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THE EFFECTIVENESS OF FABRIC SAFEGUARDS IN PROTECTING AND IMPROVING THE INDONESIAN TEXTILE INDUSTRY COMPETITIVENESS

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Abstract: This study investigates the effectiveness of fabric safeguards set by the Indonesian government on protecting and improving the competitiveness of the textile industry in the domestic and global markets. Data on exports and imports of 107 HS codes of fabrics subject to additional import duties in 2011-2020 are used to measure Indonesia's competitiveness compared with six major exporting countries. The Revealed Comparative Advantage (RCA) and the Trade Specialization Index (TSI) interpret the Indonesian fabric competitiveness and its competitors. Independent variables of this research are Safeguard Measure Import Duty (BMTP), Most Favoured Nation (MFN) rates, period of investigation, exchange rate, and inflation. The results show that the safeguard, MFN, and period of investigation significantly affect the decline in fabric imports, but other variables have no significant effect. The regime effectively protects Indonesia's textile industry, which is marked by a decrease in the value and volume of imports during the validity period. The RCA indicates that Indonesia does not have a comparative advantage, and according to the TSI, Indonesia is an importing country. BMTP cannot change Indonesia's position as a net exporter and improve its competitiveness. This study implies that it is necessary to increase investment in more efficient production machines with high productivity, optimize the supply chain, reduce production and enterprise costs, and restructure business models; thus, their competitiveness increases in domestic and foreign markets.

Keywords: BMTP, fabric, comparative advantage, trade index, impor duties

Abstrak: *Penelitian ini bertujuan menginvestigasi efektifitas kebijakan safeguard kain yang ditetapkan oleh pemerintah Indonesia dalam melindungi dan meningkatkan daya saing industri tekstil di pasar domestik dan global. Data ekspor dan impor 107 kode HS kain yang dikenakan bea masuk tambahan tahun 2011-2020 digunakan untuk mengukur daya saing Indonesia dan dibandingkan dengan enam negara eksportir utama. Revealed Comparative Advantage (RCA) dan Trade Spesialisasi Index (TSI) menginterpretasikan daya saing kain Indonesia dan negara pesaingnya. Variabel independen penelitian ini adalah Bea Masuk Tindakan Pengamanan (BMTP), tarif bea masuk umum (MFN), periode penyelidikan, nilai tukar, dan inflas. Hasil penelitian menunjukkan bahwa safeguard, MFN dan periode penyelidikan berpengaruh signifikan terhadap penurunan impor sedangkan variabel lainnya tidak berpengaruh signifikan. Kebijakan ini efektif melindungi industri tekstil di Indonesia yang ditandai dengan penurunan nilai dan volume impor selama masa pemberlakuan. Index RCA menunjukkan bahwa Indonesia tidak memiliki keunggulan komparatif dan berdasarkan pengukuran TSI, Indonesia menjadi negara pengimpor. BMTP juga tidak mampu merubah kedudukan Indonesia menjadi negara net eksportir dan meningkatkan daya saingnya. Implikasi penelitian ini adalah industri tekstil perlu meningkatkan investasi pada mesin produksi yang lebih efisien dengan produktivitas tinggi, mengoptimalkan rantai pasok, mengurangi biaya produksi dan perusahaan, serta merestrukturisasi model bisnis; dengan demikian, daya saingnya dapat meningkat baik di dalam dan luar negeri.*

Kata kunci: *BMTP,kain, daya saing komparatif, indeks perdagangan, bea masuk*

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INTRODUCTION

According to the National Industrial Development Master Plan set by the Ministry of Industry (MoI) Republic of Indonesia, Textile and Apparel Industry (TPT) is a priority and mainstay industrial sector. It contributes significantly to the national economy, both in terms of employment and the country's foreign exchange. In 2019, the textile industry exported USD 12.84 billion, contributed 7.19% to the national GDP, and absorbed 3.73 workers. The textile industry shows growth year by year. The average growth rate of the textile industry in the last decade is 3.48%. Despite experiencing negative growth of 0.09% in 2016, this sector rose significantly in 2019 with a growth rate of 15.35% (Ministry of Industry, 2021). It shows that the textile sector has a good recovery capability.

From 2011-2020 the textile trade balance showed a trade surplus. During the Covid-19 pandemic, the export value of Indonesian textile products was more significant than its imports. The trade balance in 2020 only contracted by US$ 0.06 billion from the previous year, as shown in Figure 1. This surplus is a contribution from the textile product industry (downstream), which produces apparel and various finished products from textile materials. Exports of apparel reached 66.2% of total textile exports.

The textile industry experienced a trade balance deficit as the upstream and middle stream sectors. The textile industry includes the fiber, yarn, and fabric industries as raw materials suppliers for the textile production industry. The trade balance deficit in this sector was caused by the high value of textile imports, reaching 57.2% of the total TPT imports (Figure 2). Based on the Central Bureau of Statistics data, about 67.86% of Indonesia's fabric imports come from China. The high demand for imported goods can be caused by the price of imported goods being cheaper than domestic products, so in the downstream sector, they choose to use imported fabrics as raw materials so that the selling price of their products is more competitive.

The shipping industry is one of the industries that can advance global economic integration. Currently, China, Japan, Korea, and European countries dominate the commercial shipbuilding sector. The domestic shipping supporting industry has not met all the needs of domestic ships, both warships and commercial ships, and ships used for domestic shipping are almost entirely purchased used vessels from abroad because they are cheap. In contrast, the contribution of the domestic industry only accounts for less than 10% (Bachtiar et al. 2021)

Fabric imports during 2011-2018 increased significantly. In 2011 imports of fabric were 541 thousand tons, and in 2018 it was 865 thousand tons. During this period, the highest import increase occurred in 2016-2018. The surge in imports reached 23.8% (KPPI, 2020). This phenomenon certainly threatens sustainability and harms the textile industry in Indonesia. The Indonesian Textile Association (ITA) stated that the textile industry suffered losses in the form of a decrease in production volume, domestic sales volume, productivity, utilities, and labour caused by highly imported fabrics. The textile industry is experiencing difficulties in liquidity, solvency, activity, and profitability, which, if not addressed immediately, will lead to business bankruptcy. Therefore, as an organization in the textile industry, API submits a request for safety measures for fabric products to the government through the Indonesian Trade Security Committee (TSC).

