FACTORS AFFECTING INDONESIAN TEXTILE EXPORT PERFORMANCE TO UNITED STATES
CASE STUDY ON APPAREL INDUSTRY (SITC 84 & 89) PERIOD 1984-2014

JOURNAL

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By:

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ABSTRACT

Indonesia as a developing country in Southeast Asia based their economic growth on non-oil industry sector. The industrial sector contributed the most to the GDP of Indonesia. The industrial sector contribution for export in 2015 is amounted to US $ 106.63 billion and accounted for 70,97 % of total national exports amounted to US $ 150.25 billion (Ministry of Industry, 2015)

Indonesia’s non-oil industry subsector export pillar is textile industry and textile products (TPT) which is also leading industrial motor for Indonesia. Indonesian textile export value is contributed from several sectors such as apparel exports (60,86%), fiber and yarn (36,03%), and fabrics (3,10%). In 2013, the largest export destination is United States reaching 32,29% of the total Indonesian textile exports to the world. Meanwhile, Japan and Turkey rank second and third by 9,33% and 4,92%. Consecutively, followed by Germany and South Korea (Ministry of Trade, 2014).

This research purpose is to determine the effect of Foreign Direct Investment (FDI) particular on Indonesia manufacture sector, Gross Domestic Product (GDP) per capita United States, exchange rate and dummy quota to Indonesian textile export performance to United States. Descriptive quantitative method by using regression Ordinary Least Square (OLS) was used to analyze the influence of independent variables to dependent variable. Data used in this research is secondary data 1984-2014. Result of the research showed that variables GDP per capita United States and Dummy Quota did influence significantly positive to the Indonesian apparel export performance to United States, while variable FDI particular manufacture sector and exchange rate did not influence the Indonesian apparel export performance to United States.

Keywords: Total export apparel performance, FDI, GDP, exchange rate, dummy quota

FAKTOR-FAKTOR YANG MEMPENGARUHI PERFORMA EKSPOR TEKSTIL INDONESIA KE AMERIKA SERIKAT

STUDI KASUS INDUSTRI PAKAIAN JADI (SITC 84&89)

PERIODE 1984-2014

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ABSTRAK

Indonesia sebagai negara berkembang di Asia Tenggara pertumbuhan ekonominya bersandar pada sektor industri non-migas. Sektor industri berkontribusi paling banyak terhadap Produk Domestik Bruto Indonesia. Sektor industri berkontribusi pada ekspor di tahun 2015 dengan nilai sebesar US $ 106.63 Miliar dan mengambil bagian sebesar 70,97% dari total ekspor nasional dengan nilai US $ 150.25 Miliar (Kementerian Perindustrian, 2015).

Pilar ekspor industri non-migas Indonesia adalah subsektor industri tekstil dan produk tekstil (TPT) yang juga industri motor penggerak bagi Indonesia. Nilai ekspor industri tekstil dikontribusi dari beberapa sektor yaitu sektor pakaian jadi (60,86%), serat dan benang (36,03%), dan kain (3,10%). Di tahun 2013, destinasi ekspor terbesar adalah Amerika Serikat dengan nilai 32,29% dari total ekspor tekstil Indonesia ke seluruh dunia. Sementara itu, Jepang dan Turki berada di peringkat kedua dan ketiga dengan persentase 9,33% dan 4,92%. Kemudian, diikuti dengan Jerman dan Korea Selatan (Kementerian Perdagangan, 2014).

Tujuan penelitian ini adalah untuk menentukan pengaruh dari Penanaman Modal Asing (PMA) khususnya sektor manufaktur Indonesia, Produk Domestik Bruto (PDB) per kapita Amerika Serikat, nilai tukar, dan kuota dummy untuk performa ekspor tekstil Indonesia ke Amerika Serikat. Metode kuantitatif deksriptif dengan menggunakan regresi Ordinary Least Square (OLS) digunakan untuk menganalisa pengaruh dari variabel independen terhadap variabel dependen. Data yang digunakan adalah data sekunder tahun 1984-2014. Hasil penelitian yang menunjukkan bahwa variabel Produk Domestik Bruto per kapita Amerika Serikat dan kuota dummy secara signifikan berpengaruh positif terhadap performa ekspor pakaian jadi Indonesiake Amerika Serikat, sedangkan variabel Penanaman Modal Asing khususnya sektor manufaktur dan nilai tukar tidak berpengaruh pada ekspor pakaian jadi Indonesia ke Amerika Serikat.

