, grazing and some handicraft industries. Each emirate differs from the other by its relative dependence on special economic resources.

The UAE's economic environment is relatively liberal despite state ownership in certain sectors, restrictions on foreign participation in the economy through capital ownership limitations, and an obligation for branches of foreign companies to recruit UAE agents. To provide employment opportunities for nationals in private business, an "emiratization programme" has introduced minimum quotas of Emirati staff in banking, insurance, professional, and distribution services. This policy could eventually become an impediment to doing business in the UAE, essentially because of the lack of skilled UAE nationals in some professions; it could further increase the relative attractiveness of operating in the free zones, where these provisions do not apply.

With respect to the Strategic Planning 2008-2010 launched by Economy Minister of UAE Sheikha Lubna Al Qasimi (now he is UAE's Foreign Trade Minister), UAE concern to economic competitiveness improvement. To achieve that goal UAE effort to development sustainability, give the bigger opportunity to UAE citizens to involve in private sector, combat smuggling, develop corporate governance, and attract investment either for domestic and foreign direct investment.

4.1.2. UAE's Trade Policy

The UAE is a member of the Gulf Cooperation Council (GCC), of which the customs union component became effective on 1 January 2003. The UAE is also a

member of the Greater Arab Free-Trade Area (GAFTA) in which all GCC States participate.

Nowadays, UAE has been a modern country with a high standard of living. With the recently high production and stock of oil and gas, UAE can survive for more than a hundred years in the future. The government has improved the job creation and infrastructure for opening the greater access for private sectors.

Based on Trade Policy Review report, it was reported that UAE's MFN tariff is based on the GCC Common External Tariff (CET); its average applied MFN tariff rate was 5.1% in 2005, with the majority of rates at 5% and 420 duty-free tariff lines covering mostly basic food items and pharmaceuticals. Exceptions to the CET are spirits (50%), and tobacco products (the higher of 100% or a specific rate). All tariffs except on tobacco are advalorem. MFN applied tariffs average 6.2% on agricultural products (WTO definition), and 4.8% on non-agricultural products. Using the ISIC (Revision 2) definition, average tariff protection is 5.3% for manufacturing activities, 5% for mining and quarrying, and 3.3% for agriculture. All of the UAE's tariff lines are bound, with an average final rate of 15%. Some 33 tariff lines at the HS eight-digit level carry applied MFN tariff rates that exceed the final bound rate as of April 2006.

4.2. Trade between Indonesia and UAE

We can see in table 4.2 that Indonesia experienced in trade surplus in trading with UAE. Trade balance between Indonesia and UAE are surplus for Indonesia and its value is increasing year by year.

While from table 4.3, we can see that Indonesia's average export growth in UAE market is account for 6.58 percent with the remarkable growth in period 2004-2005 that reached 21.77 percent. This growth is still lower compare to world's average export growth that reached 23.34 percent. It means that even Indonesia's export increased year by year but the increasing of Indonesia's export is still left behind compare to the world export growth.

Table 4.2
Indonesia-UAE Trade Balance

Year	Indonesia's Export to UAE (in 000 USD)	Indonesia's Import from UAE (in 000 USD)	Trade Balance
2000	747682.86	134265.93	613416.93
2001	756559.26	66293.12	690266.15
2002	719250.75	115002.38	604248.37
2003	759309.25	113076.14	646233.11
2004	744564.00	139911.85	604652.15
2005	906653.72	342720.84	563932.88
2006	1068324.73	345071.37	723253.35
2007	1324811.43	190420.97	1134390.46

Source: WITS (processed)

In addition, if we look at the share of Indonesia's export in UAE market is still low. It was only 2.4 percent in 2000 and decrease become 0.99 percent in 2006. It implied that Indonesia's export performance deelined in UAE's market. In fact, UAE is still potential for Indonesia's products.

Table 4.3
Indonesia and World Export Growth in UAE Market

Year	Indonesia' Export Growth	World' Export Growth
2000-2001	1.19	13.47
2001-2002	-4.93	15.50
2002-2003	5.57	32.33
2003-2004	-1.94	19.04
2004-2005	21.77	40.07
2005-2006	17.83	19.62
Average	6.58	23.34

Source: WITS (processed)

Table 4.4
Share of Indonesia's Export in UAE Market

Year	UAE's Impor from World (in 000 US$)	UAE's Impor from Indonesia (in 000 US$)	Share of Indonesia
2000	31176467.34	747682.86	2.40
2001	35375561.94	756559.26	2.14
2002	40859406.64	719250.75	1.76
2003	54070978.19	759309.25	1.40
2004	64363502.95	744564.00	1.16
2005	90155503.72	906653.72	1.01
2006	107843299.1	1068324.73	0.99

Source: WITS (processed)

4.3. UAE's Top Imported Products

Table 4.5 shows the products that are mainly imported by UAE. From the table, we can see that electronic and parts, machinery, automotive and parts, mining products, chemical products, textiles products, oil and natural gas, basic food products, aircraft, and building material are the most demanded in UAE market. By looking at the most imported product in UAE we can see the potential market demand in UAE. And Indonesia can use this opportunity to penetrate UAE market by exporting Indonesia's potential products that meet with UAE's demand.

Table 4.5
The Most 100 UAE's Imported Products

No.	Code	Product Name	No.	Code	Product Name
1	852520	Transmission apparatus incorporatin	51	740811	Of refined copper :-- Of which the
2	271000	Petroleum oils and oils obtained fr	52	720851	Other, not in coils, not further wo
3	711319	Of precious metal whether or not pl	53	852190	Other
4	880240	Aeroplanes and other aircraft, of a	54	842952	Mechanical shovels, excavators and
5	710239	Non-industrial :-- Other	55	841191	Parts :-- Of turbo-jets or turbo-pr
6	870323	Other vehicles, with spark-ignition	56	540710	Woven fabrics obtained from high te
7	870324	Other vehicles, with spark-ignition	57	840999	Other
8	847330	Parts and accessories of the machin	58	610910	Of cotton
9	852812	Reception apparatus for television,	59	851711	Telephone sets; videophones :-- Lin
10	721420	Containing indentations, ribs, groo	60	870120	Road tractors for semi-trailers

11	841112	Turbo-jets :-- Of a thrust exceedin	61	760110	Aluminium, not alloyed
12	710231	Non-industrial :-- Unworked or simp	62	711419	Of precious metal whether or not pl
13	880230	Aeroplanes and other aircraft, of a	63	843149	Of machinery of heading No. 84.26,
14	710812	Non-monetary :-- Other unwrought fo	64	80250	Pistachios
15	843143	Of machinery of heading No. 84.26,	65	850220	Generating sets with spark-ignition
16	847160	Input or output units, whether or n	66	854460	Other electric conductors, for a vo
17	540752	Other woven fabrics, containing 85	67	854420	Co-axial cable and other co-axial c
18	330300	Perfumes and toilet waters.	68	630140	Blankets (other than electric blank
19	852990	Other	69	940360	Other wooden furniture
20	870899	Other parts and accessories :-- Oth	70	721633	U, I or H sections, not further wor
21	847130	Portable digital automatic data pro	71	870210	With compression-ignition internal
22	100630	Semi-milled or wholly milled rice,	72	847989	Other machines and mechanical appli
23	848180	Other appliances	73	870431	Other, with spark-ignition internal
24	852540	Still image video cameras and other	74	842951	Mechanical shovels, excavators and
25	401120	Of a kind used on buses or lorries	75	720711	Containing by weight less than 0.25
26	401110	Of a kind used on motor cars (inclu	76	730511	Line pipe of a kind used for oil or
27	847170	Storage units	77	271111	Liquefied :-- Natural gas
28	300490	Other	78	851750	Other apparatus, for carrier-curren
29	240220	Cigarettes containing tobacco	79	10111	Horses :-- Pure-bred breeding anima
30	710813	Non-monetary :-- Other semi-manufac	80	330499	Other
31	880330	Other parts of aeroplanes or helico	81	853710	For a voltage not exceeding 1,000 V
32	890520	Floating or submersible drilling or	82	853720	For a voltage exceeding 1,000 V
33	170199	Other	83	420212	Trunks, suit-cases, vanity-cases, e
34	701810	Glass beads, imitation pearls, imit	84	851790	Parts
35	870322	Other vehicles, with spark-ignition	85	392690	Other
36	841510	Window or wall types, self-containe	86	540754	Other woven fabrics, containing 85
37	711719	Of base metal, whether or not plate	87	841480	Other
38	841199	Parts :-- Other	88	40221	In powder, granules or other solid
39	870422	Other, with compression-ignition in	89	691110	Tableware and kitchenware
40	890400	Tugs and pusher craft.	90	870421	Other, with compression-ignition in
41	270750	Other aromatic hydrocarbon mixtures	91	852431	Discs for laser reading systems :--
42	910211	Wrist-watches, electrically operate	92	732690	Other
43	854213	Monolithic digital integrated circu	93	853890	Other
44	151190	Other	94	870423	Other, with compression-ignition in
45	640299	Other footwear :-- Other	95	390110	Polyethylene having a specific grav
46	730890	Other	96	210690	Other
47	730410	Line pipe of a kind used for oil or	97	940510	Chandeliers and other electric ceil
48	730429	Casing, tubing and drill pipe, of a	98	852390	Other
49	540761	Other woven fabrics, containing 85	99	620342	Trousers, bib and brace overalls, b
50	841182	Other gas turbines :-- Of a power e	100	20712	Of fowls of the species Gallus dome

Source: WITS (processed)

4.4. Customs Procedures in Dubai

Importers should have an importer Code allotted by the Customs Department which is given on submitting the application in the prescribed form together with the copy of Trade License. Importers are allowed only to import goods which are related to the activities permitted by the license. Following are the procedures for clearance of respective Customs Bills to clear goods arrived vie Sea Ports in Dubai.

a. Imports Bills

The consignee/Agent should obtain a Delivery Order from the Shipping Agent and present to Customs the original and the copy supported by (1) Original Invoice (2) Original Certificate of Origin (3) Packing List (4) Bill of Lading Second original.

b. Payment of Duty

In accordance with Customs Ordinance, Customs duty is calculated on CIF value at the rate of 5%. Imports of all intoxicating liquors will be subjected to a 50% customs duty on their CIF Value. CIF value will normally be calculated by reference to the commercial invoices covering the relative shipment, but Customs is not bound to accept the figures shown therein and may set an estimated value on the goods, which shall be final, as far as duty is concerned. Deduction on invoices for agency commissions and internal settlements between suppliers and importer/ agent are dutiable and will be added back for calculation of duty.

c. Method of Duty payment

The import duty may be paid in the form of cash or cheque, customs duty guarantee issued by the bank, bank receipt if duty has been paid through a bank, customs duty credit facility against guarantee or deposit against customs duty. If some original document viz. Invoice/ Certificate of Origin, are not available a deposit of Dhs.500 in cash or by cheque needs to be made.

The official will calculate and collect the duty and return to the consignee/ agent

(a) the original of the delivery order

(b) the original and two copies of the Customs Bill.

The Customs Bill will authorize the release of goods to the consignee/ agent by the Ports Authority, which will retain the original delivery order and original customs bill after completing the delivery of goods.

d. Deposits

In order to speed up clearance procedures in cases such as imports, Import for re-export and overland transits, consignee or agent can pay a deposit to Customs as a security against duty liability. There are many types of deposit commonly used in Dubai.

Table 4.6
Types of Deposit Applied in Dubai

No.	Types of Deposit	Definition
1.	Duty Deposit	Paid in lieu of duty. Especially useful if there is doubt whether duty is actually payable-or if there is a delay in producing the right documents. Claim the refund within 60 days.
2.	Deposit against original documents	Allows goods to be cleared pending receipt of the original invoice or certificate of origin. Claim the refund within 60 days.
3.	Import for Re-export deposit	Allows to import goods with an option to re-export within 180 days. Claim the refund within 240 days.
4.	Transit deposits	Allows to send goods overland to its final destination outside the UAE, from one Customs area to another. Goods must leave the country

		within 30 days. Claim the refund within 45 days.
5.	Free Zone Overland Export deposit	Allows goods to be moved between free zones and port areas in UAE. Goods must leave the country within 30 days. Claim the refund within 45 days

Source:

Customs assess the amount to be deposited in each case. Missing documents are usually assessed at Dh.500 each. Transit Deposits are usually equal to duty value of the consignment. But Customs determine what is to be paid in individual cases. Decision of Customs whether to accept an application and how is to be paid is final.

e. Refund of deposit

To claim refund within the prescribed period, pink copy of the Customs Bill together with supporting documents such as Customs duty receipt, the original document, or proof of export for overland movements should be produced to the Customs Department.

Claims for refunds must be submitted to the Customs Office where payment was made. Claims for refund of deposits are subject to time limits. In summary they are as follows:

- Customs duty & missing documents-claim within 60 days.
- Import for Re-export claim within 210 days, but re-export of the goods must be within 180 days of the bill date.
- Transit Deposits-claim within 45 days but goods must leave the country within 30 days. JAFZ, AIRPORT FZ, DFSA – claim within 45 days but goods must leave the country within 30 days of bill date.

Any number of separate shipments may be made against one bill, but only claim may be lodged. Certification of overland transit and export movement should be obtained by the shipper on "Customs Exit/ Entry Certificate".

Signatory authorities acceptable to Customs are:

1. Customs Officer at any·Port or Airport in the UAE
2. Customs Authorities in a foreign country
3. Customs certification from border post in USA
4. Master of the Vessel in case of ship's spares

Customs verify claims by reference back to the original copy of the bill. It is important, therefore, that the export certification is for precisely the same goods as described in the original bill.

f. Payment of Deposit Refunds:

Provided that the claim is in order and no queries arise, refund cheques will usually be available within two weeks of submission of the claim. Claims which are not accepted are returned with a Rejection Notice explaining the reason for refusal of the claim and decision of customs is final in this regard.

g. Imports for Re-export:

Consignees, with Customs approval, may import goods with the intention of re-exporting them within 180 days, on payment of a deposit or submission of a bank guarantee in lieu of duty. In these cases the deposit or bank guarantee is refunded/ released on proof of re-export. Goods remaining in the UAE after six months are liable for duty payment. In such ease documentation is the same as for imports, except (1) declaration as import for Re-export (2) deposit or submit bank guarantee in lieu of Customs duty (3) re-exporting of such goods is subject to Customs inspection before they are re-exported.

For both Import and import for re-export, where required, written approval from Ministry of Defense (for arms and ammunitions), Ministry of Information (for mass media materials), Ministry of Health (for drugs) or Ministry of Agriculture (for pesticides, fertilizers, seeds etc) must also be provided.

