

READINESS COMPETITIVENESS INDUSTRIAL SECTOR IN CENTRAL JAVA BECOME A MAJOR PLAYERS AND A WINNER IN THE IMPLEMENTATION OF THE AEC

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ABSTRACT

Improving the quality of Indonesian human life, increasing productivity and competitiveness in the international market, as well as realizing economic independence by moving the strategic sectors of the domestic economy, is a part of the purpose of the future goals of Government Jokowi-JK. To achieve the goals and objectives of development of the industry, which has strong competitiveness, it takes a strategy and a good road map to becoming a major player and winner in the implementation of the AEC. The steps of the strategic formulation of the policy of strengthening the capacity of human resources and institutional capabilities in the sector of the industry is absolutely have to keep conducted. Construction of infrastructure industry, construction of green industry and strategic industries, increasing the use of resources and the products of local wisdom, as well as increased international cooperation in the field of industry should also continue to be carried out sustainably. The granting of appreciation toward invention and innovation products of domestic industry and creative industries to improving productivity and competitiveness should continue in order to keep the industrial sector still can be a major player and leading sectors in the implementation of the AEC and the sustainable development of the National and Central Java.

Keywords: Industrial Competitiveness, Leading Sector in the implementation of Asean Economic Community (AEC)

INTRODUCTION

The one of the latest economic cooperation commitments beginning in 2016 in ASEAN is a region towards a better economic integration through the establishment of a single market within the framework of the Asean Economic Community (AEC), to realize the ASEAN economic community that can bring prosperity for all its members. The model pattern of accelerated cooperation in the AEC is expected to be better and more dynamic and more competitive compared to previous patterns of cooperation, such as in a Preferential Trading Arrangement (PTA) and the Asean Free Trade Area (AFTA). Therefore, we do not need to worry and thought provoking negatively towards that commitment. With the pattern of cooperation model of AEC that expected will be happened the more dynamic acceleration, easier and a lot more activities in the import-export, the flow of investment and the mobilization of the population in the intra Asean inter-State.

Indonesia already has an economic system of Pancasila and the economic power-industry that is getting better, as the capital base that is strong and tough. Indonesia will be able to obtain many of the benefits of economic integration in AEC if it is able to optimize the whole existing economic resources and continue to develop the power industry sector-industrial potential and the industry's pre-eminent for doing market penetration strategy (market penetration strategy) and the strategy of development of the market (market development strategy) Asean. In this AEC cooperation will be a lot of changes certainly compared to the previous model, but it is not a danger, the danger is if the attitude of the US who do not want to change to dynamically and keep moving forward. The economic system of Pancasila and the strength of the industrial sector could be an important basis for capital facing the AEC that more leaning towards liberal. In NAWACITA the clause 6 has asserted that we should "enhance people's productivity and competitiveness in the international market, so that the nation can move forward and Indonesia rose along with other Asian Nations. Therefore, we should be able to capitalize on the momentum of the AEC in the current era of globalization with various efforts improved productivity and national competitiveness collectively to take the best part of the largest funds, as well as winners in the process and in the final result.

The high productivity is reflects to the high of competitiveness, and the high competitiveness has a potential to yield a high economic growth and quality. In other words, an economy that has higher levels of productivity, tend to grow faster over time. To become a country with a high competitiveness there should be some requirement that must be met, among which include; quality of infrastructure, bureaucracy, macroeconomic stability, the quality of human resources, as well as the quality of education, and public health that all comes down to attempts to increase the economy's competitiveness. Indonesia should continue to strive increasing the productivity and competitiveness through improved capacity of superior ability and quality of human resources in all sectors, particularly in the sectors of industrial perioritas.

In contrast, if we are not able to capitalize on the momentum of the implementation of the AEC, and without having thorough preparation in improved efficiency, productivity and competitiveness, then we will only be as audience and consumer base, that marked by just being market imports. As one example, at this time Indonesia is already become a very large food importer. If it is not able to increase the sovereignty of food production independently, Indonesia will continue to experience a deficit in the trade balance which resulted in a weakening of competitiveness and weakening the value of the Rupiah.