Figure 1. TPT Export Value 2011-2020 (US$ billion) (Ministry of Industry, 2021)

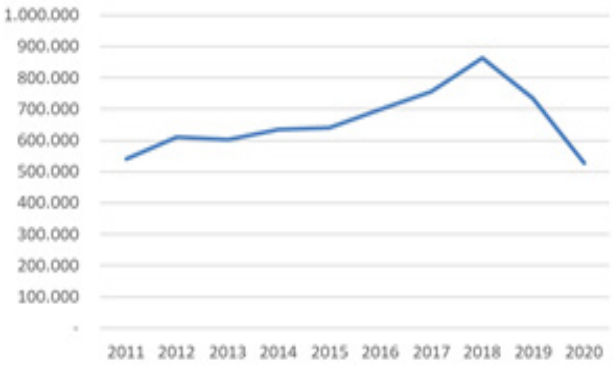

Figure 2. Fabric Import Volume 2011-2020 (tonnes) (Ministry of Industry, 2021)

Safeguard is one of the protection instruments for domestic industry, written in the agreement of safeguard in article XIX GATT 1947 (Rachmawati and Indrasari, 2017). This policy is considered an emergency measure in connection with an increase in imports of certain products that cause or threaten severe losses to the industry of the importing country. The WTO provides an opportunity for its members as importing countries to take measures to protect their industries by limiting access to exporting countries through setting quotas, tariffs, or a combination of both (Pesulima, 2017).

On November 5, 2019, the Indonesian government stipulated the Minister of Finance Regulation Number 162/PMK.010/2019 concerning the Imposition of Import Duty Temporary Security Measure on the Import of Fabric Products (Ministry of Finance, 2019). Based on this regulation, imports of 107 HS of fabric products are subject to the Import Duty Temporary Security Measure (BMTPS). The imposition of this BMTPS is an additional general import duty (Most Favored Nation) or an additional preference import duty based on the applicable international goods trade agreement scheme. The implementation of BMTPS for 200 days, starting from November 9, 2019, to May 26, 2020. This additional import duty will certainly cause an increase in the selling price of imported fabrics in the domestic market, so the issuance of this PMK is expected to reduce the rate of fabric imports and increase competitiveness domestic textile industry.

Efforts to protect the textile industry continue to be carried out by the government. PMK number 55/ PMK.010/2020 concerning the Imposition of Security Measures Import Duty on Imported Fabric Products was stipulated on May 20, 2020 (Ministry of Finance, 2020). This regulation was stipulated as a follow-up to PMK 162/2019, valid for 200 days. The Indonesian government stipulates additional import duties to secure trade in 107 HS of fabric products through this policy. From May 27 2020, to November 8 2022, every import of fabric products (107 HS) is subject to BMTP of IDR 1,538 to IDR 11. 426 per meter. This policy applies to every import of fabric from all countries except for fabric products from 122 countries with trade cooperation agreements with Indonesia and excluded countries.

The application of safeguards is temporary. During the implementation of this security measure, the protected industry can perform loss recovery and adjustment through technology improvement, energy efficiency, and price adjustment (Rachmawati & Indrasari, 2017). Import protection through the determination of security measures import duty means that during the imposition period, the domestic industry must make structural adjustments in the form of performance improvements starting from the acquisition of raw materials, production processes, management, distribution, to marketing to increase competitiveness. So that after the imposition period ends, the industry can compete under normal conditions without the need for government protection (Anam & Solikin, 2020).

Besides being able to protect domestic industries, safeguards can also increase the competitiveness of domestic industries. Trade security measures significantly increase the competitiveness of zinc-aluminium-coated steel products (Rachmawati & Indrasari, 2017). Likewise, establishing a fabric product safeguard policy is expected to increase the competitiveness of the domestic textile industry. (Setiawan, 2017) explains that Safeguard is an action taken in the event of a significant import surge resulting in severe losses or threats to the domestic industry.

Many studies on the impact of safeguards on protected industries have been carried out. Anam and Solikin (2020) analyzed the impact of BMTP on Aluminum Zinc Plated Steel (BjLAS) products. The results stated that BMTP significantly impacted imports of BjLAS and similar products. The additional import duty reduces the volume of imports of protected products because the price of the products becomes more expensive. The Most Favorable Nations (MFN) tariff, a levy on imported goods from countries that do not have a trade cooperation agreement, has a negative effect on BjLAS imports. Tariffs are trade barriers that can affect trade between countries. Before taking security measures, the government investigates the Indonesian Trade Competition Committee (KPPI), which aims to validate the proposals and information submitted by the applicant/industrial association. The existence of this investigation has a positive influence on import activities. Before the BMTP was enforced, importers would increase their purchases of goods in anticipation of price increases. Meanwhile, inflation and exchange rates have no significant effect on fabric imports. The results of Anam and Solikin's research (2020) need to be compared to 107 HS of fabric protected by the government since November 9, 2019. If the results are the same, it can be concluded that BMTP can effectively

protect domestic industries by decreasing the volume and value of imports.

In addition to being able to protect domestic industries, Anam and Solikin (2020) also stated that during the implementation of the BMTP, there was an increase in the comparative advantage of BjLAS products which was marked by an increase in the Revealed Comparative Advantage (RCA) index. This index interprets the ability of a country's commodities to contend comparatively in the global markets. If an export share of the country's commodity is higher than the share of global exports, it is said that the commodity has competitiveness above the world average. One of the objectives of BMTP is to increase the competitiveness of protected products in the domestic market so that local products can dominate the domestic market. Therefore, the results of this study need to be tested by photographing the position of the competitiveness of 107 HS of fabric before and after the establishment of safeguard regulations by the Indonesian government.

BMTP analysis of the Price Cost Margin (PCM) of protected industries states that the application of safeguards is quite effective in protecting domestic industries and has increased company profitability which is marked by an increase in PCM during the implementation of the regulation (Rachmawati & Indrasari, 2017). Suppose the application of protected industrial safeguards can increase company profits. Safeguard is a trade agreement that can improve national welfare (Crowley, 2007). Furthermore, the company can use this profit to make structural adjustments by increasing technology, production efficiency, and determining domestic prices. Protected industries need to do this so that by the time the BMTP expires, they have reached the maximum allocation to compete with imported products. This study has not described in detail the adjustment actions that need to be taken by the company during the implementation of the safeguard.