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h. Temporary Admission

Goods imported for exhibitions must be exported within 90 days of import. Permits to such exhibitions, which are issued by the concerned authorities, must be presented at the time of import. The goods must be inspected prior to packing them for re-export. Customs will arrange sealing consignments, stuffed in Equipment imported for temporary use in construction, scientific research or maintenance are given sufficient time to re-export considering the period of contract or other documentary evidence to justify the period required. In both the cases documentation is the same as for Import for Re-export except declared as for "Temporary Admission".

i. Transit

Consignments received on a through bill of lading consigned to destination outside the UAE, and dispatched overland are cleared on a "Transit Bill". The agent should submit to Customs

(1) Delivery Order by the Shipping Agent

(2) Copy of Bill of Lading or Manifest

(3) Evidence of value (if available or else Customs will estimate).

Deposit or Guarantee amounting to the potential duty liability will be required which will be refunded or released on production of proof of exit of the goods out of the UAE within 30 days of the Transit Bill date.

j. Transshipment

Consignment received on through Bill of lading consigned to a destination outside the UAE and dispatched by sea direct from the port (Ship-Shore-Ship or Ship-to-Ship) are cleared on Transshipment Bill. The ship's Agent should submit to Customs a Delivery Order. No payment required for Transshipment.

k. Re-export procedure for goods of foreign origin: The documents required to re-export of goods of foreign origin are:

(2) Re-export Declaration duly completed.

In the case of vehicle re-export, re-export permit from the Police Department is required. Goods imported for re-export are subject to Customs inspection before they are re-exported in order to get the deposit refunded or guarantee released.

l. Export proeedure for goods of UAE origin

There is no duty on exports, but shippers are required to provide Customs with the following information for the Government's statistical record
(1) Original Invoice
(2) Export Declaration duly completed.

In the case of vehicle export, export permit from the Police Department required. Export Declaration must not be raised for export covered by Free Zone, DFSA, and Transit Bills.

4.5. Prohibited and Restricted Items in Dubai

The following items are prohibited:
  (1) All kind of drugs (Hashish, Cocaine, Heroin, etc)
  (2) Forged and duplicate currency.
  (3) Publications, photographs, oil painting, cards, books, magazines and sculptures that do not adhere to religion, morals or aim at causing corruption and disorder.

The following goods are not allowed to be imported without previous permission from the concerned government bodies:
  1. All kind of weapons and ammunition
  2. Alcohol and liquor
  3. Pharmaceuticals used for medicinal purposes.
  4. Chemical, organic fertilizers, agricultural fixers and lethal plant epidemics.
  5. Seeds and agricultural arboretums.

6. Medicines and medical drugs

7. Publications, visual and audio tapes

8. Telecommunication equipment

9. All foodstuffs

10. Living bees and bee queens

11. Fireworks and explosives

12. All kinds of camels

13. "Habara" falcons

14. Equine breed (horses, mules, donkey, ponies and zebras)
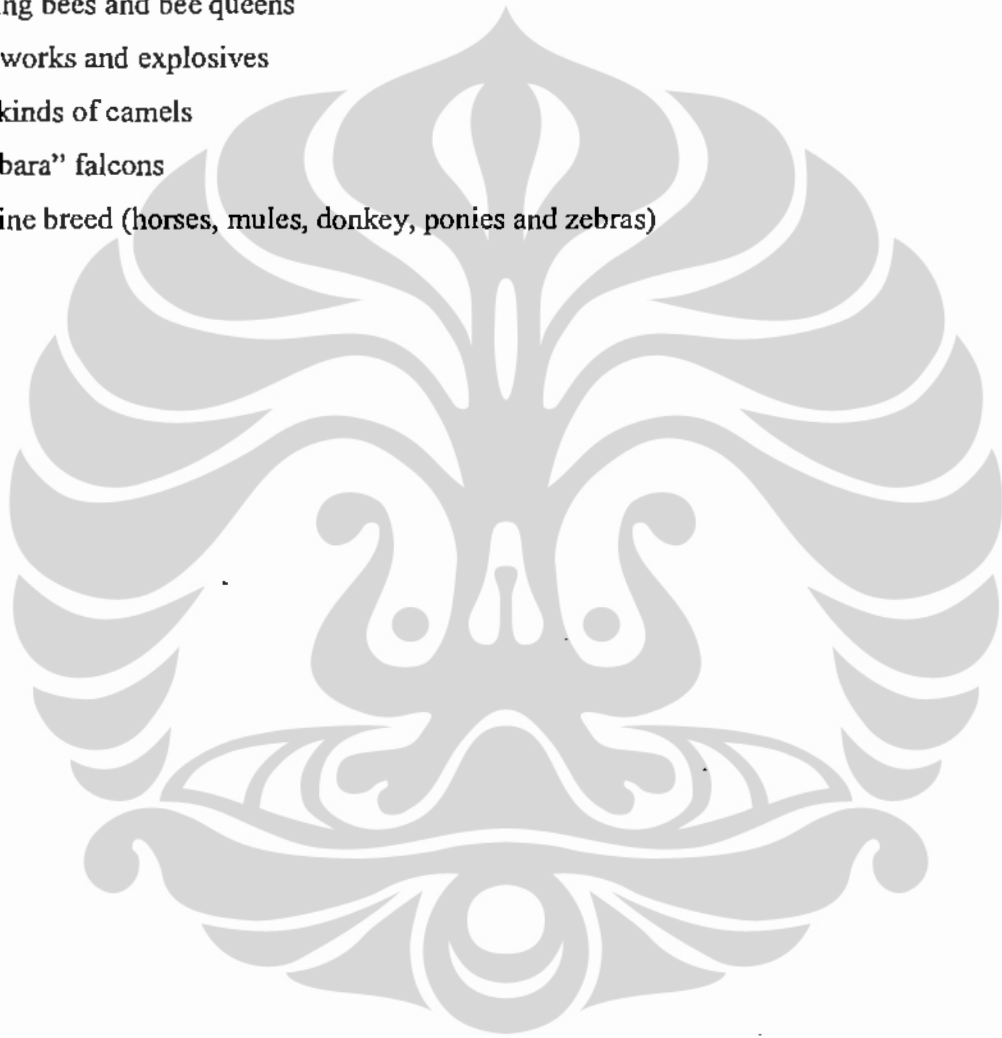
CHAPTER V

ANALYSIS OF INDONESIA'S PRODUCTS IN UAE'S MARKET

If we look at the export performance generally (see Figure 12), we can see that export value was relatively constant since 2000 until 2004 and increased sharply started from 2005 until 2007. The increasing of export value was caused substantially by the increasing of Indonesia's total export. This indication also can be explained by the theory of experience or learning curve faced by Indonesia after hit by the economic crisis during 1997 and 1998. In the beginning of 2001 Indonesia was considered in the recovered condition and starts to embark on export promotion. Accordingly, 2001 is used as a base year of analysis.

The analysis of the data in this study is started from 2001 until 2006 since the availability of data in 2007 is incomplete. The competitor chosen in this analysis is China since China is the major exporter in UAE market. Even European Union (EU) is also UAE's main exporter but EU is not used as a benchmark in this analysis since EU represents the aggregate countries.

Before come into the analysis of BCG Matrix and CMSA, it is firstly informed that this study is starting from the supply side analysis. Therefore, the analyzed products are based on what has been exported by Indonesia. The data base of Indonesia's export to the UAE was treated and sorted through three steps. Firstly, total export value of each commodity is summed from 2001 until 2006. Secondly, the result of the sum is sorted descending and it is only for commodities that have consistency in export during 2001-2006 otherwise would be omitted. The third step is determining the cut-off point. After deciding the cut off point then we choose the products that would be analyzed. From the total of 2480 products category of HS 6 digit level, there was only the top 135 products representing more than 68 percent from Indonesia's total export were chosen.

5.1. Global Condition of Indonesia's Products in UAE Market.

For some of products such as textile and textile products, plywood, paper and pulp, and certain kind of automotive and electronic products have witnessed the increasing of competitiveness and export in UAE market. The increasing of export for those products were caused by the increasing of investment for those sectors either in domestic and foreign direct investment[9]. While, other commodity such as precious metal and pearl, rubber products, furniture, and agricultural products are fairly important for Indonesia in UAE market.

According the report from BKPM (see appendix 1), investment for pulp and paper sectors (included in forestry products) and automotive sector placed in the top rank of total investment in Indonesia. The high investment in these sectors has led these sectors to be competitive in global market. This is because that only through investment industry or sector can develop and improve its technology and finally increase the capacity of production. The increasing of production capacity will achieve economic scale and finally lead the products become more competitive because the cost of production will be lower. Consequently, the price of product will be cheaper.

This fact is indirectly in line with the argument of Porter. Porter (1994) said that technology will improve competitive advantage if it has the real role in positioning relative price or relative differentiated products. Consequently, technology should be managed so that it can create competitive advantage. While according to Calory (1992), technology has a role in creating the process of inovation, product inovation, and adapting the new segment of market that finally can increase the share and the size of market. Afterwards, the increasing of size and share market will raise the economy scale and learning effect that finally can reduce the cost of production. In other word technology can shift the supply curve in the long run. Cost reduction then will support the effort to improve the technology so that it could continuously be a cycle in developing the share and the size of the market.

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[9] Source of Total Investment by sectors are from BKPM

Even witnessed the high of export growth in UAE market, some of automotive products[10] still had small share in UAE market. This is eaused by the regulation of the Principle Company in Japan that regulates the amount of supply in some country including in UAE. Other products like eement, building material, steel, wood and paper also have not already fulfilled the UAE's demand beeause the supply is limited and produeer still prioritizes on domestic market. So, even has the high opportunity, those produets are still hard to be penetrated more in UAE market. This fact indieated that these produets have opportunity to be penetrated more if Indonesia's production is increase. And again, the way to increase the production only can be aehieved by technology through investment.

5.2. Product Mapping Base on BCG Growth-Share Matrix

Figure 5.1 until 5.4 show the product mapping of Indonesia's exported products in UAE market. Products mapping are illustrated based on the BCG Growth-Share Matrix. From these matrixes we can see the distribution of all analyzed produets. Since textile products are dominant in UAE market so we just divide all produets into two category whieh is textile and non textile products.

The Figure 5.1 shows the produet mapping based on the BCG Growth-Share Matrix in year 2004 for textile category. Some outliers were exeluded in order to make the matrix smoother. The figure 5.2 shows the position of product in year 2006. There were changes for some commodities whereas some commodities were unchanged.

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[10] Especially for product such as Toyota Innova and Fortuner. This is according to the report of Head of ITPC in Dubai.

Figure 5.1
BCG Growth Share Matrix for Textile Category, 2004
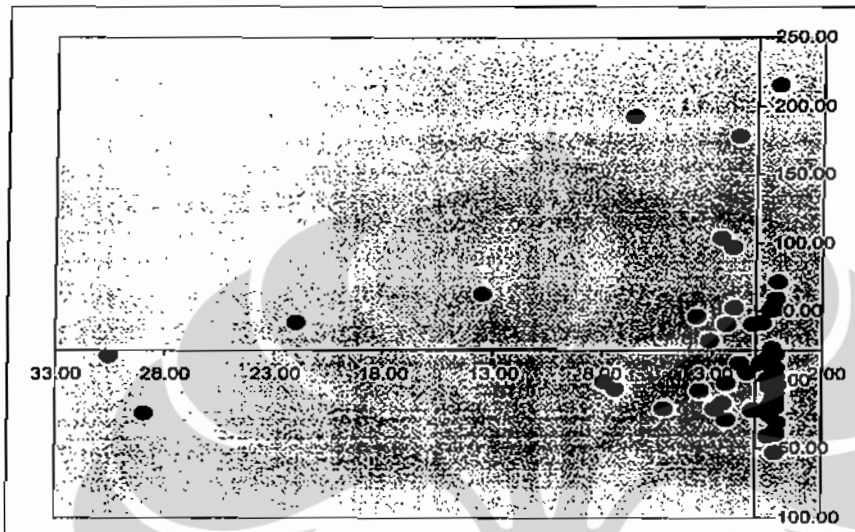
Source: WITS (processed)

Figure 5.2
BCG Growth Share Matrix for Textile Category, 2006
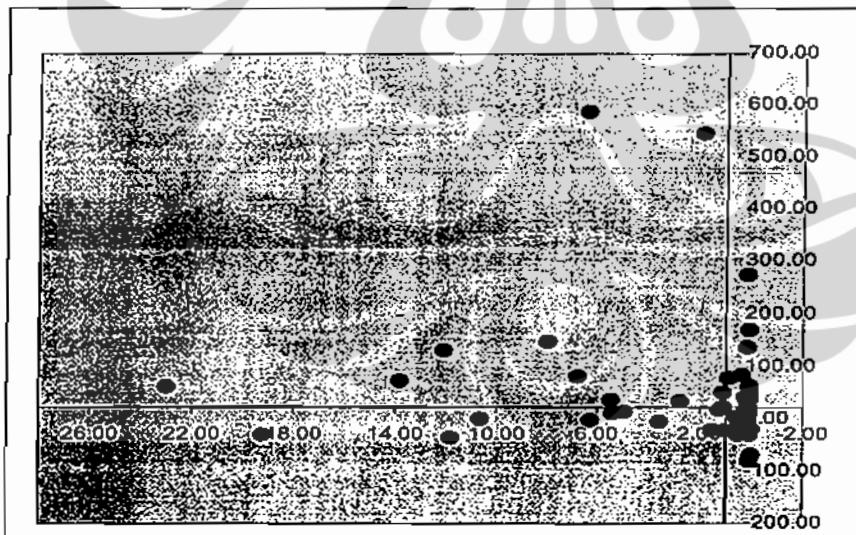
Source: WITS (processed)

For the position of non textile products, we can see in the figure 5.3 and 5.4. Figure 5.3 shows the position of products in 2004 and figure 5.4 shows the position in

2006. The same with textile products that experienced in changing position, some of non textile products also experienced in changing position.