Indonesia still has many basis of excellence others comperative such as; a broad and fertile land, the wide waters and many fish, as well as other natural resources in abundance, and the demographic bonus. However, in order to Indonesia can be as major players and winners, Indonesia should dare to change from excellence comperative base to competitive edge base, as well as being able to develop those industries which have a high competitive competitiveness as the main perioritas in competition on the single market in the Asean model AEC scheme. In the AEC scheme there are 12 sectors into a single Asean market's priority, one of which is the priority of the textile industry and textile products sector (textile and clothing industry). In addition, the Textile Industry and Textile Products (TPT) is one of the mainstay industry in Indonesia besides of the Furniture industry and Agro-based Industries.

Issues that still need to be studied more examined deeper in this article is the TPT industry already prepared to becoming a major player and winner in the AEC? How the dynamics of the readiness of the TPT industry to face of the Asean single market in AEC scheme? Is the TPT industry already prepared to be able to take the benefit optimally in the single market of AEC? How is the support that already taken by the Government policy and should continue to conduct to encourage the industrial sector especially TPT industry in order to be able as a major player and leading sectors in the AEC? What is the strategy that should be done in order to the industrial sector in Indonesia particularly TPT industry was able to take a benefit optimally as well as a major player and winner in the single market of the AEC scheme?

THEORITICAL REVIEW

The principle of the theory of competitive advantage is a major factor productivity and determinant of competitiveness in the competition of international business. However, to achieve this required various prerequisites in order to a country could have a competitive advantage. Based on this theory, then the factor of productivity would be the key to how Indonesia can as major players who preminent to facing out of the AEC. In the Classical theory, the basic idea of the absolute superiority of Adam Smith acted more for pursuit of excellence comperative, and yet are a competitive advantage. Later, Michael Porter updated the basic ideas of Smith to reach the basic theory of competitive advantage (competitive advantage). Therefore, to achieving a victory in this competition, in a theory of a country can use the comperative excellence and competitive advantage.

According to the Classical theory of David Ricardo, productivity is not the only factor in a country that can used to winning the competition, but there are other factors which also can be used to win the competition i.e. a factor of average input that the costs are low (efficiency). According to Ricardo, the low of labor cost is the factor that most frequently relied upon by a country to have comparative advantages. In addition, a factor in the ownership of natural resources also as well as an efficient financial market also are another factor that brings on a comparative advantage. However, in the modern theory, the idea of absolute excellence and comperative excellence of Ricardo were not strong enough to achieve a competitive advantage. Furthermore, Porter has repair the Classic theory that known as competitive advantage theory.

The theory of competitive advantage is able to explain why Japan, Korea and Singapore that only have a few factor of natural resources and cheap labor's cost can compete and be able to achieve a competitive advantage in international trade. Michael Porter (1990) has proposed a new theory to achieve competitiveness in international trade. In the beginning of Porter's theory, its only look at how the competitiveness of industrial enterprises can be built in the face of competition at that time. Porter sees the success of Japan and its industry could be able to compete and preeminent, whereas they did not develop more products specifically, but rather mimics the stuff that has been around, but it can make the product more better and cheaper. Why is the Japanese product more competitiveness?

Porter recognizes that the success of Japan and Korea are not only the success of their industrial companies that aggressively, but also supported by Government policy. On the basis of that realization, then Porter finding the root of problem and factors that make Japan and Korea being superior and powerful products. Further, Porter also saw, that pattern which looking for increased competitiveness for success in international trade also occurs in the United States, Western Europe and Asia, especially Japan and South Korea. According to Porter, there are synergies between the Government and the business world in increasing the country's competitiveness in international trade. The synergies are very helpful to support the essential elements that make up the competitive advantage.

