

Indonesia's Fashion Export Performance - A Preliminary Case Study

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

Free trade between countries opens gates for MSMEs to exist in international trade, one of which is MSMEs' engagement in creative industries like the the fashion industry. The fashion industry is a rapidly growing industry, along with the development of the fashion industry itself, where the trend is one of the references in this industry. Statistics show that Indonesia's fashion industry contributes to international trade. This can be seen from the growth of Indonesia's trade balance. This study focuses on the performance of Indonesian fashion commodities in international trade through a literature review approach. The results of the analysis show that the majority of fashion commodities have experienced significant growth, with potential target markets in several developed countries in the world. The findings from this research are expected to support further studies related to creative industries.

Keywords: creative industry, fashion industry, export, international trade balance

1. INTRODUCTION

Free trade between countries opens the gates for MSMEs to exist in international trade, including MSMEs engaged in the creative industry. The creative industry can be a catalyst for economic growth in a country, so it is called the creative economy (Badan Ekonomi Kreatif Republik Indonesia & Badan Pusat Statistik Indonesia, 2017). Even though MSMEs are small in resources compared to large companies, they have the advantage of rapid adaptation. Therefore, the Indonesian economy is supported by MSMEs, including their contribution to international trade. The creative industry is a dynamic industry, where its development is highly dependent on market conditions and trends. In one year, at least 4 collections are born, which usually follows the conditions of 4 seasons and additional collections follow religious holidays. The fashion industry is a timeless industry in the domestic market, domestically-made fashion has become the prima donna in various age segments (Rustiadi, Kusumahdinata, Rahman, &

Arsandid, 2018). The awareness of loving domestic products is increasing in line with the “100% Love Indonesia” (Khairani & Abdillah, 2018) campaign. Therefore, Indonesian fashion products are able to compete in international markets, which are mostly supported by the MSME sector. This is what attracts researchers to be reviewed in this study, where this study focuses more on the fashion subsector in the creative industry and how they play a role in their performance within the international trade.

2. LITERATURE REVIEW

The creative industry was born from the exploration of intellectual property that intersects with patents, copyrights, trademarks, royalties, and designs, all of which lead to creative and innovative business activities related to commercialized art (Maulina & Rizal, 2017). Creativity, skills, and individual talents are key in this industry, including supporting job creation, employee welfare, and driving the local economy (Herawaty & Jaja Raharja, 2018). According to UNESCO (n.d.), creative industry is an industry that involves culture, including cultural and natural heritage industries (museums, archaeological and heritage places, cultural landscapes, and natural heritage), performance and celebrations (music, performing arts, festivals, fair and feast), visual arts and crafts (fine arts, photography, and crafts), literature (print and online/virtual), audio visual and interactive media (film and video, video games (offline and online), internet podcasting , internet live streaming, design and creative services (fashion design, graphic design, interior design, landscape design, architectural services, advertising services), tourism (tour and travel service, hospitality and accommodation), and sports and recreation (sports, physical fitness , amusement and theme park).

Another study state that the creative industry is an industry that involves culture, job creation, and social inclusion which plays a very important role in regional productivity (Alexandri & Donie Aulia, 2019). Human capital is an important element in innovation spillovers in the creative industry because it produces a variety of creative inputs (Ghazi & Goede, 2019). Referring to the creative industrial concepts that have been collected by Zuhdi (2015), industrial creative is an industry where individuals have creativity, expertise, and talent to be commercialized and can be passed on from generation to generation. Over time, the creative industry can now be said to be an industry that has the same type of industry as the cultural industry, the leisure industry, and the content industry. The creative industry gives birth to a creative economy, where the economy is supported by the creative industry, or in other words, the creative economy is an economy that is supported by adding value to the products or services produced. Urban areas become locations for creative industry growth, where innovations and ideas mingle among creative industry businesses creating a diversity of products/services that are competitive and easy to find (Ghazi & Goede, 2019). However, this does not cover up that rural areas also contribute to the creative industry with the diversity of values and cultures they have.

Based on a study by Prabandari, Student, and Ding (2018), it is explained that the internationalization of the creative industry is influenced by Experiential Knowledge (understanding of internal and external factors that occur repeatedly, to increase the performance of firms), understanding of Experiential Knowledge related to firms, customers, competitors, governments, institutions, and markets that are always dynamic in its development. Experiential Knowledge is influenced by three other knowledge, i.e. internationalization knowledge (understanding the concept of a broad

international economy with marketing experience), institutional knowledge (understanding that involves international regulations, norms, standards, and foreign languages), business knowledge and technological knowledge (understanding related to contracts). cooperation between firms and between countries), where the differences in knowledge obtained affect the export activities of companies. Progress in the export process (administrative ease, legality), logistics (offering various modes of transportation by sea and air with various price options), and communication technology (internet), create opportunities for MSMEs to participate in international markets (Sasatani and Eastin, 2016). Even though the commodities exported are not as many as big companies, the number of MSMEs participating in the international market will also increase the trade balance.