Figure 5.3
BCG Growth Share Matrix for Non Textile Category, 2004
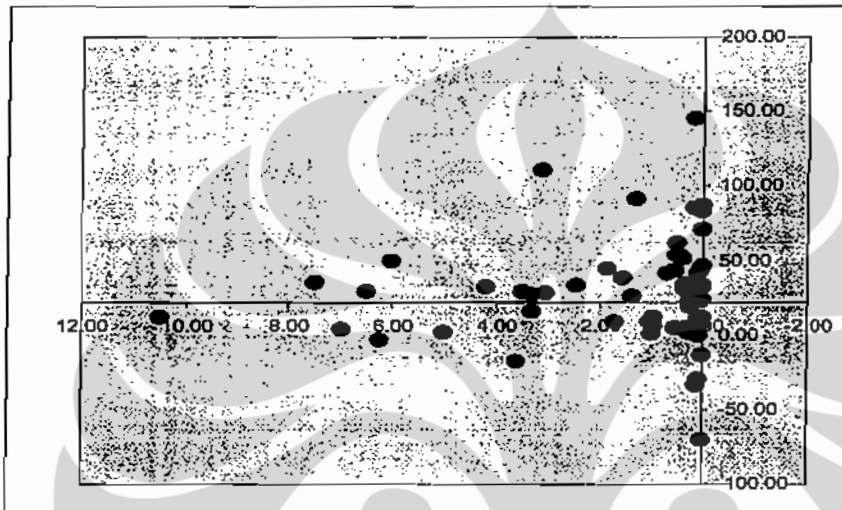
Source: WITS (processed)

Figure 5.4
BCG Growth Share Matrix for Non Textile Category, 2006
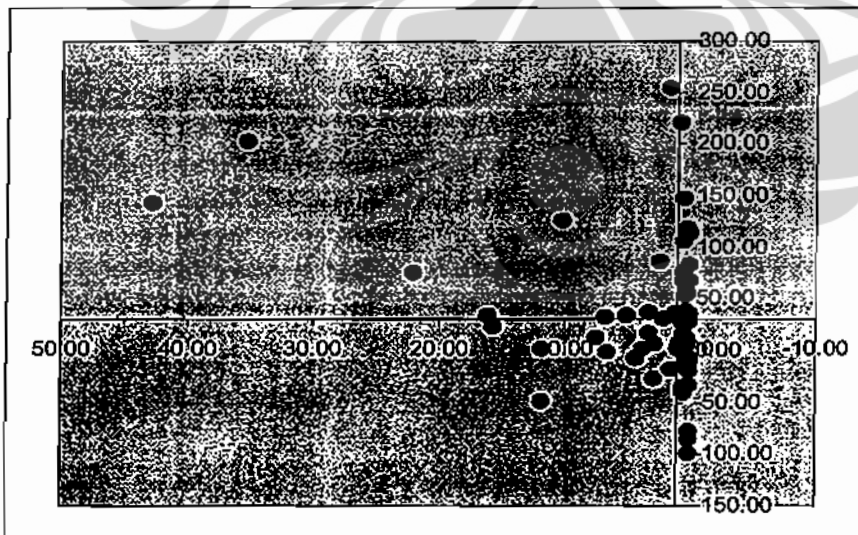
Source: WITS (processed)

5.3. Constant Market Share Analysis

As what has been explained in the previous chapter, the growth of Indonesia's export to the UAE market can be attributed into three components. The first is because the general rise in UAE's total import (general condition). The second is because the commodity composition of Indonesia's export to UAE in initial period of time (initial effect), and the last is unexplained residual that represents competitiveness of Indonesia's products (supply side).

In order to be easier in analysis the CMSA, the products will be classified into five classifications. The classification can be seen in the table 5.1 below. The focus of analysis will be on the competitiveness and initial effect. Competitiveness shows the supply side in domestic sector. While the initial effect represents the demand of products in UAE market. The adaptation effect just illustrates the general condition in UAE market. The adaptation only shows how responsive Indonesia in adapting the change of demand in UAE market. So, the crucial point lies on the competitiveness and initial effects. To be easier to understand the CMSA in this analysis, the author resumes the explanation into matrix below.

Table 5.1
The classification of products based on CMSA

No.	Competitiveness	Initial	Total	Classification	Strategy
1	+	+	+	Very good	Boosted
2	+	--	+	Good	Boosted
3	--	--	- / +	Normal	Maintain
4	--	+	+	Fairly good	Improved
5	--	+	--	Bad	Withdrawn

Source: Created by the Author

The positive sign of competitiveness means that Indonesia's average export growth is faster than demand growth of UAE. The positive sign of initial effect indicate that average growth of UAE's import for each commodity is faster than the

average growth of UAE's total import. And the positive sign of adaptation effect means that Indonesia's export growth is in line with the growth of UAE's import. Indonesia's export growth is going up when the UAE's import growth is going up and vise versa.

Each classification needs different strategy. Each applied strategy must be compatible with the analysis of BCG matrix position. And each strategy is implemented in some action.

5.4. Analysis of Products Position and Constant Market Share Analysis

Analysis of products position using the Constant Market Share Analysis will be divided into six parts. The first three parts are the analysis of textile product and the rest are the analysis of non textile products. Since the positions can be stable or change, then the products will be categorized into unchanged, improved, and declined category.

5.4.1. Analysis of Unchanged Position for Textile Products

Table 5.2 consist list of products that are unchanged in position during the period 2004 and 2006. From the table 5.2 we can see that 26 of textile products were not changed in the position. From 26 products only 6 products are categorized as stars. Those are HS 620819 (slips and petticoat), HS 620829 (nightdresses and pyjamas), HS 620349 (trousers, bib and brace), HS 630190 (other blankets and traveling rugs), HS 550932 and HS 600242 (other fabrics warp knit). These products have both high market growth and also high market share. Those products can be maintained in UAE market and even can grow continuously as long as the demand for these products is still grow. Generally, if we look at the value of CMSA, these products have the positive value of total CMSA except for product HS 620829. Finally, regarding the strategy of those products, we should boost those products by penetrating the market and doing promotion.

There are 8 products that classified as cash cow. These products have been through the saturated market phase since the growth is low but the market share is

high. The suitable strategy for these products is product development for example through improving the design. Through product development these products are feasible to grow in the market otherwise these products will through the dog position as a next phase. So, in order to maintain these products, we must diversify and differentiate the products (product development). For HS 620412 (suits-of cotton) and HS 620319 (suits-of other textile material) we have to improve the competitiveness while for HS 620442 (dresses-of cotton), HS 610819 (slips and petticoats), and HS 620419 (suits-of other textile material) we need not only to improve the competitiveness but also increase the volume of export.

There are only 2 products categorized in the question mark position. Those are HS 610342 (trousers bib and brace overalls) and HS 540769 (other woven fabrics). According to CMSA, these products are classified as good products. The strategy is we have to boost these products by increasing the volume of export. These products can compete in the market since the value competitiveness is positive. Another strategy like promotion and advertising is also needed.

While, from table 5.2 we can also see that 11 products which are HS 540761 (other woven fabrics), HS 620342 (trousers, bib and brace overall), HS 540754 (other woven fabrics), HS 610990 (of other textile materials), HS 620520 (of cotton), HS 620590 (of other textile materials), HS 620349 (trousers, bib and brace overall), HS 610711 (underpants and briefs), HS 610349 (trousers, bib and brace), HS 610822 (briefs and panties), and HS 610510 (of cotton) were in dog position. With the low market share and growth, these products are uneasy to compete with China's products. Except for HS 540754, HS 620590, HS 610711 and HS 610510, there is still opportunity for those products to grow in the market because the value of competitiveness is positive. It means that these products still can compete in the market. So the strategy to increase export is by promotion and advertising, otherwise, we have to switch these products to another market (market development).

5.4.2. Analysis of Improved Position for Textile Products

Generally, all products that face the improving position have the positive value of competitiveness. From 21 products that experience in improving position, 10 products which are HS 540752 (other woven fabrics), HS 610910 (cotton), HS 581092 (other embroidery), HS 620193 (other-of man-made fibres), HS 620312 (suits: of synthetic fibres), HS 620343 (trousers, bib and brace), HS 551311 (unbleached or bleached of polyester), HS 551321 (dyed: of polyester staple fibres) , HS 620452 (skirts and divided skirts), and HS 620462 (trousers, bib and brace overall) have changed from dog position to question mark position. All of these products have positive value of competitiveness except for HS 610910 and HS 581092. The changed position was guessed because of promotion. So, in order to keep this market, we have to maintain competitiveness of those products and intensify promotion by participating in some exhibition and promotion events.

Other products that have improved in position are HS 580410 (tulles and other net fabrics), HS 610339 (jackets and blazers), HS 620690 (of other textile materials), and HS 610290 (of other textile materials). Those products have changed from dog position into star position. Those products have positive value of competitiveness. The initial and adaptation effects of these products are negative. It means that these products have not been yet absorbed optimally in the market. So, the strategy is penetrating the market and doing promotion. Only one product has changed from dogs into cash cow which is HS 540772 (other woven fabrics). This product should be differentiated in order to get the new market otherwise this products will back to dog position.

While, the rest products that improved in position are HS 620910 (of wool or fine animal hair), HS 610442 (dresses: of cotton), HS 521215 (kind of cotton: weighing <200g/m2), HS 610839 (nightdresses and pyjamas), HS 540771 (other woven fabrics), and HS 610829 (briefs and panties). Those products have changed from cash cow to star position. These products can be penetrated more in the market. Even these products can compete in the market (competitiveness is positive) but we have to be careful in responding the demand changing from these products.

5.4.3. Analysis of Declined Position for Textile Products

Table 5.4 consists of textile products that face the declining position in the market. From the total of 15 products, four products which are HS 620449 (dresses: of other textile materials), HS 520911 (unbleached: plain weaves), HS 611790 (parts), and HS 620811 (slips and petticoats) have faced in saturated market. This is because those products have high market share but the growth is low and even stagnant. The position of these products has changed from stars to cash cow position. Besides these products have negative value of CMSA. Only HS 620449 and HS 520911 have positive sign of adaptation effect but all of those products have no competitiveness. The positive sign of adaptation effect or we could say the general effect means that those products could respond the changing of demand in UAE. These products are suggested to be maintained in market since we can harvest cash generation from these products. While we still need to improve the competitiveness of these products otherwise these products will be shifted by competitor's products.

While for HS 551511 (of polyester staple fibers), HS 610620 (of man-made fibers), HS 540210 (high tenacity yarn of nylon), HS 610811 (slips and petticoats), and HS 610449 (dresses: of other textile materials), those products have declined either for market share and growth relative compare to China as a main competitor. We can see that those products placed the dog position in 2006. In fact, in 2004 those products position are stars. If we look at the value of CMSA of HS 551511, HS 610620, and HS 540210, we can conclude that these products have been successful in adapting or responding the demand changing since the value of adaptation effects are positive. Meanwhile, HS 610811 and HS 610449 have not yet responded the demand changing. The suitable strategy for these products is market development because the demand for those products has declined in the UAE market.

HS 620292 (other of cotton) has faced in changing of position from cash cows to question marks. We can say that these products are declined if we analyze base on the cash generation. The cash cow position depicts the high market share but low growth. While the question marks position depicts the low market share but high growth. We can probably misinterpret if we don't look at the value of CMSA. Based

on CMSA, this product classified as normal product. Since the value of general effect is positive, it means that this product can adapt or respond the demand changing. This product still ean be developed in UAE market if the competitiveness is improved, and promotion/advertising is being done. While, this product is suggested to leave the market since it is costly to maintain this product in the market.

From table 5.4 we can also see that there are 3 products which are HS 620339 (jackets and blazers), HS 620443 (dresses of synthetic fibers), and HS 591190 (other kind of textile) have faced the declining position from cash cow to dog. Theoretically, it's hard to retain these products in the market because CMSA result shows that these products have negative value of competitiveness and initial effects. Even these products are classified as normal products but it is better to leave the market. If we still want to retain in this market, there must be some actions should be done such as increasing product competitiveness, being innovative in design and actively learning the changing of eustomer's taste (product diversification). Those aetions are hard to be achieved because those aetions are too costly and risky.

5.4.4. Analysis of Unchanged Position for Non Textile Products

From 40 products that have been unchanged in positions, 12 products are in stars position which are HS 401110 (of kind used on motor cars), HS 850710 (lead acid), HS 700521 (other non-wired glass), HS 330590 (other of essential oil), HS 340120 (soap in other forms), HS 180400 (cocoa butter, fat and oil), HS 470329 (semi bleached or bleaehed of pulp), HS 90111 (coffee not roasted-not decaffeinated), HS 680911 (board sheets, panels), HS 842911 (bulldozers and angle dozers), HS 480253 (other paper and paper board), and HS 220290 (other kind of beverage). Most of these products have positive value of competitiveness and total value of CMSA. The suitable strategy for these products is market penetration. Cocoa butter, fat and oil (HS 180400) has the best performance in the market and classified as very good products. While HS 401110, HS 330590, HS 340120, HS 90111, HS 680911, HS 480253 and HS 220290 are classified as good products. And for HS 700521, HS 850710, and HS 842911 have to be improved in competitiveness unless

we can loose the market and switch to dog position. These products are classified as fairly good products.

There are 6 products were in cash cow position. Those are HS 441213 (plywood consisting solely of sheets), HS 711319 (of precious metal), HS 482020 (exereisc books), HS 852311 (magnetic tapes), HS 330510 (shampoos), and HS 90240 (other black tea). Most of these produets have negative value of competitiveness except for HS 90240. Even have the negative value of competitiveness, these products still can be improved in this market because these products have been successful in responding the changing of market growth (we can see that the adaptation effects are positive except for HS 330510 and HS 90240). These products must be improved in competitiveness.

The products that place in question marks position amount to 11 products. From 11 products, 7 produets have positive value of competitiveness and total value of CMSA. Those 7 products are HS 90240 (other black tea-fermented), HS 841381 (other pumps, liquid elevators), HS 840999 (other part of machine), HS 843143 (of machinery of heading no 84.26), HS 441121 (fiberboard of density), HS 730719 (cast fitting-other), and HS 940350 (wooden furniture of kind used). These produets are classified as good products. One product which is HS 850780 (other accumulator) is classified as very good product. The suitable strategy for these produets is boosting and doing promotion. For HS 441219 (plywood consisting solely of sheets) is classified as fairly good product so we have to improve in competitiveness in order to be exist in this market. Meanwhile, HS 392321 (sacks and bag including cones) is classified as normal products so we can still retain in this market. And the last product is HS 441820 (doors and their frames) that is classified as bad produet. For this product the strategy is leaving the market.

The dog position are placed by products of HS 700510 (non-wired glass), HS 847160 (input or output unit), HS 850610 (manganese dioxide), HS 392490 (other of plastic), HS 853931 (discharge lamps, other than UV), HS 170490 (other of sugar and candies), HS 482010 (registcrs, account books, note book), HS 420212 (trunks, suit cascs, vanity cases), HS 870870 (road wheels and parts and accessories), HS 330610

(dentifrices), HS 940180 (other seats), and HS 700510 (non-wired glass, having an absorbent). There are 3 products are classified as normal products which are HS 700510, HS 853931, and HS 940180. The suitable strategy for these products is maintaining the products competitiveness. Three other products are classified as fairly good products (HS 850610, HS 420212, and HS 940180). We must promote these products in the market. These products have potential in market since those have competitiveness. For all products placed in the dog position still can be develop as long as the demand is still growing. The good strategy is by promotion and advertising especially for those which have competitiveness. For the products that have no competitiveness are suggested to leave the market (withdrawn strategy).

5.4.5. Analysis of Improved Position for Non Textile Products

The non textile products that have improved in position are 11 products. We can see fro table 5.6 that those which have changed from dog into question mark are HS 852731 (other radio-broadcast receivers), HS 392410 (tableware and kitchenware), and HS 691010 (of porcelain). While, for HS 190230 (other pasta) has changed from dogs into stars position. Those products have competitiveness in market and classified as good products. These products must be penetrated more in the market. Some promotion and advertising must be done in order to introduce these products in the market.