According to the theory of Porter to reach the competitive advantage initially there are four pillars as the main factors, namely; factors of production conditions, conditions of domestic demand, related industries and his supporters as well as his company's behaviors. Furthermore, the theory of Porter developed into eight pillars and the nine pillars.

Then, according to Schwab, (2013) stated that the competitiveness is affected by the 12 pillars that include factors; driven economies, namely (institutions, infrastructure, macroeconomic environment, health and primary), economies, i.e. the efficiency factor (the Higher education and Training, Goods market efficiency, Labor market efficiency, Financial market development, Technological readiness, Market size), and innovation-driven economies, namely (Business sophistication, Innovation). The 12 pillars of competitiveness rankings determine the economy of a country. The higher the ranking of competitiveness, then the economic resources that are owned by these countries have high levels of productivity. Furthermore, the high level of productivity that will be decisive for the improvement of the economic well-being of a nation on an ongoing basis.

On the other hand, in microeconomics theory of competitiveness was more focused on specific attributes such as; in a national business environment (whether business regulation increase or hinder investments and economic growth?); in the Organization and structure of economic activity (local competition and level of the extent of agglomeration spillovers from cluster development) as well as in the use of the practice of the sophistication of business management (whether industrial firms are able to use the wage-intensive). In the connection with it, should continue to be advised also how to influence the productivity of micro-economic policy of the role of Government. In a more clear framework of increasing competitiveness in the micro and macro economy can be seen in Figure-1 below.

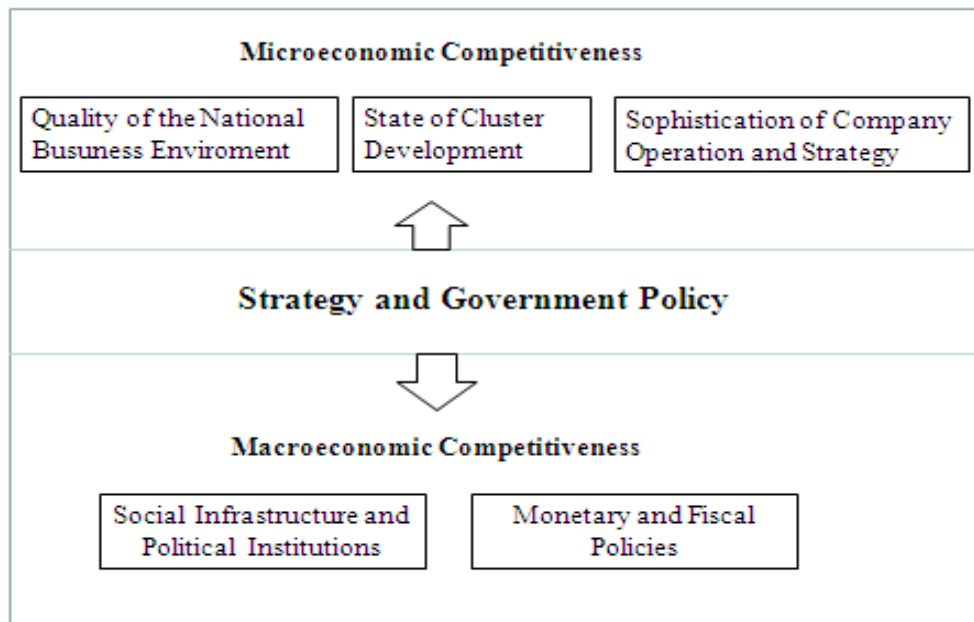
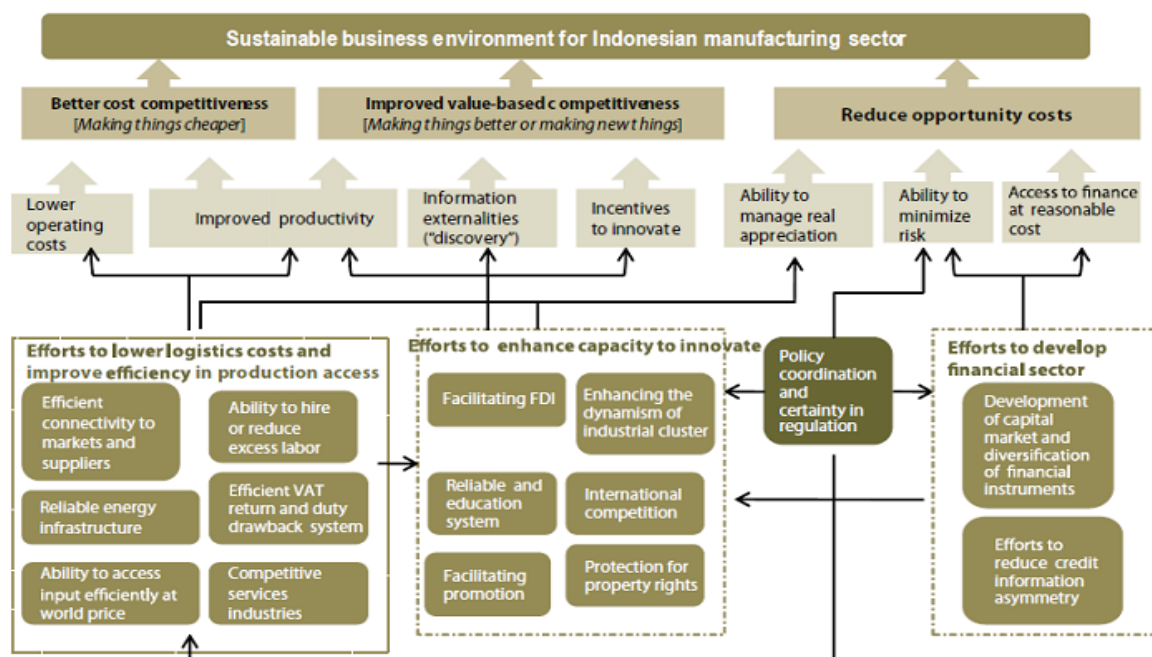