The results of the RSCA calculation show that in 1990-2004 the RSCA value <0 means that the Indonesian state does not have a comparative advantage in textile commodities and textile products. From 2005-2015 the RSCA value was 0. Thus, in that year, Indonesia had a comparative advantage in textile commodities and products. Competitiveness, exchange rate and GDP had a simultaneous effect on the development of Indonesian textile and textile product exports from 1990-2015 (Paradita and Setyari, 2018).

International trade occurs when both parties gain from the trade, but the most important thing in international trade is that the two countries carry out mutually beneficial trade transactions. International trade provides an opportunity to export goods whose factors of production use abundant resources and import goods whose factors of production are scarce or expensive if produced domestically. International trade allows each country to specialize in the limited production of certain goods so that it is possible to achieve a higher efficiency level with a larger production scale (Febryastuti, 2019).

This research aims to analyze the effectiveness of safeguard policies in protecting the domestic fabric industry and the position of comparative and competitive advantage of fabric products subject to BMTP. This paper also compares the competitiveness between Indonesia and six exporting countries: China, Turkey, the Republic of Korea, India, Chinese Taipei, and Vietnam. The research captures Indonesia's global market competitiveness and five main importing countries: Vietnam, Bangladesh, the United States, Cambodia, and China. The hypothesis in this paper is that the security measures taken by the government have a significant effect on fabric imports and can increase the competitiveness of Indonesian-made fabric products. With the imposition of BMTP, it can protect the domestic textile industry, which can be indicated by a decrease in the volume of imports of 107 HS during the period of application of the safeguarding policy. An increase in the competitiveness of protected fabric products may also occur during this period. An indicator that can be used is an increase in the value of the RCA index. The higher the RCA value, the stronger the competitiveness of a country's commodities. The trade balance deficit for textile products needs to be analyzed by measuring the Trade Specialization Index (TSI) so that Indonesia's competitiveness position or its tendency as an exporter or importer of fabric products can be known (Narulita et al. 2014).

METHODS

According to Porter (1990), in Mulatu, competitiveness is the level of productivity defined as the output produced by a workforce (Mulatu, 2018). Meanwhile, Devarajan et al. (2012) stated that two factors determine a country's competitiveness level in the international market. The first factor is a comparative advantage which can then be considered a natural factor, and the

second is a competitive advantage factor which can be considered an acquired factor or can be developed.

This research uses descriptive quantitative and qualitative methods. The object under study is a fabric product subject to BMTP, 107 HS, as stated in the attachment of PMK number 55/PMK.010/2020. Export and import data in time series were analyzed to determine the effect of safeguards on the competitiveness of protected products.

The Indonesian government has set the BMTP for fabrics to protect the domestic textile industry. Fabric is an intermediate product required by the apparel industry and other textile products as raw materials. Price is one of the determinants determining a product's competitiveness. With the existence of BMTP in the form of additional levies other than import duties imposed on imported fabric products, it is hoped that it can increase the competitiveness of domestic fabric products and reduce the volume of imports so that the national textile industry can be saved from the threat of declining production capacity and even going out of business.

The impact of safeguard policies is measured by regression. This study determined the import of protected fabric products as the dependent variable. The independent variables or independent variables are safeguard rates (BMTP), general import duty rates (MFN), investigations (dummy), exchange rates and inflation. These variables refer to the research conducted by Anam and Solikin (2020). This research period is from January 2017 to March 2021 through time series data of export-import on 107 HS of fabric subject to BMTP.

To prove the first hypothesis, the regulation of safeguards has a negative effect on the volume of imported fabrics. Based on the determined dependent and independent variables, the regression equation is as follows:

$$M_i = a_0 + \beta_1 SG_i + \beta_2 MFN_i + \beta_3 dummy + \beta_4 I_i + \beta_5 Kurs_i + \varepsilon$$

Information: Mi (volume of imported fabrics subject to BMTP from around the world (tonnes));SGi (BMTP tariff applied to imported fabric products (Rp/ton)); MFN I (Indonesia's general import duty rate on imported fabrics); Dummy (dummy variable, given a value of 1 if it is included in the BMTP investigation period by KPPI, given a value of 0 if it is not included in the BMTP investigation period by KPPI); Ii (monthly inflation in Indonesia); Exchange rate I (rupiah exchange rate against USD); A (constant); B (coefficient); E (error); I (research period).

The second hypothesis was then tested, namely the effect of safeguards on the competitiveness of local fabric products. The measurement of competitiveness is done by calculating the Revealed Comparative Advantage (RCA) index and Trade Specialization Index (TSI). The RCA index represents Indonesia's comparative advantage in the global market and export destination countries. Balassa (1965) formulates RCA with the equation:

$$RCA = (Xij/Xj)/(Xiw/Xw)$$

Information: Xij (Indonesia's fabric export value);Xj (total export value of Indonesia); Xiw (world's export value of fabric); Xw (total world's export value)

A country is called to have a comparative advantage above the world average if the country has an RCA index of more than 1. Conversely, if the RCA index is worth less than 1, the country is said to have no comparative advantage or low competitiveness (Tambunan, 2001). TSI measurements were carried out to determine Indonesia's position in the world fabric market. This index is used to see the tendency of a country to act as an importer or exporter. The formula for TSI is as follows:

$$SI = (Xia-Mia)/(Xia+Mia)$$

Information: Xia (export value of Indonesia's fabric); Mia (import value of fabric by Indonesia).

The TSI index is worth between -1 to +1. If 0 -1, the commodity is called to have strong competitiveness between countries, or the country tends to be an exporter of the commodity. On the other hand, if the TSI value is less than 0 to -1, a country is said to have low competitiveness or tends to be an importing country (Febriani et al. 2014). The flow chart of this research is presented in Figure 3.