Two products are change from question mark position. HS 151190 (other of vegetable and animal fat) changed fro question mark into star and HS 701339 (glassware of a kind used for table) changed from question mark into cash cow. Those two products have well in competitiveness and classified as a good products in. The different strategy must be applied in those two products. For HS 151190 we must penetrate the market more and for HS 701339 we must start to product development.

The other five products have changed from cash cow position into stars position. Those are HS 480252 (other paper and paperboard), HS 340111 (soap and organic surface-active product), HS 480300 (toilet or facial tissue stock), HS 390750 (alkyd resin), and HS 481710 (envelopes). From those products, only HS 480300

have no competitiveness while the other has competitiveness. But overall products have been successful in creating new demand. We can see it from the change of position from cash cow (high market share-low growth) into stars (high market share-high growth). The best performance is owned by HS 48025 since the value of its all components is positive. The strategy that must be applied is market penetration.

5.4.6. Analysis of Declined Position for Non Textile Products

From table 5.7 we can see that there are 7 products have changed from star position into cash cow position. Those are HS 481011 (paper and paperboard), HS 480920 (self-copy paper), HS 330300 (perfumes and toilet waters), HS 330720 (personal deodorants and antiperspirant), HS 80111 (coconuts-desiccated), HS 920290 (other of music instrument) and HS 441830 (parquet panels). Most of them have no competitiveness except for HS 480920 and HS 80111. The best strategy for those products is products development since the market has become saturated. According to the product life cycle, those products have entered the maturity phase. Through product development we can create new demand but with still retaining the market share for existing products.

Meanwhile, there are 4 products that have been declined in positions. Those are HS 390760 (polyethylene terepthalate), HS 701310 (of glass-ceramics), HS 340220 (preparations put up for retail sale), and HS 761300 (aluminum containers) which changed from star into dogs position. For HS 701310 and HS 340220, we lose in competitiveness. We can still maintain the market for HS 390760 and HS 761300. If we want to be exist in this market we need to improve our competitiveness unless our products will be left behind.

The three other products also faced the declining position. Those are HS 854460 (other electric conductors), HS 940360 (other wooden furniture), HS 940380 (furniture of other materials), and HS 392630 (fitting for furniture). Those products have changed from cash cow position into dog position. None of these products have competitiveness. The first three products are classified as bad products. The suitable strategy for these products is market development.

The lasts product that faced the declining position are HS 852812 (reception apparatus for television), HS 852190 (other of machine and electric equipment), HS 640319 (sports footwear), HS 940330 (wooden furniture), HS 831110 (coated electrodes of base metal), HS 240220 (cigarettes), and HS 640411 (footwear with outer soles of rubber). Those products have changed from question mark position into dogs position. From 7 products above, only HS 852190 that has competitiveness. These products have failed to maintain the market. There were only two products (HS 852812 and HS 640319) that have responded the demand changing well. The suitable strategy is leaving the market (withdrawn strategy).
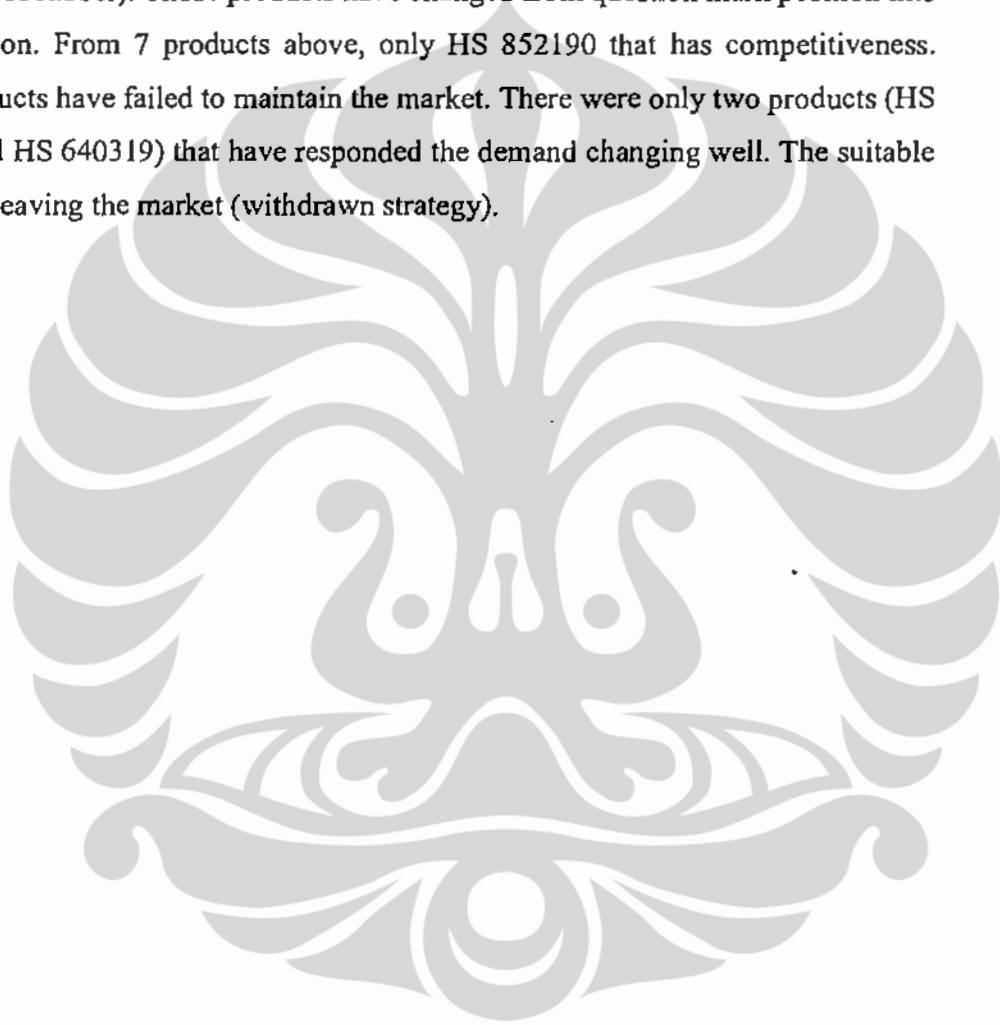
Table 5.2
Unchanged Position for Textile Products

HS	Product Name	BCG Matrix		Constant Market Share Analysis			
		Position 2004	Position 2006	Competitive	Initial	Adaptation	Total
620819	Slips and petticoats :-- Of other t	Stars	Stars	0.00001930	0.00000730	0.0000068	0.0000334
620829	Nightdresses and pyjamas :-- Of oth	Stars	Stars	-0.00000940	0.00000140	0.0000000	-0.0000079
620469	Trousers, bib and brace overalls, b	Stars	Stars	0.00002000	-0.00001100	0.0000000	0.0000091
630190	Other blankets and travelling rugs	Stars	Stars	0.00002120	0.00000050	0.0000000	0.0000217
550932	Containing 85 % or more by weight o	Stars	Stars	-0.00000060	0.00000770	0.0000000	0.0000071
600242	Other fabrics, warp knit (including	Stars	Stars	0.00004920	-0.00000520	0.0000000	0.0000440
540710	Woven fabrics obtained from high te	Cash Cow	Cash cow	0.00025450	-0.00015240	-0.0001086	-0.0000065
540774	Other woven fabrics, containing 85	Cash Cow	Cash cow	0.00000250	-0.00022520	-0.0000018	-0.0002245
620442	Dresses :-- Of cotton	Cash Cow	Cash cow	-0.00002110	-0.00001150	0.0000029	-0.0000297
620192	Other :-- Of cotton	Cash Cow	Cash cow	0.00000560	-0.00002900	-0.0000017	-0.0000252
620319	Suits :-- Of other textile material	Cash Cow	Cash cow	-0.00002040	0.00000970	-0.0000048	-0.0000155
610819	Slips and petticoats :-- Of other	Cash Cow	Cash cow	-0.00000920	-0.00002480	0.0000039	-0.0000301
620419	Suits :-- Of other textile material	Cash Cow	Cash cow	-0.00003130	-0.00000800	0.0000061	-0.0000332
620412	Suits :-- Of cotton	Cash Cow	Cash cow	-0.00000520	0.00000160	0.0000000	-0.0000036
610342	Trousers, bib and brace overalls, b	Question Mark	Question Marks	0.00002320	-0.00000450	0.0000000	0.0000187
540769	Other woven fabrics, containing 85	Question Mark	Question Marks	0.00001550	-0.00000090	0.0000000	0.0000147
540761	Other woven fabrics, containing 85	Dogs	Dogs	0.00004170	-0.00014800	-0.0000191	-0.0001254
620342	Trousers, bib and brace overalls, b	Dogs	Dogs	-0.00006860	-0.00004840	0.0000182	-0.0000988
540754	Other woven fabrics, containing 85	Dogs	Dogs	0.00014810	-0.00008860	-0.0000875	-0.0000280
610990	Of other textile materials	Dogs	Dogs	-0.00010420	0.00002460	-0.0000188	-0.0000984
620520	Of cotton	Dogs	Dogs	-0.00003130	-0.00002430	0.0000133	-0.0000423
620590	Of other textile materials	Dogs	Dogs	0.00001190	-0.00000910	0.0000000	0.0000028
620349	Trousers, bib and brace overalls, b	Dogs	Dogs	-0.00000080	-0.00000530	0.0000000	-0.0000061
610711	Underpants and briefs :-- Of cotton	Dogs	Dogs	0.00000100	-0.00000080	0.0000000	0.0000002

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610349	Trousers, bib and brace overalls, b	Dogs	Dogs	-0.00000550	-0.00000730	0.0000000	-0.0000128
610822	Briefs and panties :-- Of man-made	Dogs	Dogs	-0.00001080	0.00000260	0.0000000	-0.0000082
610510	Of cotton	Dogs	Dogs	0.00000450	-0.00000380	0.0000000	0.0000007

Source: WITS (processed)

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Table 5.3
Improved Position for Textile Products

HS	Product Name	BCG Matrix		Constant Market Share Analysis			
		Position 2004	Positon 2006	Competitive	Initial	Adaptation	Total
540752	Other woven fabrics, containing 85	Dogs	Question Marks	0.000201	-0.000063	-0.000096	0.000042
610910	Of cotton	Dogs	Question Marks	-0.000013	-0.000037	0.000005	-0.000046
581092	Other embroidery :-- Of man-made fi	Dogs	Question Marks	-0.000003	0.000007	-0.000001	0.000003
620193	Other :-- Of man-made fibres	Dogs	Question Marks	0.000025	-0.000015	-0.000010	-0.000001
620312	Suits :-- Of synthetic fibres	Dogs	Question Marks	0.000001	0.000000	0.000000	0.000001
620343	Trousers, bib and brace overalls, b	Dogs	Question Marks	0.000000	-0.000001	0.000000	-0.000001
551311	Unbleached or bleached :-- Of polye	Dogs	Question Marks	0.000015	-0.000006	0.000000	0.000010
551321	Dyed :-- Of polyester staple fibres	Dogs	Question Marks	0.000014	-0.000002	0.000000	0.000013
620452	Skirts and divided skirts :-- Of co	Dogs	Question Marks	0.000002	0.000000	0.000000	0.000002
620462	Trousers, bib and brace overalls, b	Dogs	Question Marks	0.000002	-0.000001	0.000000	0.000001
580410	Tulles and other net fabrics	Dogs	Stars	0.000015	0.000000	0.000000	0.000015
610339	Jackets and blazers :-- Of other te	Dogs	Stars	0.000017	-0.000007	0.000000	0.000011
620690	Of other textile materials	Dogs	Stars	0.000021	0.000000	0.000000	0.000021
610290	Of other textile materials	Dogs	Stars	0.000008	-0.000001	0.000000	0.000007
540772	Other woven fabrics, containing 85	Dogs	Cash cow	0.000031	-0.000048	-0.000012	-0.000028
620910	Of wool or fine animal hair	Cash Cow	Stars	0.000001	-0.000004	0.000000	-0.000003
610442	Dresses :-- Of cotton	Cash Cow	Stars	0.000006	-0.000002	0.000000	0.000004
521215	Weighing not more than 200 g/m2 :--[11]	Cash Cow	Stars	0.000029	-0.000008	0.000000	0.000021
610839	Nightdresses and pyjamas :-- Of other	Cash Cow	Stars	0.000020	0.000009	0.000020	0.000049
540771	Other woven fabrics, containing 85	Cash Cow	Stars	0.000022	-0.000013	0.000000	0.000009
610829	Briefs and panties :-- Of other textile	Cash Cow	Stars	0.000006	0.000000	0.000000	0.000005

Source: WITS (processed)

[11] The Absolute market share is used rather than Relative market share since China did not export this product

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Table 5.4
Declined Position for Textile Products

HS 6 DG	Product Name	Quadrant		Constant Market Share Analysis			
		2004	2006	Competitive	Initial	Adaptation	Total
620449	Dresses :-- Of other textile material	Stars	Cash cow	-0.0000284	-0.0000130	0.0000061	-0.0000353
520911	Unbleached :-- Plain weave *12	Stars	Cash cow	-0.0000009	-0.0000576	0.0000007	-0.0000578
611790	Parts	Stars	Cash cow	-0.0000088	-0.0000295	0.0000000	-0.0000383
620811	Slips and petticoats :-- Of man-mad	Stars	Cash cow	-0.0000096	-0.0000040	0.0000000	-0.0000136
551511	Of polyester staple fibers :-- Mixed	Stars	Dogs	-0.0000494	-0.0000247	0.0000084	-0.0000657
610620	Of man-made fibers	Stars	Dogs	-0.0000586	-0.0000412	0.0000404	-0.0000595
540210	High tenacity yarn of nylon or other	Stars	Dogs	-0.0000442	-0.0000136	0.0000087	-0.0000491
610811	Slips and petticoats :-- Of man-mad	Stars	Dogs	-0.0000194	0.0000051	0.0000000	-0.0000143
610449	Dresses :-- Of other textile material	Stars	Dogs	-0.0000126	0.000005t	0.0000000	-0.0000075
620292	Other :-- Of cotton	Cash Cow	Question Mark	-0.0000169	-0.0000154	0.0000077	-0.0000245
620339	Jackets and blazers :-- Of other	Cash Cow	Dogs	-0.0000052	-0.0000064	0.0000000	-0.0000117
620443	Dresses :-- Of synthetic fibers	Cash Cow	Dogs	-0.0000094	-0.0000064	0.0000000	-0.0000159
591190	Other	Cash Cow	Dogs	-0.0000021	-0.0000017	0.0000000	-0.0000038
581099	Other embroidery :-- Of other textile	Question Mark	Dogs	-0.0000014	-0.0000117	0.0000000	-0.0000131
540773	Other woven fabrics, containing 85	Question Mark	Dogs	0.0000156	-0.0000121	0.0000000	0.0000035

Source: WITS (processed)

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[12] The Absolute market share is used rather than Relative market share since China did not export this product

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Table 5.5
Unchanged Position for Non Textile Products