Figure-1: Framework Economic Competitiveness Macro and Micro

According to World Bank research results (2012), a sustainable business environment for manufacturing industry can be divided into 3 clusters. The first cluster creates bargains through lower operating costs or productivity improvements. The second cluster, is making new stuff through improvements in productivity, discovery, and innovation incentives. Meanwhile, the third cluster is reducing the cost of risk capital through access opportunity, minimized the risk, and management of exchange rates. For more info of the Division of such clusters can be seen in Figure 2 below. In addition, Folana (2012) conducting diagnostic competitiveness of Indonesia on three clothing manufacturing subsector, wooden furniture, industrial and automotive components. The usability of diagnostic test, other than to test the evaluation condition of competitiveness in the industrial sector manufacturing Indonesia, can also be used to identify policy options for enhancing the competitiveness of the manufacturing Indonesia product quality improvement.



Source: World Bank, 2012

Figure-2: The framework of cluster competitiveness of sector manufacturing industry in Indonesia

	worker (%)				growth (%)				
	1997	2002	2006	2007p	1997–2002	2002–2007p	2007p	1997–2002	2002–2007p
Singapore	37 226	41 085	47 037	46 494	2.0	2.5	-1.2	1.4	4.2
Malaysia	19 457	20 703	24 154	25 045	1.2	3.9	3.7	2.2	2.0
Thailand	12 180	12 420	14 626	14 999	0.4	3.8	2.6	0.7	1.6
Indonesia	8 688	8 415	9 941	10 066	-0.6	3.6	1.3	1.4	1.7
Philippines	6 723	6 827	7 685	8 075	0.3	3.4	5.1	2.7	2.3
Viet Nam	3 503	4 144	5 131	5 453	3.4	5.6	6.3	2.7	2.3
Myanmar	2 509	3 478	4 944	5 082	6.7	7.9	2.8	3.7	3.6
Cambodia	2 845	2 873	3 530	3 772	0.2	5.6	6.9	7.6	4.7
ASEAN	8 206	8 272	9 738	10 020	0.2	3.9	3.0	2.1	2.2
China	5 342	7 323	10 939	12 101	6.5	10.6	10.6	1.1	0.9
India	4 441	5 201	6 614	7 003	3.2	6.1	5.9	2.0	2.5
Korea, Rep of.	28 688	33 735	38 158	39 512	3.3	3.2	3.6	0.9	1.1