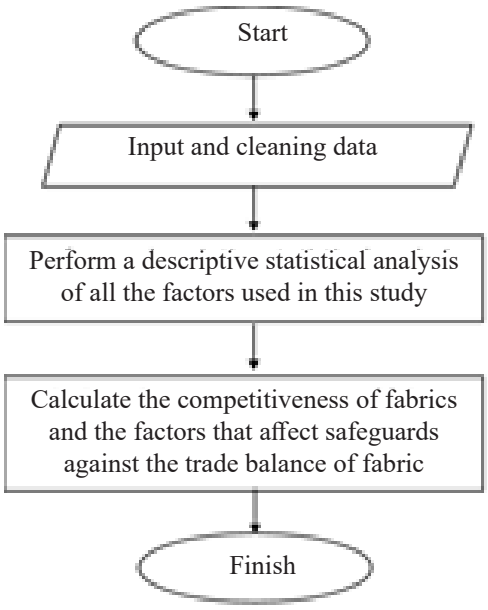

Figure 3. Flow Chart

RESULTS

The Effect of Safeguards on the Protection of Domestic Industries

A safeguard is a trade remedy the government can choose to control the surge in imports of a product in its country (Perugini et al. 2014). Safeguard measures temporarily restrict imports of a product to protect a specific domestic industry from an increase in imports of any product causing or threatening to cause serious injury to the industry (Gascoigne, 2021) (Erwin et al. 2018). During the 2016-2018 period, the surge in textile imports became the primary consideration for the Indonesian government to determine the BMTP for 107 HS of fabric as stated in PMK number 162/PMK.010/2019 and number 55/PMK.010/2020. It can protect local industries by reducing the volume and value of imported fabrics. The consumption of domestic products by the apparel industry is increasing, which will certainly improve the sustainability of the textile industry.

Following the Central Bureau of Statistics data, since the enactment of the BMTP in November 2019, the volume of imports of 107 HS has dropped dramatically. Import growth year of the year (YoY) from the third quarter of 2019 to the third quarter of 2020 was negative 52%. Imported volume slid from 125 million tons to 59,5 million tons. During this period, the potential for import substitution by local products is US$ 250 million. Fabric producers took benefit from this incident in increased company revenue and utilization. The clothing industry or other industries that require raw materials prefer to use local products cheaper than imports. The additional safeguard import duty causes the price of imported goods to become more expensive. The domestic market can utilize this condition to increase its market share. Producers get benefit from trade remedies (Riesfandiari et al. 2021). However, the volume of imports reincreased in the fourth quarter of 2020, as shown in Figure 4. This experience cannot be said with certainty due to fabric safeguards. Other factors also have the potential for this, namely the global economic recession due to the COVID-19 pandemic, which shifts the demand curve for world imports to the left. The pandemic has changed people's daily shopping behaviour and priority needs (Arania et al. 2022). Therefore, it is necessary to analyze to determine the significance of the impact of BMTP on imported fabrics. Validation of various variables that can affect the import of a product can prove that safeguards contribute significantly to reducing imports.

Safeguard has also improved the ratio of local product usage. The Ministry of Industry of the Republic of Indonesia noted an increase in the consumption of local fabrics by the apparel industry and other sectors that use raw materials through safeguards. The ratio of imported fabric usage fell from 0.40 in 2016 to 0.31 in 2020 (Table 1). The downstream industry prefers to use local products because the price is more competitive after the additional import duties on imported fabrics. It is undoubtedly one of the indicators of the success of this regulation in protecting domestic industries.

In 2016 fabric consumption in Indonesia reached 1.7 million tons, while the domestic industry could only produce 1.3 million tons. Of this amount, as many as 270 thousand tons are exported to meet the remaining domestic needs through imports. BPS data shows that at the end of 2019, Indonesia experienced a deficit in the country of payments. Fabric import is one of the contributors that caused the deficit. Hence, the Ministry of Industry of the Republic of Indonesia set an import substitution policy of 35%, aiming to reduce the import rate so the trade balance can return to surplus. One of the policy implementations is to impose additional import duties on fabric products and other products declared in critical condition (injury).

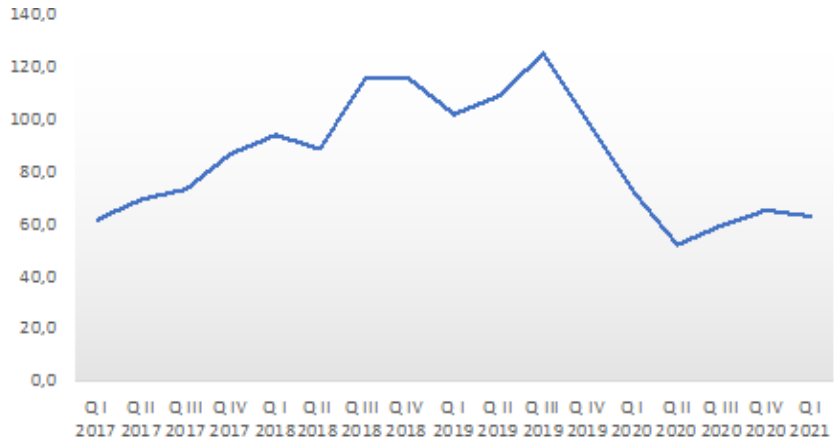

Figure 4. Fabric import volume growth in Quarter I 2017-Quarter I 2021 (million tons) (Ministry of Industry, 2021)

Table 1, Ratio of imports to consumption of indonesian fabrics

Year	2016	2017	2018	2019	2020
Production (ton)	1,308,562	1,315,104	1,323,000	1,559,000	1,310,000
Consumption (ton)	1,731,192	1,753,253	1,868,427	2,143,365	1,684,629
export (ton)	270,641	216,668	199,594	189,204	152,525
import (ton)	693,272	654,817	745,021	733,570	527,155
Ratio import to consumption	0.4	0.37	0.4	0.34	0.31

Source: Ministry of Industry, 2022

After one year is set, the consumption of imported fabrics is only 31% of the total. Although production in 2020 decreased by 21% due to restrictions on community activities to prevent the transmission of Covid-19, production activities were also limited. Nevertheless, if we compare it with its imports, the use ratio of local products increased by 9%, as presented in Table 1.

Multiple Regression Test

In this research, the influence of the BMTP tariff imposed on imported fabrics (SG), Indonesia's general import tax rates on fabrics (MFN), the period of investigation (PYNL), the exchange rate (ER) and inflation (I) on the volume of imported fabrics subject to BMTP from across the world was calculated using multiple regression. The Table 2 reveals that the equation model is as follows:

$$M_1 = 8.7E+6 - 5.575E\text{-}5SG_i - 0.493MFN_1 + 1.354E+6PYNLi - 361.900ERi - 370.669\ I_i + \varepsilon$$

Hypothesis Test

T-Test

The partial hypothesis test is performed to determine the effect of each independent variable, including the volume of textile imports. To use the t-test with a confidence index level of 95% to partially test the hypothesis. The significance value can be used to determine whether there is an effect.