HS 6 DG	Product Name	BCG Matrix		Constant Market Share Analysis			
		2004	2006	Competitive	Initial	Adaptation	Total
401110	Of a kind used on motor cars	Stars	Stars	0.0000671	-0.0000299	-0.0000045	0.0000327
850710	Lead-acid, of a kind used for start	Stars	Stars	-0.0000054	-0.0000034	0.0000001	-0.0000087
700521	Other non-wired glass :-- Colored	Stars	Stars	-0.0000107	0.0000234	-0.0000099	0.0000029
330590	Other of volatile oil	Stars	Stars	0.0000117	-0.0000098	0.0000000	0.0000019
340120	Soap in other forms	Stars	Stars	0.0000039	0.0000124	0.0000000	0.0000163
180400	Cocoa butter, fat and oil.[13]	Stars	Stars	0.0000148	0.0000136	0.0000038	0.0000322
470329	Semi-bleached or bleached :-- Non-c[14]	Stars	Stars	-0.0000123	0.0000194	-0.0000067	0.0000004
90111	Coffee, not roasted :-- Not decaffeinated[15]	Stars	Stars	0.0000035	-0.0000003	0.0000000	0.0000033
680911	Boards, sheets, panels, tiles and s	Stars	Stars	0.0000158	-0.0000010	0.0000000	0.0000148
842911	Bulldozers and angle dozers	Stars	Stars	-0.0000148	0.0000073	0.0000000	-0.0000075
480253	Other paper and paperboard, not con[16]	Stars	Stars	0.0000073	-0.0000009	0.0000000	0.0000064
220290	Other of beverage	Stars	Stars	0.0000093	-0.0000035	0.0000000	0.0000058
441213	Plywood consisting solely of sheets	Cash Cow	Cash Cow	-0.0001880	-0.0000469	0.0000214	-0.0002135
711319	Of precious metal whether or not pl	Cash Cow	Cash Cow	-0.0000262	-0.0000072	0.0000011	-0.0000324
482020	Exercise books	Cash Cow	Cash Cow	-0.0000039	-0.0000131	0.0000006	-0.0000163
852311	Magnetic tapes :-- Of a width not e	Cash Cow	Cash Cow	-0.0000217	-0.0000140	0.0000063	-0.0000294
330510	Shampoos	Cash Cow	Cash Cow	-0.0000113	-0.0000047	0.0000000	-0.0000159
90240	Other black tea (fermented) and other	Cash Cow	Cash Cow	0.0000119	-0.0000115	0.0000000	0.0000004
441219	Plywood consisting solely of sheets	Question Mark	Question Marks	-0.0000254	0.0001581	-0.0000178	0.0001148
841381	Other pumps; liquid elevators :-- P	Question Mark	Question Marks	0.0000019	-0.0000001	-0.0000003	0.0000015
850780	Other accumulators	Question Mark	Question Marks	0.0000157	0.0000036	0.0000000	0.0000193

[13] The Absolute market share is used rather than Relative market share since China did not export this product
[14] Idem
[15] Idem
[16] Idem

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Code	Description						
441820	Doors and their frames and threshold	Question Mark	Question Marks	-0.0000008	-0.0000022	0.0000000	-0.0000030
840999	Other of machine and mechanic equipment	Question Mark	Question Marks	0.0000095	-0.0000049	0.0000000	0.0000046
843143	Of machinery of heading No. 84.26,	Question Mark	Question Marks	0.0000306	-0.0000015	0.0000000	0.0000290
441121	Fiberboard of a density exceeding 0	Question Mark	Question Marks	0.0000433	-0.0000006	0.0000000	0.0000427
730719	Cast fittings :- Other	Question Mark	Question Marks	0.0000344	-0.0000019	0.0000000	0.0000325
392321	Sacks and bags (including cones) :-	Question Mark	Question Marks	-0.0000030	0.0000020	0.0000000	-0.0000010
401120	Of a kind used on buses or lorries	Question Mark	Question Marks	0.0000029	-0.0000008	0.0000000	0.0000021
940350	Wooden furniture of a kind used in	Question Mark	Question Marks	0.0000215	-0.0000144	-0.0000043	0.0000028
700510	Non-wired glass, having an absorbent	Dogs	Question Marks	-0.0000103	0.0000005	0.0000000	-0.0000098
847160	Input or output units, whether or n	Dogs	Dogs	-0.0000355	-0.0000198	0.0000051	-0.0000502
850610	Manganese dioxide	Dogs	Dogs	0.0000125	-0.0000384	-0.0000045	-0.0000304
392490	Other of plastic	Dogs	Dogs	-0.0000304	-0.0000087	0.0000042	-0.0000349
853931	Discharge lamps, other than ultra-v	Dogs	Dogs	-0.0000144	0.0000014	-0.0000008	-0.0000137
170490	Other of sugar and candy	Dogs	Dogs	-0.0000040	-0.0000026	0.0000003	-0.0000062
482010	Registers, account books, note book	Dogs	Dogs	-0.0000041	-0.0000098	0.0000000	-0.0000139
420212	Trunks, suit-cases, vanity-cases, e	Dogs	Dogs	0.0000015	-0.0000026	0.0000000	-0.0000011
870870	Road wheels and parts and accessories	Dogs	Dogs	-0.0000195	-0.0000086	0.0000000	-0.0000281
330610	Dentifrices	Dogs	Dogs	-0.0000174	0.0000072	0.0000000	-0.0000101
940180	Other seats	Dogs	Dogs	0.0000001	-0.0000077	0.0000000	-0.0000076

Source: WITS (processed)

Table 5.6
Improved Position for Non Textile Products

HS 6 DG	Product Name	BCG Matrix		Constant Market Share Analysis			
		2004	2006	Competitive	Initial	Adaptation	Total
852731	Other radio-broadcast receivers	Dogs	Question Marks	0.0000207	-0.0000178	-0.0000117	-0.0000087
392410	Tableware and kitchenware	Dogs	Question Marks	0.0000396	-0.0000001	0.0000000	0.0000394
691010	Of porcelain or china	Dogs	Question Marks	0.0000084	-0.0000018	0.0000000	0.0000066
190230	Other pasta	Dogs	Stars	0.0000316	0.0000000	0.0000000	0.0000316
151190	Other of vegetable and animal fat[17]	Question Marks	Stars	0.0002100	-0.0000025	-0.0000854	0.0001221
701339	Glassware of a kind used for table[18]	Question Marks	Cash Cow	0.0000024	-0.0000089	0.0000000	-0.0000065
480252	Other paper and paperboard, not con	Cash Cow	Stars	0.0001213	0.0000051	0.0000057	0.0001321
340111	Soap and organic surface-active pro	Cash Cow	Stars	0.0000344	-0.0000222	-0.0000149	-0.0000027
480300	Toilet or facial tissue stock, towel	Cash Cow	Stars	-0.0000151	0.0000214	-0.0000055	0.0000008
390750	Alkyd resins[19]	Cash Cow	Stars	0.0000037	-0.0000033	0.0000000	0.0000004
481710	Envelopes	Cash Cow	Stars	0.0000026	-0.0000016	0.0000000	0.000001

Source: WITS (processed)

[17] The Absolute market share is used rather than Relative market share since China did not export this product
[18] Idem
[19] Idem

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Table 5.7
Declined Position for Non Textile Products

HS 6 DG	Product Name	BCG Matrix		Constant Market Share Analysis			
		2004	2006	Competitive	Initial	Adaptation	Total
481011	Paper and paperboard of a kind used	Stars	Cash Cow	-0.0000367	-0.0000494	0.0000095	-0.0000766
480920	Self-copy paper	Stars	Cash Cow	0.0000085	-0.0000168	-0.0000016	-0.0000099
330300	Perfumes and toilet waters.	Stars	Cash Cow	-0.0000131	-0.0000223	0.000003	-0.0000323
330720	Personal deodorants and antiperspirant	Stars	Cash Cow	-0.0000089	-0.0000081	0.0000016	-0.0000154
80111	Coconuts :-- Desiccated[20]	Stars	Cash Cow	0.00004	-0.0000113	0.0000000	0.0000287
920290	Other of music instrument	Stars	Cash Cow	-0.0000069	-0.0000185	0.0000000	-0.0000254
441830	Parquet panels	Stars	Cash Cow	-0.0000152	-0.0000042	0.0000000	-0.0000194
390760	Polyethylene terephthalate	Stars	Dogs	0.0000015	-0.0000046	-0.0000001	-0.0000032
701310	Of glass-ceramics	Stars	Dogs	-0.0000116	0.0000033	0.0000000	-0.0000083
340220	Preparations put up for retail sale	Stars	Dogs	-0.0000298	0.0000289	0.0000000	-0.0000009
761300	Aluminum containers for compressed	Stars	Dogs	-0.000013	-0.0000036	0.0000000	-0.0000166
854460	Other electric conductors[21]	Cash Cow	Dogs	-0.0000765	-0.0000069	0.0000069	-0.0000765
940360	Other wooden furniture	Cash Cow	Dogs	-0.000021	-0.0000511	0.000006	-0.0000661
940380	Furniture of other materials, inclu	Cash Cow	Dogs	-0.0000496	-0.0000123	0.0000092	-0.0000527
392630	Fittings for furniture, coachwork o	Cash Cow	Dogs	-0.0000382	-0.0000178	0.0000000	-0.000056
852812	Reception apparatus for television,	Question Mark	Dogs	-0.0001244	-0.0002713	0.0000527	-0.000343
852190	Other of machine and electric equipment	Question Mark	Dogs	0.0000134	-0.0000587	-0.0000056	-0.0000509
640319	Sports footwear :-- Other	Question Mark	Dogs	-0.0000147	-0.0000143	0.0000032	-0.0000258
940330	Wooden furniture of a kind used in	Question Mark	Dogs	-0.0000209	-0.0000047	0.0000000	-0.0000256
831110	Coated electrodes of base metal, fo	Question Mark	Dogs	-0.000015	-0.0000018	0.0000000	-0.0000168
240220	Cigarettes containing tobacco	Question Mark	Dogs	-0.0000112	-0.0000002	0.0000000	-0.0000115
640411	Footwear with outer soles of rubber	Question Mark	Dogs	-0.0000058	-0.0000053	0.0000000	-0.0000111

Source: WITS (processed

[20] The Absolute market share is used rather than Relative market share since China did not export this product
[21] Idem

5.5. Strategy Analysis

From the explanation of product position and performance in previous section, then we can resume the strategies that must be applied in each product/sector. "Boosted" strategy is applied for products that generally place in star and cash cow position and also have good performance (competitiveness is positive). "Maintained" strategy is applied for products that largely place in question mark position. Some of products are competitive while some of are less competitive while still indicate improved in position. That's why these products still can be retained and developed in this market even are less competitive.

While, "Improved" strategy is applied for product that place in question mark and cash cow position. This strategy needs more effort to do and also costly relative to the three strategies before because this strategy is applied for products which are less competitive. Besides that these products have faced in maturity phase so it will need more cash to do research and development regarding product development/differentiation.

And "Withdrawn" strategy is applied for those which are less competitive and also place in dog position. So, this strategy means the products are better to leave the market or target to a different customer segment.

From the detail explanation about products position and the result of CMSA, we can see that product position in the BCG matrix is consistent with the CMSA result (see table 5.2 until 5.7).

To make the analysis more simple, here below are the matrix consist of strategies for each product that is classified into textile and non textile products. The strategies are presented in descending rank based on the easiness to be applied. Table 5.8 consists of strategies for textile products.

For textile category, there are 20 products (classification 1) and 4 products (classification 2) must be boosted to be penetrated more in UAE market. While, 17 products must be maintained, 5 products must be improved and 17 products must be withdrawn from the market (see table 5.8).

Table 5.8
Strategies for Textile Products

PRODUCTS	STRATEGY	ACTIONS
HS 620819, HS 620829, HS 620469, HS 630190, HS 550932, HS 600242, HS 610342, HS 540769, HS 580410, HS 610339, HS 620690, HS 610290, HS 620910, HS 610442, HS 521215, HS 610839, HS 540771, HS 610829, HS 540761, HS 540754	Boosted	- market penetration - intensify promotion and advertising
HS 540772 HS 540710, HS 540774, HS 620192	Boosted	- product development
HS 540752, HS 610910, HS 581092, HS 620193, HS 620312, HS 620343, HS 551311, HS 551321, HS 620452, HS 620462, HS 620449, HS 520911, HS 611790, HS 620811, HS 620590, HS 610711, HS 610510,	Maintained	- improve competitiveness - intensify promotion and advertising
HS 620419, HS 620412, HS 620319, HS 620442, HS 610819	Improved	- improve competitiveness - product development - promotion and advertising
HS 620342, HS 610990, HS 551511, HS 610620, HS 540210, HS 610811, HS 610449, HS 620292, HS 620339, HS 620443, HS 591190, HS 581099, HS 540773, HS 620520, HS 620349, HS 610349, HS 610882	Withdrawn	- market development

Source: Processed by the Author

In order to be more successful in "Boosted" strategy, promotion and advertising must be intensified. These actions will make Indonesia's product become more familiar in UAE market. While for classification 2, product development is needed. This action was believed can create a new market since these products has

faced the maturity in product cycle. Beside that, promotion and advertising are also needed in order to gain the competitors market. Indonesia should focus on the "Boosted" and "Maintained" strategy. It is because Indonesia can be more efficient in resource allocation. Beside that, these two strategies are less costly compare to the other two strategies.

When we talk about the textile products, we must remember that UAE is one of wealthiest country which has high income. In respond to that, sectors/firms must be aware that Indonesia not only faced China and India as a competitor but also United State, and also European countries. If we realize consumer behavior or preference, high-income consumer will prefer to ask high standard and quality over the products they consume. Indonesia must be able to fulfill their standard otherwise the consumer will choose another qualified product that met with their standard.

For the non textile category, we can see from table 5.9 that there are 30 products (classification 1) and 3 products (classification 2) must be boosted in penetrating UAE market. There are 7 products must be maintained, 10 products must be improved and 22 products must be withdrawn from the market. The same with textile products, we must focus on "Boosted" and "Maintained" strategy because this strategy is easier and less costly than the other two strategies.