Note: ASEAN productivity figures exclude Brunei Darussalam and Lao PDR. Productivity figures for 2007 calculated on the basis of official employment estimates produced by national statistical offices and ILO; calculated GDP figures based on 2006 observed values, together with 2007 GDP growth rates from the IMF, World Economic Outlook April 2008 Database. "p" denotes projection.

The revival of the industrial sector of manufacturing in Indonesia began to Appear in 2008. The third manufacturing subsector has a significant margin quality. Sustainable apparel sector has potential (great market demand), while the furniture sector has the potential for increased productivity and intensification of using the raw materials. This is caused by (Fall 2012):

- (i) urge revival of traditional manufacturing industry sectors (clothing, furniture, and automotive components) that rely on cheap labor wages even the lowest in ASEAN.
- (ii) the potential economic market access based on the scale of production of large and growing domestic market of Indonesia and regional markets are increasingly integrated.

The condition is not much owned by another country, so the chance of luck this should be immediately turned on by incentives that increased the technologist and the creation of new jobs in the manufacturing sector in Indonesia. In the short-term, cheap wages can be maintained but in the long term the pressure over the wage increment would occur.

RESEARCH METHOD

This article is the result of research of MP3EI during the period 2014-2016-designed with the method of research applications. During the period 2014-2016 research has used several models of such an analysis; Policy Analysis Matrix (PAM), Revealed Comparative Advantage (RCA) RCA-index and Constant Market Share (CMS), Trade Specialization Index (ISP), Intra-Industry Trade (IIT), sensitivity Analysis, analysis of technical efficiency with techniques of DEA, and analysis of economical efficiency, productivity analysis, as well as other competitiveness analysis of the model of Euro d. Arto and Model Dong Sung Cho. In addition, specifically in the 2015-2016 also used Participatory Action Research methods of analysis (PAR) as well as policy analysis and method FGD.

Then, with research and develop methods to achieve the purpose of the research work more efficient and more productive, so that the production costs can be pressed and keep productivity can be achieved, then the special method used by 2016 and policy research action research. The method of action is more specific research intended to better understand the situation and changes the behavior of the climate community, including the public of socio-economic as well as the institution and work climate, against the impact of economic policy, whereas the method of policy research more directed against the socio-economic problems are more fundamental, so that his findings can be recommended to the Government as policy makers practically. In addition to these methods are also used the method of evaluation and review the follow-up as well as Participatory Rural Apraisal method (PRA) as an amplifier in the method specified above PAR. All these methods were used in order to find the best solutions to solve a variety of problems so that the research results can be used for the benefit of public life and TPT related industries affected by the negative impact of the Government's economic policy.

RESULT AND DISCUSSION

Indonesia has become part of the global production chain, especially in the establishment of Asean single market in the scheme of the AEC. ASEAN Economic Community (AEC) is an Asean economic integration in Asean free trade between Nations. The ten ASEAN member countries have been agreeing this agreement. The AEC is designed to realize Asean's insights on the upcoming year 2020. The first step that should to conduct by the Government of Indonesia to confront the AEC is to increase the competitiveness of Indonesia's products given the population Indonesia that has an enormous potential to become a market for similar products from neighboring countries. Increased efficiency, productivity and competitiveness includes both a superior product and is not seeded in all sectors. However, that was examined in this article are new only in the industrial sector in particular has more depth to the industry of textile and textile products (industrial TPT).