1) The effect of SGI on the volume of imported fabrics
To test whether or not there is an effect of the applied BMTP tariff on the volume of imports, the following is the basis for making the decision:

H0 = There is no effect of the SGi variable on the volume of imported fabrics

H1 = There is an effect of the SGi variable on the volume of imported fabrics.

Table 2. Multiple regression analysis test results coefficients[a]

Model	Unstandarized Coefficients		Standarized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	8,7E+6	1,63E+10		1.533	0.010
SG	-5.575E-5	0.000	-0.479	-2848	0.007
MFN	-0.493	0.144	-0.469	-3423	0.001
PYNL	1,354E+6	2,21E+09	0.090	0.612	0.044
ER	-361.900	1.094.898	-0.033	-0.331	0.743
I	-370.669	1,08E+09	-0.041	-0.343	0.733

a. Dependent variable : Mi

We can see that the significance value is 0.007 (< 0.05). Thus, it can be stated that there is a significant negative relationship between the SGi variables and the volume of textile imports. Every one-rupiah BMTP causes a decrease in volume by 0.00005575 tons. This regulation will still be valid until November 2022, so based on the regression results, the decline in imports will continue to occur during the regime, which is very good for Indonesia's trade balance and the sustainability of the upstream industry. As a result, it is reasonable to conclude that if the BMTP tariff is implemented, the volume of imported fabrics will decline.

2) The effect of MFN on the volume of imported fabrics

To test whether or not there is an effect of the general Indonesian import duty rate imposed on the volume of imports, the following is the basis for making the decision:

H0 = There is no effect of the MFN variable on the volume of imported fabrics

H1 = There is an effect of the MFN variable on the volume of imported fabrics

Following Table 2, the significance value of MFN is (0.001 < 0.05). Hence, it can be summed up that the MFN variable significantly affects the volume of imported fabrics and has a negative direction. Every one rupiah import duty will reduce 0.493 tons of imported fabric. It is in accordance with research conducted by (Ibragimova, 2020) which states that tariffs harm decreasing a country's trade volume. It is one of the trade barriers that states must protect domestic industries. It caused imported product prices to be higher than local and became an opportunity for the home country to improve its share. Therefore, we can be concluded that if general import duty rates are applied, the volume of imported fabrics will fall.

3) The influence of PYNL on the volume of imported fabrics

To test the effect of the applied investigation period on the volume of imports, the following is the basis for making the decision:

H0 = There is no effect of the PYNL variable on the volume of imported fabrics

H1 = There is an effect of the PYNL variable on the volume of imported fabrics

The significance value of PYNL is 0.044 (<0.05). It means that the investigation period significantly impacts the volume of imported fabrics, with a positive direction of influence. Downstream industries that used imported fabrics increased their consumption of materials during an investigation by KPPI. They assumed that after that time, the price of fabrics would rise. It caused their production cost will be higher and threatened their sustainability. This investigation was carried out for six months before the safeguard regulations were enacted to validate the report submitted by the proposer. At that time, temporary security measures (BMTPS) were imposed. If the industry has suffered an injury, the government will continue to determine the BMTP.

4) The Influence of Inflation on the Volume of Fabric Imports

To test whether there is an effect of inflation on the volume of imports, the following is the basis for making the decision:

H0 = There is no effect of the inflation variable on the volume of imported fabrics

H1 = There is an effect of the inflation variable on the volume of imported fabrics

According to the regression analysis results, the exchange rate does not significantly affect the decline in import volume. However, the constants show a negative relationship between the exchange rate and the volume of imports. It means that if there is a depreciation of the rupiah against the US dollar, the volume of imported fabrics will be relatively reduced. However, the amount of the decrease was not significant. The results of this study are in line with the findings of Anam & Solikin (2020).

5) The effect of the exchange rate on the volume of imported fabrics

To verify whether or not the impact of the exchange rate on the volume of imports, the following is the basis for making the decision:
H0= The exchange rate variable does not affect the volume of imported fabrics.
H1= There is an effect of the exchange rate variable on the volume of imported fabrics.

Like the exchange rate in this paper, inflation during the analysis period did not significantly affect the volume of cloth imports (the significance value is more than 0.05). Indonesian Bank reported that Indonesia's inflation is relatively stable at 3-4%. Even during the pandemic, inflation can be reduced to below 2%. Inflation and exchange rate variables in the regression did not show significance. According to the explanation by Mankiw (2016), inflation and the exchange rate in international trade are the controllers of a country's domestic macroeconomic conditions.

A correlation coefficient is a statistical tool for determining whether there is a relationship between two or more variables and the direction of the association. R is a number that ranges from -1 to 1 (-1< R< 1). The coefficient of determination is used to determine the relationship between the independent and dependent variables. The following conclusions were drawn from the data analysis findings:

The value of R Square reveals in Table 3 is 0,737. It shows that the BMTP tariff explains 73.7% of the variable volume of fabric imports, general import duty tariffs on imported fabric products, the period of BMTP investigation by KPPI, inflation, and the exchange rate. Though not too large but enough to explain that independent variables in the model are good enough to describe its effect on the volume of imported fabrics. Other factors not investigated in this study account for the remaining 26.3 percent.

Analysis of the Competitiveness of Indonesian Fabric Products

In their paper, Anam and Sodikin (2020) state that additional duties on imported aluminium zinc steel increase the RCA index, which means their competitiveness increases. The result of their study is not following this paper. There is no increase in the competitiveness of fabric products subject to BMTP. The RCA index tends to decrease, as presented in Table 4.