Table 5.9
Strategies for Non Textile Products

PRODUCTS	STRATEGY	ACTIONS
HS 401110, HS 850710, HS 700521, HS 330590, HS 340120, HS 180400, HS 470329, HS 90111, HS 680911, HS 842911, HS 480253, HS 220290, HS 841381, HS 850780, HS 840999, HS 843143, HS 441121, HS 730719, HS 401120, HS 940350, HS 852731, HS 392410, HS 691010, HS 190230, HS 151190, HS 701339, HS 480252, HS 340111, HS 390750, HS 481710	Boosted	- market penetration - intensify promotion and advertising

HS 90240, HS 480920, HS 80111	Boosted	- product development
HS 441219, HS 441820, HS 392321, HS 850610, HS 420212, HS 940180, HS 480300	Maintained	- improve competitiveness - intensify promotion
HS 441213, HS 711319, HS 482020, HS 852311, HS 330510, HS 481011, HS 330300, HS 330720, HS 920290, HS 441830	Improved	- improve competitiveness - product development - promotion
HS 700510, HS 847160, HS 330610, HS 392490, HS 170490, HS 482010, HS 870870, HS 390760, HS 701310, HS 340220, HS 761300, HS 854460, HS 940360, HS 940380, HS 392630, HS 852812, HS 852190, HS 640319, HS 940330, HS 831110, HS 240220, HS 640411	Withdrawn	- market development

Source: Processed by the Author

As a strategy, in order to trade-off the products classified in withdrawn strategy, we need to think about the probably alternative products that can be penetrated in the UAE market. We can take an example like cacao, rubber and Palm oil products. As we know that Indonesia is the major producer for those products. Unfortunately, Indonesia still focuses on primary products and has not developed the downstream products that have more added values.

If we look at appendix 2, we can see that Indonesia faced the competitors like Netherlands, UK, Italy, and USA for cacao products. Actually, Indonesia is the main producer for cacao bean after Cote de Ivory. And we know that a part of those countries has imported the cacao bean from Indonesia. It proved that Indonesia is still lack of products consisting high value added. Conversely, UK and USA has enjoyed the profit from added value from cacao products.

Indonesia's rubber products also faced the same problem. The competitor of Indonesia's rubber products in UAE market are from Japan, China, India, and South

Korea. We also know that Indonesia is a main producer of natural rubber beside Malaysia and Thailand. The point is Indonesia has not developed the added-value based products of rubber as well as its competitors. Or even though Indonesia has produced the downstream products, Indonesia has not yet looked at the potential market for those products in UAE market. It means that Indonesia's producers/exporters have not yet learned about the market demand changing.

While, even Indonesia is a main producer for CPO (crude palm oil), Indonesia has not yet focused on UAE market. In fact, Indonesia can use this market to increase CPO export. Indonesia's CPO has been exported to China, India and US. The global crisis has caused the decrease of CPO price in the world market. Indonesia's CPO producer can see this as an opportunity in developing downstream products of CPO like bio diesel, butter, cooking oil, essential oil. For some kind of those products can be exported to UAE market. Malaysia as Indonesia's main competitor has large share in UAE market. Through product differentiation, Indonesia's palm oil-based products can seize new market share.

5.6. Competitors' Best Practices

Regarding the strategy, Indonesia has to look at the competitor's effort in promoting their export. Indonesia has to face tighter competition in UAE especially from Indonesia's main competitors like China, Malaysia, Thailand, and Vietnam. As Indonesia's closed neighboring country, those countries have aggressively explored the UAE market as their export destination. They actively participated in some exhibition. Their government official and entrepreneurs were also active in visiting Dubai to get some opportunity in developing their market and building networking in UAE.

In starting business in Dubai, foreign companies initially conduct market analysis by establishing a small unit business in order to recognize the market respond. They also create the relation and build the connection with related party.

China as a main competitor has set some strategy to increase its market share in United Arab Emirates. China's and United Arab Emirates' government have made

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some agreement in encouraging their ·trade by establishing the Dragon Mart. Supported by more than 3000 of China's companies, Dragon Mart as a giant outlet is an integrated plaee facilitated by UAE's government to China's government. Not only the Dragon Mart, UAE's government also provided the facilities of houses including hospitals, restaurants and schools for China's entrepreneurs and their families that leave in UAE.

As the strategy, China has built the Dragon Mart in order to make the importers from Dubai, Africa and East Asia easier to make a deal with China's exporters. Importers from UAE no need to go to China when they want to buy or make a business contract with exporters from China. Beside the Dragon Mart, China also has the Chinamax Building that located in Sharjah as a promotion center for China's companies to hold regular exhibition or promotion even.

In 2007, China's export has reached US$ 20 billion or growing 78 per cent greater than in 2006 that only account for US$ 11.2 billion. This achievement is caused by China's official government that actively visiting Dubai. In the context of exhibition, in 2007 China held solo exhibition "Chinese Commodities Fair Sharjah" that exhibit hardware & building materials, engineering machine & parts, special vehicles, light industrial products, and agro-food products.

Moreover, China as an emerging market with fantastic capacity has been successful in transportation services. The advantage of China in transportation service has reduced its transportation cost due to its export to UAE. The low cost of transportation in China has made China's exported products is more competitive. Indonesia's cost to export is 704 US$ per container. While, China's cost to export is only 460 US$ per container[22]. Beside that, Indonesia still relies on Singapore in providing the shipping line services. In order to analyze the impact of transportation cost, financial system, insurance and infrastructure to the export of Indonesia in UAE market compare to China, it can be a further study suggested by the author.

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[22] Written in Seminar materials of Promosi Kebijakan Iklim Investasi dan Strategi Perdagangan untuk Mendorong Pertumbuhan Ekonomi, Presented by **Aditiawan Chandra** in Seminar Perdagangan International held by Pusdiklat Perdagangan, Departemen Perdagangan, 26-27 November 2008

Previous study done by Wilson, Mann and Otsuki, 2003, has founded that port efficiency of exporter and importer, regulatory environment of exporters and importers, service sector of exporter and importer are positively associated with trade. More efficient in port and service sector led increase in trade flows. Comparing to the effect of port efficiency on importers vs. exporters, the coefficient is higher for exporters than importers which imply that global trade flows get a bigger boost when the exporter's port efficiency improves. Similar to port efficiency and regulatory environment, service sector infrastructure have a more significant positive effect on the exporters than importers. This indication implies that the role of service-sectors in trade facilitation[23] is important.[24]

The competitiveness of China has proved that the competition formed in UAE's market is non-price competition. It can also be seen from UAE that imposed averagely 0-5 percent import duty for all products except for tobacco and spirits products. Even, UAE did not impose import duty for basic food products and pharmaceuticals. This indicated that price is relatively quite similar. The difference of efficiency in delivering goods, predictability, and   is a matter and has a significant impact on determining the non-price competition.

Compared to China, Indonesia also faced the problem regarding the cargo consolidation, collecting and handling. Indonesia still relied on Singapore in those matters. From the Logistic Performance Index[25] (see appendix 4), we can see that Singapore is the best in practice in logistic and the second best in practice in infrastructure and international shipment. In Southeast Asia region, Malaysia also has good performance in logistic.

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[23] There is no standard definition of trade facilitation. In a narrow sense, trade facilitation efforts simply address the logistics of moving goods through ports or more efficiently moving documentation associated with cross-border trade. In recent years, the definition has been broadened to include the environment in which trade transactions take place, transparency and professionalism of customs and regulatory environments, as well as harmonization of standards and conformance to international or regional regulations

[24] See the discussion and sources in Mann, Rosen, and APEC (2001, 2002), pages 33-35

[25] Logistics performance is more and more determined by the availability of quality, competitive private services—such as trucking, customs brokering, and warehousing.

The cost of consolidation, collecting and handling paid by Indonesia's exporter has caused the increasing of transaction cost. Again, this condition has led Indonesia's products become less competitive. Actually, Indonesia can minimize the cost by forming the consortium among Indonesia's exporters or private companies. This consortium then can cooperate with Dubai's shipping line agency. This effort aims to eliminate the surcharge of return cargo from UAE to Indonesia that usually lack of contents of cargo. Beside that, by forming the consortium, Indonesia's entrepreneurs/exporters will enjoy the efficiency in cargo consolidation. For that purpose, Indonesia should not only consolidate in UAE market but also in Middle East market as a whole. This is because of the total exports to Middle East country that is relatively small. In practices, it will be uneasy to apply since we need to change the long-established agreement between Indonesia's exporters and its partner of shipping line agency.

Unlike China that has built the China Mart, Malaysia initiated the strategy by placing a General Council that all together holds a position as a Chairman Matrade. By this policy, the government can be easier to lobby the Syech in UAE. With his diplomatic status, Malaysia can undertake the dialogue with Dubai's entrepreneurs. Beside that, Malaysia also places its official building in strategic location. In the same place Malaysia promote their products from handicraft until high-tech products. Moreover, in order to increase its market share for CPO and wood products, Malaysia has opened The Palm Oil Promotion Board and Malaysia Timber Promotion Council in Dubai. The establishment of The Palm Oil Promotion Board has great impact on Malaysia's CPO export. Malaysia's CPO export dominated in UAE market. Malaysia is the major exporter for CPO product in UAE market with the share more than 90 percent (see appendix 2).

There must be some actions have to be done by business authority in order to catch up with competitors. One of the ways in order to increase penetrating the market is by promotion and intensive visit. Indonesian Trade Promotion Center (ITPC) as a formal government institution under the Ministry of Trade was in charge

of giving facilitate to exporters from Indonesia to participate in the international exhibition held in United Arab Emirates.

Connecting to compete—trade logistics in the global economy—is critical for developing countries to harness global trade and reap the benefits of globalization. Success in integrating global supply chains starts with the ability of firms to move goods across borders rapidly, reliably, and cheaply.

China and Malaysia have been more successful in penetrating UAE market compare to Indonesia. It is not only because of China and Malaysia has been more compatible in exporting their products, but also their national capacity breakthrough that led China and Malaysia become successful in competing out with Indonesia.

We can compare the Global Competitiveness Index for Indonesia, China and Malaysia (see appendix 5). Indonesia has been successful in improving macroeconomic stability, health and primary education, and market size. Malaysia has improve its capacity concerted covering the institution, infrastructure, macroeconomic stability, health and primary education, good market efficiency, and financial market sophistication. While China's improvement only dominated by macroeconomic stability, health and primary education and market size. But surprisingly, China's export growth to UAE is more superior compare to Malaysia. The point is, there are so many factors affecting the success of countries in competing in global market. Of course comparative advantage plays a significant role but the institutional involvement also play an important role in creating national competitive advantages.

CHAPTER VI
CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusions

- For textile products, there are about 46 products can be retained in UAE market. While 17 products are suggested to be withdrawn from the market.

- For non-textile products, there are about 50 products can be retained in UAE market and about 22 products are suggested to be withdrawn from the market.

- Indonesia can specialize in products in which strategies applied are "Boosted", "Maintained", and "Improved". By focus on those strategies, Indonesia can be more efficient in resource allocation. While, for products with "Withdrawn" strategy, we must look for another potential market.

- The competitiveness of Indonesia's products must be improved especially for products that have large demand in UAE market.

- Institutionally, government through diplomatic and trade cooperation and entrepreneur's participation play important role in improving national competitive advantage.

- National capacity in logistic and trade facilitation has also a significant impact on trade efficiency. The difference of capacity in logistic and trade facilitation has led the difference in export value among the countries.

- Entrepreneurs must be more responsive in adapting demand changing and customer's taste in United Arab Emirates.

6.2. Recommendations

In order to improve Indonesia's export in UAE market, there are some points that can be recommended.

- President, Vice President, Ministry of Economy, Chamber of Commerce and Industry (KADIN), and Associations must intensify their visit to Gulf Countries

especially UAE discussing trade cooperation, otherwise Indonesia will be left behind its competitors like China, Thailand, Malaysia and even Vietnam. The work or business visit will initiate the networking not only between Indonesia and UAE government official but also among the entrepreneur of both countries.

- The capacity and capability of ITPC as a market intelligence has to be improved in serving information and building a business networking among UAE and Indonesia entrepreneurs.

- Indonesia's exporters or entrepreneurs are suggested to form a consortium and make a contract with shipping line agency in Dubai. This effort will convincingly enable Indonesia to reduce transportation and also transaction cost. Then it will give more competitive advantage for Indonesia's products.

- Indonesia should improve its infrastructure and services in trade capability (banking and financial system, insurance, transportation and telecommunication).

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Appendix 1
Total Investment by Sector

Main Products	2004	2005	2006	2007
TPT	50,702,348,024	1,640,656,237,310	81,679,590,000	228,198,809,941
ELECTRONICS	56,673,388,000		10,000,000,000	
FORESTRY PRODUCTS	1,222,237,696,374	10,699,396,625,156	2,371,376,268,490	14,248,160,202,254
CPO	1,734,154,782,875	5,695,437,475,753	6,667,223,952,304	7,239,827,597,663
RUBBER PRODUCTS	316,657,000,000	232,329,625,148	89,395,838,000	277,097,814,202
FOOTWEAR	28,950,500,000	4,019,000,000	14,559,000,000	3,981,981,017
AUTOMOTIVE COMPONENTS	3,500,000,000	188,687,281,079	187,612,049,686	647,704,768,199
CACAO	-	10,500,000,000	146,427,000,000	739,872,900,000
SHRIMP	12,500,000,000	0	-	-
COFFEE	13,025,000,000	-	-	-

Potential Products	2004	2005	2006	2007
PROCESSSED FOOD	1,484,022,136,344	2,453,944,725,716	202,508,000,000	723,311,187,076
JEWELLERY	-	725,000,000	216,800,000	
FISH AND FISH PRODUCTS	-	207,278,114,198	-	1,782,262,877
HANDICRAFTS	10,614,500,000	34,872,000,000	-	-
SPICES	-	0	-	-
LEATHER & LEATHER PRODUCTS	0	0	0	50,000,000,000
MEDICALINSTRUMENTS & APPLIANCES	-	-	-	-
STATIONERY NON PAPER	-	-	-	-
ESSENTIAL OILS	144,621,647,000	9,000,000,000	-	-
MEDICINAL HERBS	-	-	-	-

Source: BKPM

Appendix 2

18 COCOA, COCOA PREPARATIONS

RANK 2006	RANK 2007	COUNTRY	2006	% 06 TOTAL	2007	% 07 TOTAL
1	1	NETHERLANDS	29,768,717	21.83%	43,780,801	27.18%
2	2	UK (UNITED KINGDOM)	21,131,199	15.50%	21,455,859	13.32%
3	3	ITALY	10,432,215	7.65%	11,400,336	7.08%
6	4	USA	8,937,224	6.56%	9,384,085	5.83%
4	5	INDONESIA	10,318,888	7.57%	9,224,985	5.73%
		TOTAL TOP 5 COUNTRIES (incl Indonesia)	60,588,243	59.11%	95,246,066	59.14%
		OTHER COUNTRIES SHARE	55,751,337	40.69%	65,813,974	40.86%
		GRAND TOTAL	136,339,580	100.00%	161,060,040	100.00%

1511   *Palm oil and its fractions, whether or not refined, but not chemically modified.*

RANK 2006	RANK 2007	COUNTRY	2006	% 06 TOTAL	2007	% 07 TOTAL
1	1	MALAYSIA	36,284,608	93.02%	71,205,710	96.02%
2	2	INDONESIA	1,493,454	3.83%	1,612,396	2.17%
3	3	SINGAPORE	806,995	2.08%	1,194,848	1.61%
0	4	PAKISTAN	0	0.00%	129,053	0.17%
0	5	USA	0	0.00%	17,332	0.02%
		TOTAL TOP 5 COUNTRIES (incl Indonesia)	38,588,057	98.92%	74,159,340	100.00%
		OTHER COUNTRIES SHARE	420,651	1.08%	0	0.00%
		GRAND TOTAL	39,006,908	100.00%	74,159,340	100.00%