According to a study by Freeman, Styles, and Lawley (2012), MSMEs can take advantage of opportunities in the international market, access information related to the latest developments in the international market, develop relationships with other industry players that can benefit each party, participate in platforms (online and offline) that can build their corporate image, and be active in joining organizations that accommodate export activities. This is in line a study by Souchon, Sy-Changco, and Dewsnap (2012), where export success is influenced by export experience and the willingness to learn to improve organizations so as to make it an export memory. Export memory can be used to understand economic fluctuations, help create alternative marketing, offer various marketing solutions related to price issues, be a reference for strategies to enter new markets or improve old markets, develop products and expand distribution networks in international markets, and memory exports can help monitor system and measure the performance of firms. Therefore, management in firms must have an export mentality to maintain and improve export performance in the international market. Communication is an investment both in the domestic and international markets that are outlined in the promotion strategy, one of the promotion strategies for the international market is by following trade fairs (Tooksoon & Mohamad, 2013). Trade fairs help bring together suppliers and buyers to conduct international trade transactions.

3. METHODOLOGY

This study uses a descriptive analysis approach through secondary data or literature. Secondary data used as references were data from various journals, news, government reports, and various secondary data sources. The purpose of this study is to examine the performance of the creative industry sector in the fashion subsector in Indonesia and can support further research regarding the creative industry.

4. ANALYSIS AND DISCUSSION

Indonesia is one of the countries whose economy is supported by MSMEs, where the majority of MSMEs are engaged in the creative industry sector. As the definition of the creative industry discussed in the review literature, the creative industry involves elements of creativity and innovation obtained from efforts to solve problems or offer new things or improvisations from those that already exist in the context of commercialization, of which there are at least 16 types of creative industries in Indonesia (Badan Ekonomi Kreatif Republik Indonesia, 2017). These 16 types of creative industries are spread in almost all parts of Indonesia. They even contribute to international trade in addition to domestic trade.

Based on statistical data related to export activities in the creative industry sector, one of which is fashion, there is a significant increase in this subsector. There is great potential in the fashion sub-sector, making this creative industry sector ranked first in the value of the largest total exports among the creative industries commodities exported, with an export share of more than 50%. The increase in fashion exports is growing in line with the awareness of fashion which leads to the fulfillment of a lifestyle. Growth in export value based on the value of Free On Board (FOB) is shown below.

Table 1. FOB's Value of Fashion Commodity

CODE	DESCRIPTION	FOB'S VALUE (MILLION US\$)						
		2010	2011	2012	2013	2014	2015	2016
14111	Textile industry	5558.4	6565.2	6106.4	6216.9	6256	6410.9	6229.8
15202	Sports shoes industry	1531.6	1867.3	2021.3	2175.2	2229.8	2446.4	2471.1
15201	Footwear industry for daily use	362.7	574.8	618.1	756.1	837.2	892.3	931.2
14301	Knitted apparel industry	774.3	912.2	841.6	924.1	837.6	619.8	677.9
15121	Manufacture of leather and artificial leather for personal use	143	173.4	204.4	220	226.2	229	267.3
14131	Textile apparel industry	97.2	119	136.1	147.1	164.1	149.4	150.6
14303	Sock knitting industry and the like	97.8	117.1	120.7	120.4	128.5	129.9	145.3
15209	Other footwear industry	6.9	11.1	14.1	11.3	5.7	9.3	19.2
14132	Leather clothing industry	3.3	7.9	11.8	12.5	9.5	5	6.2
14112	Leather apparel industry	7.9	7.5	8.6	8.7	2.9	1.9	1.4
14200	Manufacture of apparel and leather goods	1.2	1.3	1.3	1.2	1.4	1.3	1.4
Total Export of Fashion		8584.3	10356.8	10084.4	10593.5	10698.9	10895.2	10901.4

Source: Badan Ekonomi Kreatif Republik Indonesia and Badan Pusat Statistik Indonesia (2017)

Based on the data table above, export growth is quite significant every year, where the textile industry ranks at the top as the most exported commodity from the fashion industry sub-sector, where its role is more than 50% of the total exports of commodities in the fashion sub-sector, followed by footwear, knitwear, leather, and finished clothes. Judging from the movement of export value each year, the majority experienced a significant increase, except for the knitted apparel industry and leather clothing industry which decreased quite significantly between 2013-2016. Cumulatively, exports for fashion experience a significant growth or increase, this shows that the role of the creative industry in the international market is growing or productive. These fashion products are exported to various countries in the world. According to statistical data published by Badan Ekonomi Kreatif Republik Indonesia and Badan Pusat Statistik Indonesia (2017), Indonesia's fashion subsector is in demand in the United States market, where exports to the US reached USD 4,728.1 million in 2016.