Indonesian fabric has experienced a weakening in competitiveness in the global market since 2015. The trend drives the Indonesian Government to investigate and protect the producers. However, until 2017, Indonesia still has a comparative advantage over the world. Since 2018, Indonesia's position has worsened and even lacks competitiveness because its RCA index value is < 1. This index compares the share of Indonesia's commodity exports with the share of world exports. The weakening of Indonesia's competitiveness was exacerbated by the COVID-19 pandemic, which hurt world textile demand. 2020 is the lowest point in the competitiveness of Indonesian fabrics in the last decade, with an RCA value of 0.82. Thus, it can be said that the safeguard policies implemented since November 2019 have not been able to boost the competitive position of Indonesian fabric products in the global market. The weakening competitiveness of Indonesian fabric products in the global market is linear with the decline in their export performance. Since 2012 the export growth of 107 HS fabrics has shown a negative number with an average growth rate of -8.7%. The highest decline occurred in 2020, namely -23%. Covid-19 has significantly impacted the world economy, including trade in textiles and clothing products. In 2020, imports of 107 HS fabric products contracted -by 16%. The global economic recession will certainly impact the world's demand for textiles because the world's population will prioritize the need for personal protective equipment and essential foods.

Table 3. Coefficient of Determination Model summary[b]

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	0.859[a]	0.737	0.706	3739049.830	2.225

a. Predictors: (Constant), I, SGi, KURS, MFN, PYNL
b. Dependent Variable: Mi

Tabel 4. Index RCA 107 HS Fabrics Subjected to BMTP

Year	Indonesia	China	Turkey	Republic of Korea	India	Chinese Taipei	Vietnam
2011	1.48	3.75	5.78	2.64	2.40	2.90	0.11
2012	1.67	3.63	5.36	2.67	2.19	2.98	0.96
2013	1.56	3.64	5.14	2.47	2.13	2.91	0.87
2014	1.60	3.57	4.95	2.27	2.28	2.82	0.82
2015	1.57	3.38	4.62	1.99	2.34	2.89	0.87
2016	1.39	3.60	4.62	1.99	2.14	2.69	0.87
2017	1.04	3.78	4.48	1.79	2.02	2.49	0.91
2018	0.92	3.93	4.38	1.74	2.02	2.43	1.19
2019	0.91	3.96	3.75	1.73	2.13	2.28	1.22
2020	0.82	3.59	4.15	1.54	2.20	1.94	1.20

The main objective of BMTP is to reduce the rate of imports and increase the competitiveness of protected products. If this policy cannot increase the comparative advantage of fabric products in the global market, this policy should be effective in strengthening the competitiveness of local products in the domestic market. Thus, the domestic textile industry is saved from the threat of bankruptcy. One of the indicators that can show an increase in the competitiveness of 107 HS in the domestic market is an increase in market share. It can be measured by comparing the production of the domestic textile industry with the consumption or demand of its downstream industries and imports (Table 1). There is an increase in the domestic market share ratio. This policy can be declared effective in increasing the competitiveness of local fabric products. So, we can conclude that fabric safeguards do not enhance Indonesian competitiveness globally, but they can do it domestically.

Table 5 compares the competitiveness of Indonesia and the top five exporting countries and Vietnam with a high export growth rate. They have a comparative advantage over the world; in contrast, Indonesia does not have it. China has strong competitiveness with an RCA index of 3.59. However, it tends to be stable during the study period; its market share has grown drastically from 40.7% to 54.2% in the last decade. 3.9% of its total exports are sold to Indonesia. The most significant fabric imported by Indonesia comes from China (Reisfandiari et al. 2022).

China's competitiveness is due to its ability to produce at a low cost. The Chinese government is aggressively developing its textile industry from upstream to downstream. Production costs are reduced, and productivity is increased to be superior in terms of price and quantity. Some policies were also set to encourage industries to enhance penetration into the global market. Supporting industries are also established, such as logistics parks and product markets (Guan et al. 2019).

Turkey has more substantial competitiveness than China, with an RCA index of 4.15. The trend has declined in a decade even though its share in the global tends to stagnate. Turkish textile and clothing products experienced a decline in competitiveness in the aggregate commodity group and sub-sectors (Baskol, 2018). Trade map data shows Turkey's negative growth of fabric exports, and the lowest value occurred in 2020 at -9%.

Korea is the third-largest exporter, controlling 4.6% of the world market. Its export volume in 2020 reached 380 thousand tons, mainly in the form of knitted fabrics coloured with HS codes 600622 and 600632. The growth of Korean fabrics exports tends to stagnate in a decade; even in 2020, its exports fell by 25%. The Covid-19 pandemic has had an impact on the textile industry. The Republic of Korea did not match the increase in global trade, so its competitiveness has decreased throughout the decade. The shift in the textile and apparel industry's production pattern from developed to developing

countries since the 1970s has increased investment in developing countries. An example is that Japan invested in low-cost countries contributing to the industry's growth in South Korea (Kaya, 2020).

India and Chinese Taipei have a similar trend; their competitiveness tends to be stable. The market they controlled was 3.5% and 3.9% in 2020, down slightly from the previous year. The decline in global demand during the pandemic also harmed their textile industry. India is the second-largest exporter of textiles and apparel. His advantages include low labour costs, technological improvements with energy-efficient but high-productivity machines, and an integrated supply chain from upstream to downstream. To enhance exports, they add capital and technology (Dhiman & Sharma, 2017). India is also a supplier of cotton, a raw material for the textile intermediate and downstream industries. India fills 0.7% of Indonesia's cloth needs, or about three thousand nine hundred tons. Meanwhile, Chinese Taipei is one of Indonesia's partners, which supplies 9.9% of Indonesia's imported fabric needs or seventeen thousand tons.The final analysis was conducted on Vietnam, a Southeast Asia with the fastest export growth. Vietnam is a low-cost country, so it is desirable to investors. They are also given investment facilities, business licensing procedures, and incentives from the Vietnamese government. Thus, their foreign direct investment grew drastically. It is also tied to the 15 free trade agreement (FTA); therefore, it gets a preference from each export dan has a significant impact on its share. As shown in Table 5, it has become a competitive country to beat Indonesia from being uncompetitive. The RCA index moved positively from 0.11 in 2011 to 1.20 in 2020. Their production cost efficiency comes from low labour wages and energy cost subsidies provided by the government, so the product is cheaper and more attractive to importing countries.