40 RUBBER AND ARTICLES THEREOF

RANK 2006	RANK 2007	COUNTRY	2006	% 06 TOTAL	2007	% 07 TOTAL
1	1	JAPAN	200,746,875	24.97%	236,388,355	24.82%
2	2	CHINA	163,573,258	20.34%	199,349,770	20.93%
3	3	INDIA	81,481,582	10.13%	88,727,391	9.31%
4	4	SOUTH KOREA	73,528,117	9.14%	82,590,988	8.67%
5	5	INDONESIA	46,405,611	5.77%	64,154,432	6.73%
		TOTAL TOP 5 COUNTRIES (incl Indonesia)	565,735,442	70.36%	671,210,936	70.46%
		OTHER COUNTRIES SHARE	238,300,003	29.64%	281,342,655	29.54%
		GRAND TOTAL	804,035,445	100.00%	952,553,591	100.00%

Source: ITPC Report (processed)

Appendix 3
Top 20 of Exporters to UAE
(in 000 US$)

No.	Reporter Name	2004	2005	2006
1	European Union	22570944	30784887	30365989
2	China	6840861	8729734	11404282
3	India	6878096	8227726	10708369
4	United States	3939071	8341365	11753506
5	United Kingdom	4758859	9970368	6563652
6	Germany	4177596	5139545	6368830
7	Japan	4469795	4720843	5890607
8	Saudi Arabia		4811663	6805859
9	Italy	2617840	3187995	4139323
10	Singapore	1843565	3535328	2982874
11	Korea, Rep.	2586786	2732458	2895657
12	France	154388.3	3264209	4258750
13	Hong Kong, China	1972915	1932882	2088932
14	Netherlands	1572330	1967471	2340529
15	Malaysia	1533937	1820341	2233042
16	Belgium	1162288	1481133	1768326
17	Turkey	1139024	1668393	1596637
18	Iran, Islamic Rep.	1061390	1453414	1858834
19	Pakistan	1056403	1255398	1239594
20	Indonesia	744564	906653.7	1068325
	All — All countries	64363503	90155504	1.08E+08

Source: WITS (processed)

Appendix 4

Country rankings on Logistics Performance Index and Indicators

Country	Logistics Performance Index			Customs		Infrastructure		International shipments	
	LPI rank	Score	Confidence Interval	Rank	Score	Rank	Score	Rank	Score
Singapore	1	4.19	0.05	3	3.90	2	4.27	2	4.04
Netherlands	2	4.18	0.04	1	3.99	1	4.29	1	4.05
Germany	3	4.10	0.03	4	3.88	3	4.19	4	3.91
Sweden	4	4.08	0.08	5	3.85	5	4.11	5	3.90
Austria	5	4.06	0.11	8	3.83	9	4.06	3	3.97
Japan	6	4.02	0.03	11	3.79	6	4.11	9	3.77
Switzerland	7	4.02	0.08	6	3.85	4	4.13	14	3.67
Hong Kong, China	8	4.00	0.04	7	3.84	8	4.06	7	3.78
United Kingdom	9	3.99	0.03	13	3.74	10	4.05	6	3.85
Canada	10	3.92	0.05	9	3.82	12	3.95	8	3.78
Ireland	11	3.91	0.11	10	3.82	19	3.72	11	3.76
Belgium	12	3.89	0.05	16	3.61	11	4.00	16	3.65
Denmark	13	3.86	0.10	2	3.97	14	3.82	15	3.67
United States	14	3.84	0.03	19	3.52	7	4.07	20	3.58
Finland	15	3.82	0.13	14	3.68	17	3.81	30	3.30
Norway	16	3.81	0.09	12	3.76	15	3.82	19	3.62
Australia	17	3.79	0.09	17	3.58	20	3.65	12	3.72
France	18	3.76	0.05	21	3.51	16	3.82	18	3.63
New Zealand	19	3.75	0.12	18	3.57	22	3.61	10	3.77
United Arab Emirates	20	3.73	0.06	20	3.52	18	3.80	13	3.68
Taiwan, China	21	3.64	0.09	25	3.25	21	3.62	17	3.65
Italy	22	3.58	0.05	29	3.19	23	3.52	21	3.57
Luxembourg	23	3.54	0.30	15	3.67	13	3.86	45	3.00
South Africa	24	3.53	0.10	27	3.22	26	3.42	22	3.56
Korea, Rep.	25	3.52	0.07	28	3.22	25	3.44	24	3.44
Spain	26	3.52	0.08	30	3.17	24	3.51	23	3.45
Malaysia	27	3.48	0.07	23	3.36	28	3.33	26	3.36
Portugal	28	3.38	0.11	26	3.24	31	3.16	33	3.23
Greece	29	3.36	0.15	31	3.06	35	3.05	37	3.11
China	30	3.32	0.04	35	2.99	30	3.20	28	3.31
Thailand	31	3.31	0.10	32	3.03	32	3.16	32	3.24
Chile	32	3.25	0.08	24	3.32	34	3.06	34	3.21
Israel	33	3.21	0.17	43	2.73	37	3.00	31	3.27
Turkey	34	3.15	0.13	33	3.00	39	2.94	42	3.07
Hungary	35	3.15	0.11	34	3.00	33	3.12	41	3.07
Bahrain	36	3.15	0.18	22	3.40	27	3.40	27	3.33
Slovenia	37	3.14	0.18	40	2.79	29	3.22	36	3.14
Czech Republic	38	3.13	0.15	36	2.95	36	3.00	43	3.06
India	39	3.07	0.08	47	2.69	42	2.90	39	3.08
Poland	40	3.04	0.11	38	2.88	51	2.69	52	2.92
Saudi Arabia	41	3.02	0.06	45	2.72	38	2.95	50	2.93
Latvia	42	3.02	0.16	56	2.53	56	2.56	29	3.31
Indonesia	43	3.01	0.13	44	2.73	45	2.83	44	3.05
Kuwait	44	2.99	0.52	59	2.50	46	2.83	76	2.60
Argentina	45	2.98	0.09	51	2.65	47	2.81	49	2.97
Qatar	46	2.98	0.19	67	2.44	55	2.63	46	3.00

CONNECTING TO COMPETE: TRADE LOGISTICS IN THE GLOBAL ECONOMY
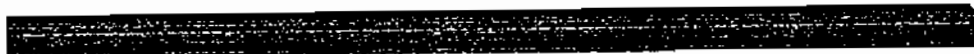
Logistics competence		Tracking & tracing		Domestic logistics costs		Timeliness	
Rank	Score	Rank	Score	Rank	Score	Rank	Score
2	4.21	1	4.25	113	2.70	1	4.53
1	4.25	4	4.14	120	2.65	5	4.38
3	4.21	5	4.12	135	2.34	8	4.33
6	4.06	3	4.15	129	2.44	4	4.43
4	4.13	12	3.97	141	2.24	3	4.44
5	4.12	7	4.08	148	2.02	6	4.34
8	4.00	9	4.04	139	2.26	2	4.48
9	3.99	8	4.06	119	2.66	7	4.33
7	4.02	6	4.10	143	2.21	11	4.25
12	3.85	11	3.98	91	2.84	13	4.19
11	3.93	15	3.96	121	2.65	9	4.32
10	3.95	14	3.96	122	2.62	10	4.25
15	3.83	17	3.76	128	2.52	18	4.11
13	3.85	10	4.01	144	2.20	19	4.11
14	3.85	2	4.17	142	2.22	15	4.18
17	3.78	20	3.67	147	2.08	12	4.24
18	3.76	13	3.97	97	2.80	20	4.10
19	3.75	16	3.87	136	2.34	23	4.02
16	3.82	19	3.68	89	2.86	22	4.05
20	3.67	23	3.61	98	2.80	17	4.12
23	3.68	24	3.60	42	3.10	14	4.18
21	3.63	21	3.66	132	2.39	27	3.93
33	3.22	26	3.56	85	2.68	25	4.00
25	3.54	18	3.71	124	2.61	31	3.78
22	3.63	25	3.56	110	2.73	30	3.68
24	3.55	22	3.53	107	2.75	29	3.66
26	3.40	28	3.51	36	3.13	26	3.95
34	3.19	30	3.44	102	2.78	21	4.06
28	3.33	27	3.53	88	2.87	16	4.13
27	3.40	31	3.37	72	2.97	38	3.68
29	3.31	36	3.25	25	3.21	28	3.91
35	3.19	37	3.17	114	2.68	44	3.55
32	3.23	29	3.46	145	2.17	41	3.68
30	3.29	34	3.27	112	2.71	52	3.38
37	3.07	44	3.00	57	3.00	34	3.69
59	2.75	47	3.00	140	2.25	84	3.00
36	3.09	52	2.91	32	3.18	33	3.73
42	3.00	35	3.27	10	3.40	42	3.56
31	3.27	42	3.03	46	3.08	47	3.47
38	3.04	40	3.12	23	3.23	40	3.59
51	2.88	43	3.02	106	2.76	39	3.65
48	2.94	41	3.06	73	2.94	35	3.69
50	2.90	33	3.30	92	2.84	58	3.28
47	3.00	32	3.33	130	2.40	32	3.75
44	3.00	46	3.00	93	2.84	46	3.50
43	3.00	38	3.17	56	3.00	38	3.67

Appendix 5

The Global Competitiveness Index rankings

Indonesia

Key indicators

Total population (millions), 2007 ....228.1
GDP (US$ billions), 2007..............................432.9
GDP per capita (US$), 2007 ....1,924.7
GDP (PPP) as share (%) of world total, 2007 ....1.30

GDP (PPP US$) per capita, 1980–2007
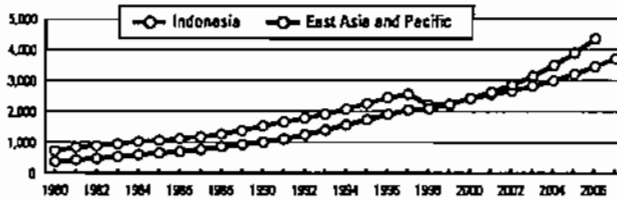
Global Competitiveness Index

	Rank (out of 134)	Score (1–7)
GCI 2008–2009	55	4.3
GCI 2007–2008 (out of 131)	54	4.2
GCI 2006–2007 (out of 122).........................	54	4.2
Basic requirements....................................	76	4.3
1st pillar: Institutions	68	3.9
2nd pillar: Infrastructure	86	3.0
3rd pillar: Macroeconomic stability................	72	4.9
4th pillar: Health and primary education	87	5.3
Efficiency enhancers.................................	49	4.3
5th pillar: Higher education and training..........	71	3.9
6th pillar: Goods market efficiency................	37	4.7
7th pillar: Labor market efficiency.................	43	4.6
8th pillar: Financial market sophistication........	57	4.5
9th pillar: Technological readiness................	88	3.0
10th pillar: Market size...............................	17	5.1
Innovation and sophistication factors	45	4.0
11th pillar: Business sophistication	39	4.5
12th pillar: Innovation...............................	47	3.4

Stage of development
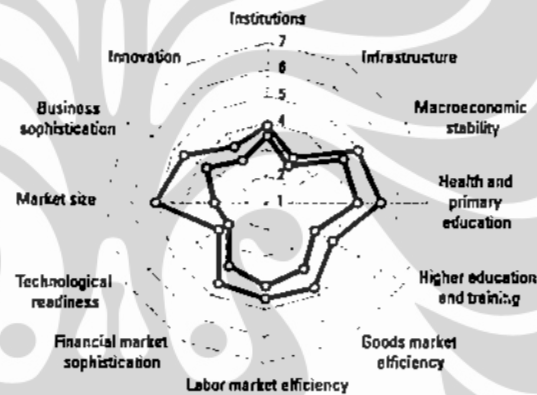
The most problematic factors for doing business

Inefficient government bureaucracy	19.3
Inadequate supply of infrastructure	16.4
Corruption	10.7
Restrictive labor regulations	9.7
Inflation	7.8
Access to financing	7.5
Tax regulations	6.7
Policy instability	5.0
Inadequately educated workforce	4.4
Foreign currency regulations	3.9
Government instability/coups	3.7
Poor work ethic in national labor force	3.5
Tax rates	1.3
Crime and theft	0.1
Poor public health	0.1

Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

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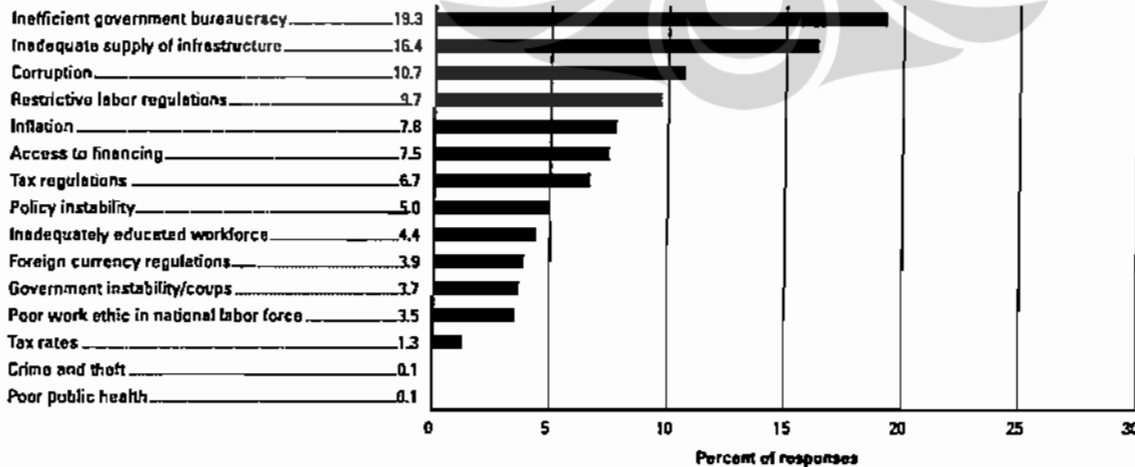
Malaysia

Key indicators

Total population (millions), 2007 ....26.2
GDP (US$ billions), 2007.................186.5
GDP per capita (US$), 2007 ....6,947.6
GDP (PPP) as share (%) of world total, 2007 ....0.52

GDP (PPP US$) per capita, 1980–2007
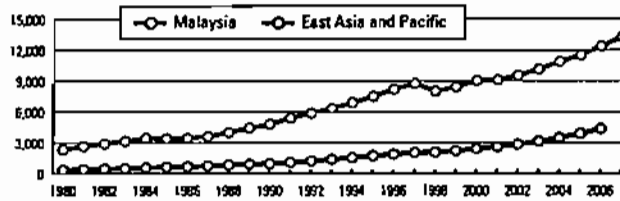
Global Competitiveness Index