There are 4 main elements of the strategic plan that for attainment of the formation of the AEC which started late 2015 or early 2016. The four pillars of the AEC in meant are as follows:

- 1) single market and production base: Regional flows of goods, services, and investment, a free labor, capital flows more freely, Priority Integration Sectors (PIS), as well as the development of the sector of food-agriculture-forestry;
- 2) The high competitiveness area, competition policy, consumer protection, intellectual property, infrastructure development, energy cooperation, taxation, e-Commerce;
- 3) Region with equitable economic development: the development of SMEs, the initiative for Asean integration (CLMV);
- 4) integration with the world economy: a coherent approach towards external economic relations, the increasing participation in the global supply chain.

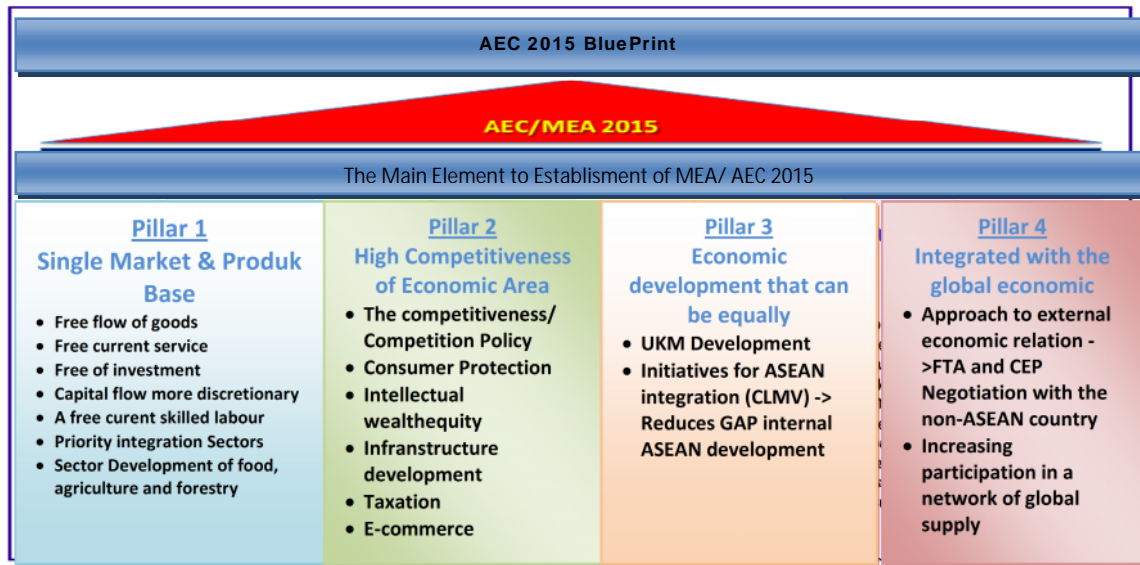


Figure-3: The 4 main elements that establishes the AEC

Actually, many of the benefits, barriers, challenges and opportunities that can be given of the existence of the AEC. If Indonesia does not want to increase capacity, and not being able to improve efficiency, productivity and competitiveness, then will meet many obstacles and challenges as well as opportunities that will not be good in the future. Many of the benefits that can be achieved with the AEC particularly for Indonesia, such as Asean Member, more increasing along with economic growth, increasing the flow of investment, as well as the increasing of job opportunities and prosperity. The barriers that can be felt is; the provision of an integrated infrastructure to streamline logistics system and a conducive investment climate. Whereas, the challenge in the AEC is still a low level of understanding of the Central Government and the regions as stakeholders, not to harmonic the policy of macro, meso and micro, and Indonesia a midset society in General see the AEC as a threat rather than an opportunity, as well as the still low level of human resources capacity and competence as well as low level products and competitiveness of Indonesia.