Furthermore, this study describes the competitiveness of Indonesian-produced fabrics in the major export destination countries: Japan, the United Arab Emirates (UAE), Vietnam, Saudi Arabia, and Malaysia. The most exported fabrics by Indonesia are HS 540761 and 540710 to 167 countries. Although Indonesia is not competitive globally, in Japan, UAE, Saudi Arabia and Malaysia, the competitiveness is powerful, as shown in Table 6. Indonesia's position in Vietnam is not good and even worse. It increased imports from China, the Republic of Korea, and Chinese Taipei, where their product was cheaper than in Indonesia. The decline in competitiveness also occurred in Saudi Arabia and Malaysia. Indonesia's fabric market in Saudi Arabia fell dramatically; in 2020, its exports fell by 36%. Competitiveness in the UAE tends to be stable over decades, even though its export value fell by 43% in 2020. Indonesia's position in Japan is superior and is second only to China. Its performance and competitiveness grow up.

Trade Specialization Index Analysis

Adam Smith stated that a country could specialize in producing goods that have an absolute advantage. It is obtained if the country can generate a product more efficiently than other countries. However, David Richardo stated that a country can still benefit from international trade even though it does not have an absolute advantage (Tampubolon, 2019). TSI can show the competitiveness of a country and its position as an exporter or importer of a commodity. The results of TSI measurements of 107 HS subject to BMTP show that Indonesia is uncompetitive and tends to be an importing country with a TSI value of -0.58 in 2020 (Table 6).

Tabel 5. RCA Index Indonesia's Fabric in Top 5 Destination Countries

Year	Japan	UAE	Vietnam	Saudi Arabia	Malaysia
2012	6.6	19.2	0.8	23.4	4.5
2013	5.9	22.9	0.5	17.0	6.8
2014	7.0	17.9	0.5	14.2	7.7
2015	8.1	23.3	0.7	11.1	5.6
2016	8.4	30.0	0.5	11.7	4.1
2017	8.6	24.5	0.5	13.1	2.3
2018	8.4	22.3	0.4	13.3	1.9
2019	9.4	19.3	0.3	10.0	2.2
2020	9.5	19.4	0.4	9.3	2.0

TSI compares the trade balance with the total trade of a commodity. TSI is worth +1 to -1). The more negative the value of the TSI, the greater the trade balance deficit for that product (Hidayati & Suhartini, 2018). Based on the TSI value in Table 10 shows that Indonesia's competitive position is getting weaker. From 2011 to 2017, Indonesia is at the import substitution stage. If a country's TSI value is between -0.51 and 0.00, it is said to be in this stage (Firmansyah et al. 2017). Because the output level is not high enough to produce economies of scale, the Indonesian industry is now quite competitive. During this phase, the textile sector exports low-quality goods. Because domestic production falls short of domestic demand, the country imports these items to suit its needs. As a result, Indonesia currently imports more of these items than it exports.

In 2018-2020 Indonesia's position shifted to a forerunner stage, namely a country that is considered to have just entered the global market with TSI values in the range of -1.00 to -0.50. At this stage, it shows that Indonesia does not have competitiveness or that Indonesia is a net importer. Since the implementation of the fabric safeguard at the end of 2019, there has been a decline in the TSI index from -0.611 to -0.58. It may indicate that the trade balance deficit is getting smaller, which means there is a decrease in fabric imports. The trade balance of 107 HS is presented in Figure 5.

According to Figure 5, the trade balance of 107 HS fabrics is increasingly in deficit in the 2011-2019 period. Imports are increasing while exports are decreasing. In 2020 the trade balance deficit was reduced by 31%, and imports and exports fell. It can be caused by several factors, including falling domestic demand and production due to the pandemic. In addition, during this period, the safeguarding policy was in the form of imposition of BMTP on 107 HS of fabric which caused the price of imported products to become more expensive. This policy can allow exporters to find other markets that set lower import duties.

Table 6. Trade Specialization Index 107 HS Fabric Products (BMTP) Indonesia and Top Exporting Country

Year	Indonesia	China	Turkey	Republic Of Korea	India	Chinese Taipei	Vietnam
2011	-0.19	0.71	0.22	0.80	0.72	0.95	-0.74
2012	-0.17	0.72	0.36	0.81	0.68	0.96	-0.75
2013	-0.22	0.75	0.35	0.80	0.71	0.96	-0.77
2014	-0.24	0.79	0.34	0.79	0.68	0.96	-0.78
2015	-0.26	0.82	0.36	0.78	0.64	0.96	-0.76
2016	-0.34	0.84	0.40	0.78	0.62	0.96	-0.75
2017	-0.46	0.85	0.35	0.78	0.55	0.96	-0.73
2018	-0.59	0.86	0.41	0.78	0.48	0.95	-0.69
2019	-0.61	0.88	0.39	0.76	0.52	0.95	-0.67
2020	-0.58	0.90	0.44	0.72	0.58	0.94	-0.67

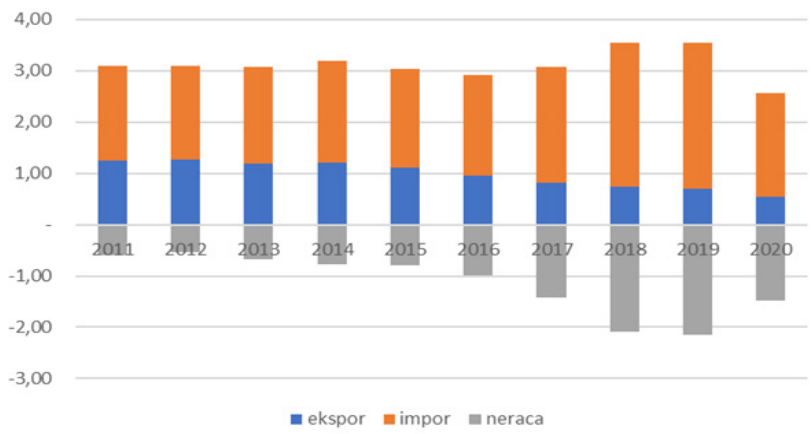

Figure 3. Trade Balance of 107 HS Products Subject to BMTP (billion US$)(Ministry of Industry, 2021)

Chinese and Chinese Taipei are at the stage of maturity. Their TSI ranges from 0.81 to 1. It means they become net exporter countries. The amount of fabric produced is greater than the domestic consumption, so they export it to gain more from trade. Since 2011 Chinese Taipei has been a net exporter, and they can maintain it until now. Meanwhile, from 2011-to 2014, China is at a growth stage. It increased the scale of Its production to gain a wider share of exports. It proved that since 2015 he became a net exporting country, which is the best condition in TSI. If we look at the trend, China's control of the global fabric market has improved.