The export value, based on FOB in destination countries in 2016 by Badan Ekonomi Kreatif Republik Indonesia and Badan Pusat Statistik Indonesia (2017), shows that the Indonesian fashion sub-sector is in demand in the markets of the United States (43.37%), Japan (8.67%), Germany (6.43%), Belgium (4.68%), China (4.43%), South Korea (3.6%), United Kingdom (3.3%), Netherlands (2.5%), Australia (2.15%), and Canada (2.11%). Competitive prices and product quality in line with the standards of the destination country make this fashion subsector very promising as a mainstay for Indonesia's exports of non-oil and gas commodities. Indonesia has the potential to produce high fashion products, because the cost of employees in Indonesia is below the cost of employees in export destination countries. Therefore, Indonesian fashion can compete in terms of price. The role of exports in the fashion subsector is supported by the role of industrial creative entrepreneurs in various provinces in Indonesia. Indonesia, with its different local wisdom in each region, has made it rich with various types of creative industries. Their role in the international market can be seen from the total value of exports each year. The following is the export value of the fashion subsector based on FOB data referring to the province of origin in 2010-2016;

Table 2. FOB's Value Based on Province of Origin

Province of Origin of Goods	FOB'S VALUE (MILLION US\$)						
	2010	2011	2012	2013	2014	2015	2016
West Java	3339	4083.1	4041.7	4483.7	4686.6	4632.2	4655.7
Banten	2197.8	2738	2651.6	2648.1	2530	2612.5	2648.4
Central Java	1061.1	1248.4	1302	1478.4	1578.6	1836.4	2022
DKI Jakarta	1447.9	1613.1	1405.8	1264.3	1205.1	1086.6	919.2
East Java	181.2	237.1	260.2	281.3	307.1	310.7	308.4
Other Provinces	357.4	437.1	423.1	437.1	391.4	416.8	347.7

Source: Badan Ekonomi Kreatif Republik Indonesia and Badan Pusat Statistik Indonesia (2017)

Table 2 shows that West Java is the province with the largest export value based on FOB or, in other words, the island of Java dominates the role of exports in the fashion industry sector in Indonesia. Broadly speaking, export growth has increased significantly for the provinces of West Java and East Java, while for Banten the growth has been quite volatile, and DKI Jakarta has also experienced a significant decline in this fashion industry sector. The five provinces are among the provinces with the largest number of creative industries in (Badan Ekonomi Kreatif Republik Indonesia, 2017). The number of creative industries in 2016 in West Java was

1,504,103 businesses, Central Java as many as 1,410,155 businesses, East Java as many as 1,495,148, DKI Jakarta as many as 482,094, and Banten as many as 299,385 creative industry businesses. Therefore, the majority of export growth is supported by Provinces on Java island (Badan Ekonomi Kreatif Republik Indonesia, 2017).

From these data, it can be analyzed that the potential of provinces in Indonesia in supporting international trade is very large. Even though the creative industries in Indonesia are dominated by MSMEs, their quality can compete in the international market. The nature of flexibility in the MSME sector makes it an advantage in international trade. Referring to a study by Amighini and Rabellotti (2006), one of the creative industries in international trade, comes from networking in the creative industry cluster. Export activities in the creative industry sector are carried out in various ways, some are carried out independently, using the services of other parties, collectively with fellow creative industry players in the cluster, and so on. Marketing methods also vary, including online and offline, or based on relationships (Grochal-Brejda & Szymura-Tyc, 2018). The advantage of the creative industry cluster is its ability to create competitive competition so that there is market competition that can hone elements of creativity and innovation in the products/services made. Based on table 2 data, West Java is one of the provinces that has the most MSMEs in the creative industry sector. This is in line with the studies of various researchers in a number of international journals related to creative industry clusters, such as the footwear cluster in Cibaduyut (Dhewanto, Herliana, Lantu, & Lawiyah, 2019; Gunawan, Jacob, & Duysters, 2015), fashion products from leather in Sukaregang, Garut (Ratnaningtyas & Lawiyah, 2016), apparel industry in Soreang (Purbasari & Rasmini, 2019), knitting industry in Binong Jati (Herawaty & Jaja Raharja, 2018). The large export potential of West Java is supported by product adaptability and high ownership involvement supported by their creativity, including their workforce (Wulan Tresna & Jaja Raharja, 2018). The development and growth of exports have led the government to issue a financial support policy for exports. The Indonesian government also supports Indonesia's export activities from a financial perspective, through the Indonesian Export Financing Agency (LPEI) providing direct support in the form of capital financing to exporters. With low interest financing, it is expected to increase the competitiveness of Indonesian exporters (Kementerian Keuangan Republik Indonesia, 2018). The Indonesian government has implemented a tax policy of 0% for 10 types of services, including the type of printing services that are mostly done for fashion (Kementerian Keuangan Republik Indonesia, 2019). This helps MSMEs to maximize their potential in international trade.

5. CONCLUSION

Based on the analyzed literature study, it is concluded that the growth of the creative industry in Indonesia for the fashion subsector grows significantly every year. The fashion industry in Indonesia contributes to exports for all types of creative industries, which is more than 50%. This means that more than half of the creative industry growth in international trade is the contribution of the fashion subsector. The large market potential, competitive price offers, and the large amount of creative industry resources of Indonesia have enabled the country to increase its export potential, one of which is the export potential of the fashion sub-sector. Both individually and through clusters, the creative industry grows as well as the influence of culture and other resources that affect the products and services produced. Like the preliminary data analysis conducted, the creative industry on Java Island is the largest creative industry in Indonesia, which contributes significantly to export performance in the Indonesian Trade Balance.

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