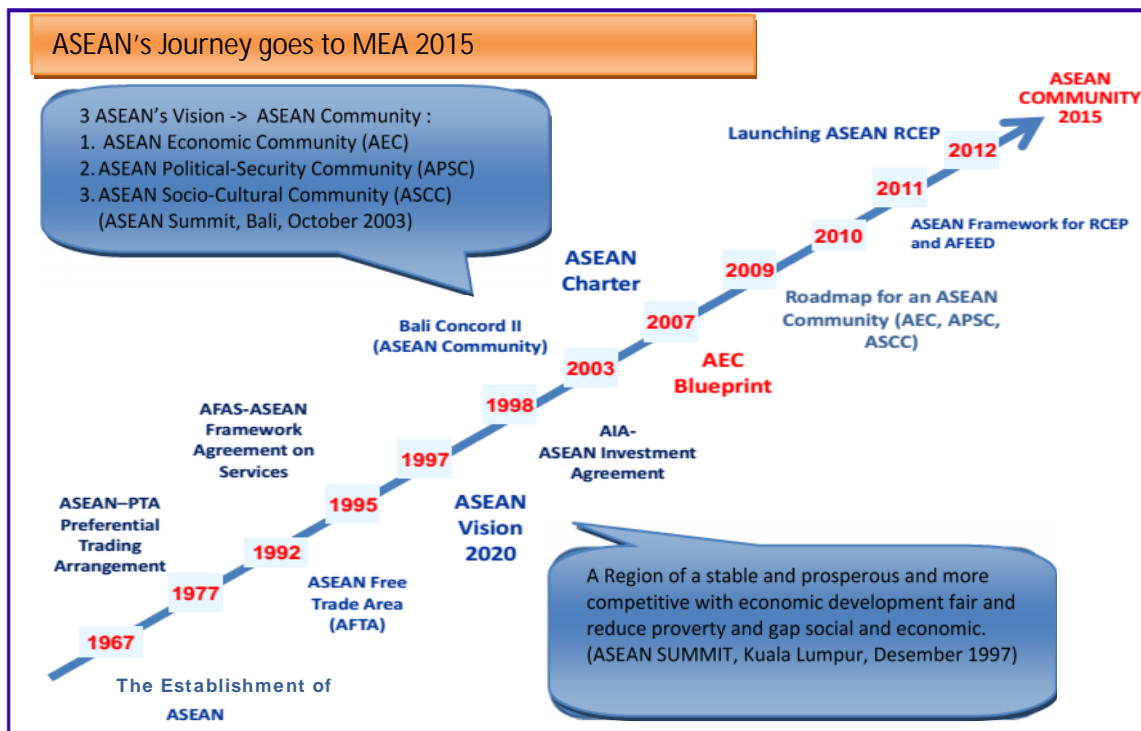


Figure-4 : The Long Journey Of The Struggle Of The Formation Of The AEC Collaboration

With the occurrence of deindustrialization in Indonesia since 2002 until now, then it will have an impact on industrial competitiveness of weak corroboration of Indonesia. If the issue continues to occur, then the deindustrialization of Indonesia will be many challenges and obstacles so as not to be able to take the opportunities and benefits provided. MP3EI research has a results during the period 2014-2016, a explained that during the last 3 years is the development of an Asean single market through AEC scheme also has yet to provide many benefits to industry of TPT. It is caused by many factors both internal and external. Some indicator of industrial performance TPT shows some aspects such as; aspects of work and industrial performance has not been good TPT and there is even a tendency of decline. Aspects of cooperation on investment and production cooperation between Indonesia and other members of the Asean countries have not built and not well-integrated.

Other indicators of industrial export growth seen from Indonesia declining the TPT and thus the more happening trend of the importer on the same product produced by TPT industry. One of the main causes of TPT Indonesia industry was not able yet to take the benefit optimally from Government policy support which lacking.