The other three countries, namely the Republic of Korea, Turkey and India, are at the market growth stage. However, only Turkey shows a positive trend. India and the Republic of Korea experienced a decline in market positions, although they are still in a better position than Indonesia and Vietnam. Its exports are falling slowly, which impacts the weakening of its dating power in the global market. The average growth rate of exports from 2011-to 2020 was -16%. The Covid pandemic significantly impacted India, and its exports fell by 22% in 2020. India became one of the countries with the world's most prominent positive cases of covid, especially with the delta variant in mid-2020, which disrupted its pure economics.

Vietnam became the world's exporter and importer of fabrics. The growth of the apparel industry there has increased the demand for fabrics as the primary raw material. However, domestic industries have not been able to meet all these needs, so they are imported from other countries, especially China. Suppose we look at the trading specialization index in Table 8, which is getting better and shows the introduction stage. Vietnam is a new entrant in the global fabric market; however, if we look at the trend leads to the stage of import substitution of better conditions.

If we compare Indonesia and Vietnam, Vietnam's competitive position as a newcomer is better than Indonesia's. Several indicators prove it. First, Indonesia's second TSI trend is down, while Vietnam's is increasing. Second, the value of Vietnam's exports in one decade rose by 210%, from US$ 434 thousand to US$ 1.34 million. In contrast, Indonesia fell 57%, from US$ 1.25 million to US$ 534 thousand. It is correlated with the RCA index, which shows a decrease in Indonesia's competitiveness even now in an uncompetitive country.

Managerial Implications

At the time this research was conducted, BMTPS and BMTP had only been running for approximately one year and four months, so the results obtained were not fully able to interpret the actual conditions in the field regarding the effectiveness of this regulation. In PMK 55/2020, the amount of import duty for each HS code is regulated, divided into three periods. Period I, from 27 May 2020 to 8 November 2020. Period II, from 9 November 2020 to 8 November 2021 and period III, from 9 November 2021 to 8 November 2022. At the same time, the BMTPS has been previously set, namely 9 November 2019, for 200 days.

Furthermore, the rules in the PMK state that the calculation of the number of state levies is per unit meter. Meanwhile, not all fabrics are sold in meters. Knitted fabrics it is usually sold in kg. Likewise, data on the volume of imported fabrics available at BPS and Trademap are presented in tons. There is no standard conversion standard from unit weight to unit length for fabric products, and each type of fabric has a different gramation. The conversion of length units to weight units is carried out in this study by calculating the average weight of the fabric per meter.

Further research can be developed to fill the limitations of this study through a qualitative approach. This information can complement this research by analyzing the conditions before and during the imposition of BMTP. This gap analysis can describe factually what is happening in the company so that the effectiveness of this policy can be evaluated more comprehensively and can be taken into consideration by the government in carrying out other policies, especially those related to trade remedies. Further research should be carried out until the validity period of this regulation expires, namely on November 8, 2022, so that the results will be closer to the actual external and internal conditions of the company.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Safeguard Measures Import Duties (BMTP), also called safeguard measures, are additional state levies in addition to General Import Duties (MFN) and Preference Import Duties regulated by the Government

of Indonesia. This policy was set due to a surge in the volume of imports that caused injury to the domestic industry. Based on the description that has been stated above, it can be concluded that the fabric safeguard policy has a significant effect on reducing textile imports, so it can be analogized that this policy is effective in protecting the domestic industry from attacks by imported products that flood the domestic market causing losses for companies. Another variable significantly influences the general import duty rate (MFN) and the period of investigation by KPPI. MFN tariffs significantly reduce the volume of imports; on the contrary, the investigation increases the number of imports by the downstream industry.

Furthermore, Indonesian fabric products are not competitive in the global market. The imposition of BMTP cannot increase its competitiveness, and the investigation showed no improvement in the RCA index. Indonesia is a net importer of fabric products. Safeguards do not seem to be able to change Indonesia's position in the global market. However, this regulation can help improve Indonesia's trade balance and import ratio of 107 HS fabrics.

Recommendations

The textile industry needs structural improvements to increase its competitiveness in domestic and global markets. It can be done for three years when the BMTP is enforced so that if the policy is revoked or not applicable, fabric producers can compete with imported products, their market share will increase, and the company's profitability will increase. The structural adjustment actions that can be taken include:

Investment in production machines that are more efficient but have high productivity. One of the problems in the textile industry is the condition of the machines, which are relatively old, resulting in higher energy consumption and lower production capacity. Machinery investment is needed considering the development of textile technology which is quite massive, especially with the transformation of the industrial revolution 4.0, which requires business actors to adapt and adopt it so that their competitiveness increases.

Improvements in the company's operational management can be made to increase production efficiency. It can be done by evaluating inefficient process stages and factors of production. Unnecessary process steps can be eliminated if they do not affect the quality of the resulting product, or the production process can be carried out simultaneously with other processes.

Restructuring the business model by developing social, political, cultural and market conditions. The textile industry must be adaptive to the development of competitors' business models. The development of industry 4.0 has changed the company's business strategy to be more aggressive in capturing market opportunities. The textile industry must utilize the enormous market size of textile products by increasing market penetration at home and abroad. Fabric producers must be able to meet the demand for raw materials for the garment and fashion industry in terms of quality, quantity, and competitive prices.

Most users of textile industry products are small and medium industries (SMEs). The need for SMEs is a big market opportunity because more than 90% of apparel business units are small and medium-scale industries. The large-scale garment industry is generally export-oriented, so the buyer or brand holder determines the fabric's specifications. The production capacity of SMEs is still limited, so the need for input of raw materials is limited. So far, they have had difficulty accessing raw materials from large-scale fabric producers because of the stipulations on the minimum number of orders that SMEs cannot fulfill. It causes small and medium-sized businesses to buy raw fabrics from retail traders at much higher prices. Therefore, fabric producers can change their business strategy to capture the large SMEs market opportunity by reducing the minimum order quantity so that small and medium industries can fulfill it. Fabric producers can invest in machines/ productions with smaller and more efficient capacities.

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