	Rank (out of 134)	Score (1–7)
GCI 2008–2009	21	5.0
GCI 2007–2008 (out of 131)	21	5.1
GCI 2006–2007 (out of 122)..................	19	5.2
Basic requirements..................	25	5.4
1st pillar: Institutions	30	4.9
2nd pillar: Infrastructure	23	5.3
3rd pillar: Macroeconomic stability..................	38	5.4
4th pillar: Health and primary education	23	6.1
Efficiency enhancers..................	24	4.8
5th pillar: Higher education and training..................	35	4.6
6th pillar: Goods market efficiency..................	23	5.0
7th pillar: Labor market efficiency	19	4.9
8th pillar: Financial market sophistication..................	16	5.4
9th pillar: Technological readiness..................	34	4.4
10th pillar: Market size..................	28	4.7
Innovation and sophistication factors	23	4.6
11th pillar: Business sophistication	22	5.0
12th pillar: Innovation..................	22	4.3

Stage of development
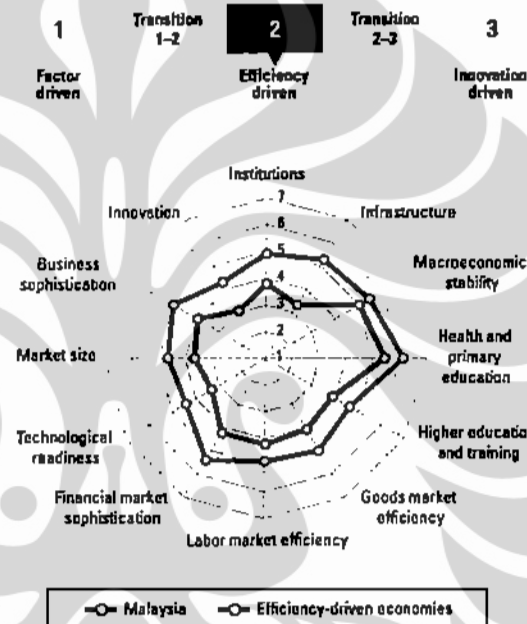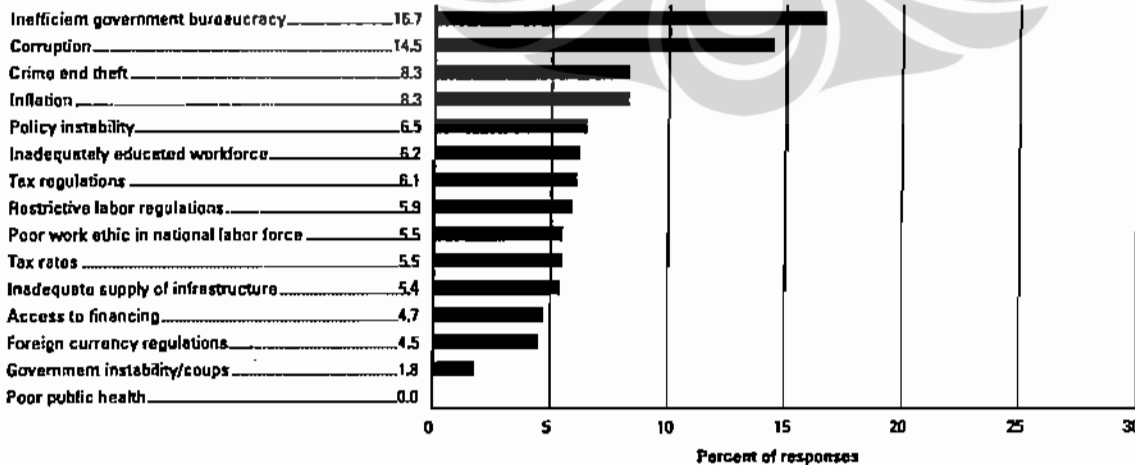
The most problematic factors for doing business

|	
Inefficient government bureaucracy	16.7
Corruption	14.5
Crime and theft	8.3
Inflation	8.3
Policy instability	6.5
Inadequately educated workforce	6.2
Tax regulations	6.1
Restrictive labor regulations	5.9
Poor work ethic in national labor force	5.5
Tax rates	5.5
Inadequate supply of infrastructure	5.4
Access to financing	4.7
Foreign currency regulations	4.5
Government instability/coups	1.8
Poor public health	0.0

Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

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China

Key indicators

Total population (millions), 2007 ....1,331.4
GDP (US$ billions), 2007 ....3,250.8
GDP per capita (US$), 2007 ....2,460.8
GDP (PPP) as share (%) of world total, 2007 ......10.83

GDP (PPP US$) per capita, 1980–2007
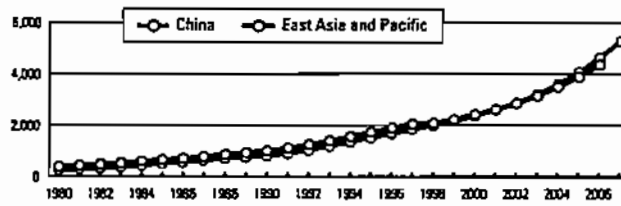
Global Competitiveness Index

	Rank (out of 134)	Score (1–7)
GCI 2008–2009	30	4.7
GCI 2007–2008 (out of 131)	34	4.6
GCI 2006–2007 (out of 122)	34	4.6
Basic requirements	42	5.0
1st pillar: Institutions	56	4.2
2nd pillar: Infrastructure	47	4.2
3rd pillar: Macroeconomic stability	11	5.9
4th pillar: Health and primary education	50	5.7
Efficiency enhancers	40	4.4
5th pillar: Higher education and training	64	4.1
6th pillar: Goods market efficiency	51	4.5
7th pillar: Labor market efficiency	51	4.5
8th pillar: Financial market sophistication	109	3.6
9th pillar: Technological readiness	77	3.2
10th pillar: Market size	2	6.6
Innovation and sophistication factors	32	4.2
11th pillar: Business sophistication	43	4.5
12th pillar: Innovation	28	3.9

Stage of development
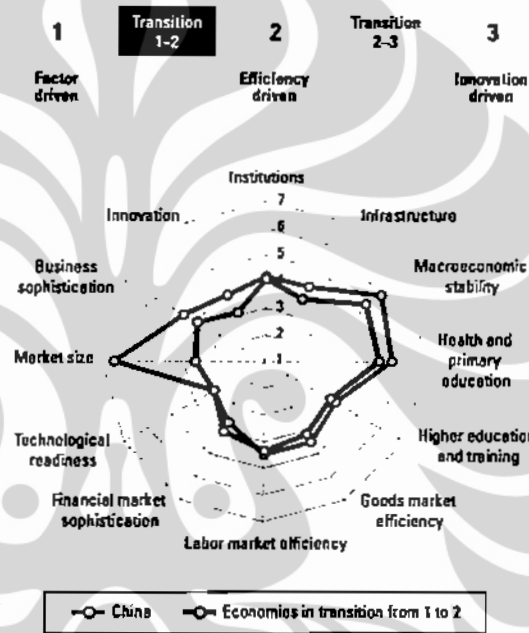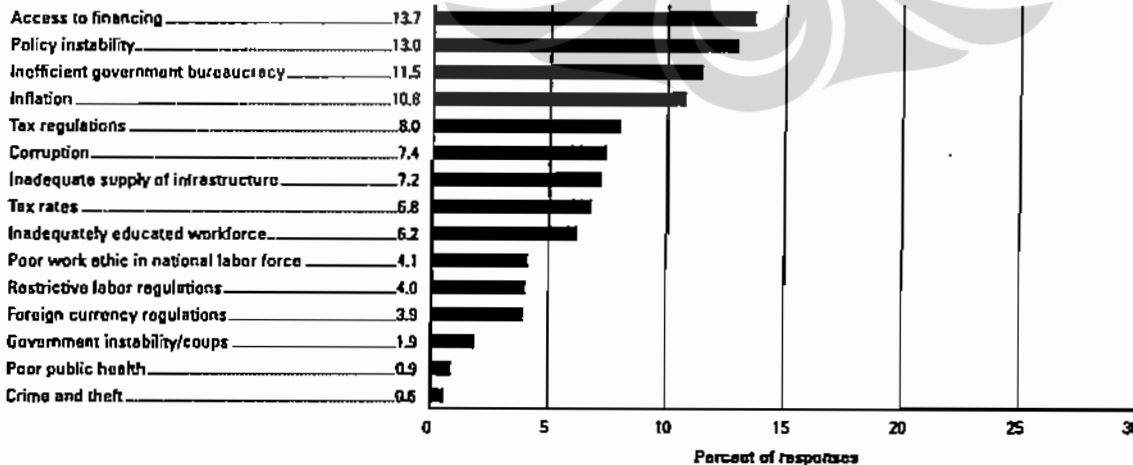
The most problematic factors for doing business

|	
Access to financing	13.7
Policy instability	13.0
Inefficient government bureaucracy	11.5
Inflation	10.8
Tax regulations	8.0
Corruption	7.4
Inadequate supply of infrastructure	7.2
Tax rates	6.8
Inadequately educated workforce	6.2
Poor work ethic in national labor force	4.1
Restrictive labor regulations	4.0
Foreign currency regulations	3.9
Government instability/coups	1.9
Poor public health	0.9
Crime and theft	0.5

Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

The Global Competitiveness Index rankings and 2007–2008 comparisons

Country/Economy	GCI 2008-2009 Rank	GCI 2008-2009 Score	GCI 2008-2009 rank (among 2007 countries)*	GCI 2007-2008 rank	Country/Economy	GCI 2008-2009 Rank	GCI 2008-2009 Score	GCI 2008-2009 rank (among 2007 countries)*	GCI 2007-2008 rank
United States	1	5.74	1	1	Azerbaijan	69	4.10	68	66
Switzerland	2	5.61	2	2	Vietnam	70	4.10	69	68
Denmark	3	5.58	3	3	Philippines	71	4.09	70	71
Sweden	4	5.53	4	4	Ukraine	72	4.09	71	73
Singapore	5	5.53	5	7	Morocco	73	4.08	72	64
Finland	6	5.50	6	6	Colombia	74	4.05	73	69
Germany	7	5.46	7	5	Uruguay	75	4.04	74	75
Netherlands	8	5.41	8	10	Bulgaria	76	4.03	75	79
Japan	9	5.38	9	8	Sri Lanka	77	4.02	76	70
Canada	10	5.37	10	13	Syria	78	3.99	77	80
Hong Kong SAR	11	5.33	11	12	El Salvador	79	3.99	78	67
United Kingdom	12	5.30	12	9	Namibia	80	3.99	79	89
Korea, Rep.	13	5.28	13	11	Egypt	81	3.98	80	77
Austria	14	5.23	14	15	Honduras	82	3.98	81	83
Norway	15	5.22	15	16	Peru	83	3.95	82	86
France	16	5.22	16	18	Guatemala	84	3.94	83	87
Taiwan, China	17	5.22	17	14	Serbia	85	3.90	84	91
Australia	18	5.20	18	19	Jamaica	86	3.89	85	78
Belgium	19	5.14	19	20	Gambia, The	87	3.88	86	102
Iceland	20	5.05	20	23	Argentina	88	3.87	87	85
Malaysia	21	5.04	21	21	Macedonia, FYR	89	3.87	88	94
Ireland	22	4.99	22	22	Georgia	90	3.86	89	90
Israel	23	4.97	23	17	Libya	91	3.85	90	88
New Zealand	24	4.93	24	24	Trinidad and Tobago	92	3.85	91	84
Luxembourg	25	4.85	25	25	Kenya	93	3.84	92	99
Qatar	26	4.83	26	31	Nigeria	94	3.81	93	95
Saudi Arabia	27	4.72	27	35	Moldova	95	3.75	94	97
Chile	28	4.72	28	26	Senegal	96	3.73	95	100
Spain	29	4.72	29	29	Armenia	97	3.73	95	93
China	30	4.70	30	34	Dominican Republic	98	3.72	97	96
United Arab Emirates	31	4.68	31	37	Algeria	99	3.71	86	81
Estonia	32	4.67	32	27	Mongolia	100	3.65	99	101
Czech Republic	33	4.62	33	33	Pakistan	101	3.65	100	92
Thailand	34	4.60	34	28	Ghana	102	3.62	n/a	n/a
Kuwait	35	4.58	35	30	Suriname	103	3.58	101	113
Tunisia	36	4.58	36	32	Ecuador	104	3.58	102	103
Bahrain	37	4.57	37	43	Venezuela	105	3.56	103	86
Oman	38	4.55	36	42	Benin	105	3.56	104	108
Brunei Darussalam	39	4.54	n/a	n/a	Bosnia and Herzegovina	107	3.56	105	106
Cyprus	40	4.53	38	55	Albania	108	3.55	106	109
Puerto Rico	41	4.51	40	36	Cambodia	109	3.53	107	110
Slovenia	42	4.50	41	39	Côte d'Ivoire	110	3.51	n/a	n/a
Portugal	43	4.47	42	40	Bangladesh	111	3.51	108	107
Lithuania	44	4.45	43	38	Zambia	112	3.49	109	122
South Africa	45	4.41	44	44	Tanzania	113	3.49	110	104
Slovak Republic	46	4.40	45	41	Cameroon	114	3.49	111	116
Barbados	47	4.40	46	50	Guyana	115	3.47	112	126
Jordan	48	4.37	47	49	Tajikistan	116	3.46	113	117
Italy	49	4.35	48	46	Mali	117	3.43	114	115
India	50	4.33	49	48	Bolivia	118	3.42	115	105
Russian Federation	51	4.31	50	58	Malawi	119	3.42	n/a	n/a
Malta	52	4.31	51	56	Nicaragua	120	3.41	116	111
Poland	53	4.28	52	51	Ethiopia	121	3.41	117	123
Latvia	54	4.26	53	45	Kyrgyz Republic	122	3.40	118	119
Indonesia	55	4.25	54	54	Lesotho	123	3.40	119	124
Botswana	56	4.25	55	76	Paraguay	124	3.40	120	121
Mauritius	57	4.25	56	60	Madagascar	125	3.38	121	118
Panama	58	4.24	57	59	Nepal	126	3.37	122	114
Costa Rica	59	4.23	58	63	Burkina Faso	127	3.36	123	112
Mexico	60	4.23	59	52	Uganda	128	3.35	124	120
Croatia	61	4.22	60	57	Timor-Leste	129	3.15	125	127
Hungary	62	4.22	61	47	Mozambique	130	3.15	126	128
Turkey	63	4.15	62	53	Mauritania	131	3.14	127	125
Brazil	64	4.13	63	72	Burundi	132	2.98	129	130
Montenegro	65	4.11	64	82	Zimbabwe	133	2.88	129	129
Kazakhstan	66	4.11	65	61	Chad	134	2.85	130	131
Greece	67	4.11	66	65					
Romania	68	4.10	67	74					

(Cont'd.)

* One country that was included last year is not shown because of lack of survey data (Uzbekistan). This explains why the lowest rank in this column is 130, rather than 131.

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