Though in Porter's theory of the competitiveness the support power of government policies is very necessary. Especially in the field of investment and production cooperation Cross Asean member countries, as far as the research was written there has been no government regulation of the Asean member countries that specifically bridging network production and the creation of a single market of Asean. During each Asean member country Governments only set general policy in question and the quota only, there is no invention and innovation policies of the Asean market penetration and market Asia Pacific and global markets. The existence of policy maritime that exist in Indonesia is expected to be able to provide many opportunities for Indonesia in order to could take many benefits of it.

Based on some of the opportunities and threats as well as the above benefits, the Government and the entire people of Indonesia should be more serious about working hard and paying attention to the dynamics of the AEC as a chance that will give you many benefits and is not regarded as a threat. The Central Government and regional policies and needs to take decisive steps, quick and precise with immediately, so that Indonesia's TPT industry in particular can be as a major player and winner in the single market the AEC now and in the future. If not immediately, then the ability of Indonesia will be more slump and in the end just as the audience because it was prefaced by other Asean member countries. In addition, Indonesia will be the more aggrieved because TPT is industry labor intensive industries, so that employment opportunities will be taken by other Asean member countries. If this happens quite a setback as well as destruction and not the happiest windfalls

Therefore, the Central Government and regional mandatory should be firmly, quickly, directly as well as synergy and integrated to create a policy to strengthen the productivity and competitiveness of industries particularly in Java and TPT across Indonesia. The Government should create a policy paper that is blue print on various strategic efforts in raising the competitiveness of the industry including the develop of TPT market and industry sector market penetration. The policy paper model is minimal in go to one of the pillars of the best of the four pillars which provide many benefits to the people of Indonesia, for instance focused on the completion of the road map the competitiveness pillar of the single market industry, services, investment, and trade based on regional production. Preferably, the policy paper also should be equipped SOP (system operational procedures) and a road map of action efforts increased the competitiveness of the industrial sector in Indonesia

In addition, the industry's own TPT assisted Governments need to do a variety of strategies to raise the competitiveness. TPT industry can do Intensive Strategy (Intensive Strategy); The strategy of market penetration (Market Penetration Strategy), the strategy of the development of the market (Market Development Strategy), and the strategy of product development (Product Development Strategy). The main purpose of these various strategies is to increase the market share of the export industry on the TPT is currently in not good condition and there is a tendencies became State industrial products importer on TPT. The third strategy is called intensive strategy, as done by exerting intensive efforts that various terms industrial companies can independently and is able to improve its own position competitive with existing products at the moment.

In fact, there are still some options of strategies that can be conduct; the strategy of diversification (diversification strategy) and defensive strategies (defensive strategy). Because remember, TPT is industry labor intensive industries, then the defensive option strategy at this point is not applicable. Whereas, for the strategy of diversification can be conduct on TPT industry as support and reinforcement, but not as a strategy first and foremost should be done at this point. Because the strategy is more suitable conducted at this time is intensive strategy, without prejudice to the role of the diserfikasi strategy. This is because the strategy of diversification is also needed to strengthen the industrial concentration of Indonesia domestic TPT to be more tough and able as a leading industrial sector TPT in AEC.

CONCLUSION

With the establishment of the AEC, Indonesia had to develop the industrial sector through the defenseless industries high competitiveness that can become a priority of Asean single market. In the AEC scheme, there are 12

sectors of priority that agreed upon between Asean members, one of which is the sector of the textile industry and clothing (textile and clothing) are next in this article are often referred to with the industry TPT. MP3EI research's results, indicating the industry's competitiveness has a tendency of TPT declining and Government policy required expressly to enhance industrial competitiveness in TPT. In addition, TPT industry also should immediately undertake intensive strategy as the primary strategy and strategy of diversification as a strategy supporting, so that industry can make the TPT as major players and winners in the implementation of the AEC.

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