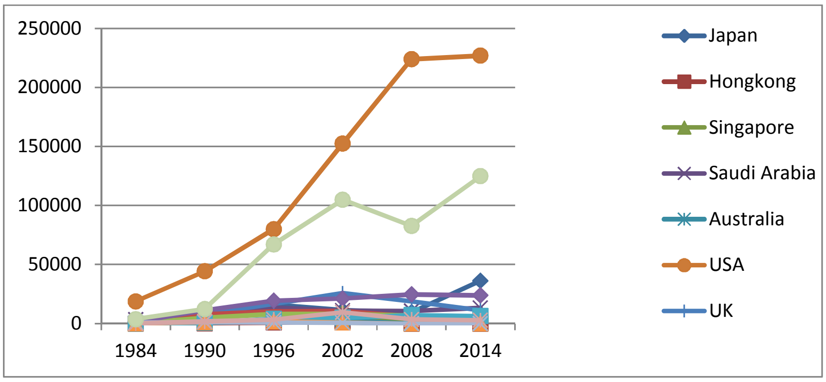
Kata kunci : Performa total ekspor pakaian jadi, penanaman modal asing, produk domestik bruto, nilai tukar, dan dummy kuota.

A. INTRODUCTION

Indonesia's non-oil industry subsector export pillar is textile industry and textile products (TPT) which is also leading industrial motor for Indonesia. The Indonesian textile industry contribution is in the form of an increase in the export of foreign exchange, employment, and its' strategic role in the industrialization process (Yeriesca and Kuncoro, 2014).

Indonesian textile export value is contributed from several sectors such as apparel exports (60.86%), fiber and yarn (36.03%), and fabrics (3.10%). In 2013, the largest export destination is the United States reaching 32.29% of the total Indonesian textile exports to the world. Meanwhile, Japan and Turkey rank second and third by 9.33% and 4.92% consecutively, followed by Germany and South Korea (Ministry of Trade, 2014).

Figure 1.1 Chart Volume Indonesian apparel exports to some destinations (Net weight: thousand tons) in the period of 1984 to 2014

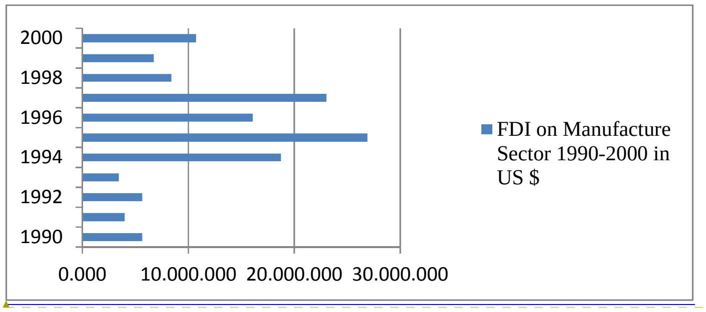


Source: BPS

From the figure 1.1 above, it can be seen that Indonesia apparel exports value to the United States in 1984 was 18.880 tons, then in 1996 increased by 80.002 tons and reached the highest value in 2014 at 226.879 tons. In the second position, was occupied by Japan at 61.3 tons, which increased gradually to 6452.7 tons in 1990. However, the number declined in 2008 at 9428.6 tons due to the impact of the world economic crisis of the previous import value in 2002 at 11345.8 tons.

Yeriesca and Kuncoro (2014) states that the flow of FDI into Indonesia in line with the development of the textile industry and textile products, which began in the 1980s then continues to the Asian economic crisis in 1997-1998. The presence of FDI in a country through MNC believed to bring spillover effects that can affect the export performance of local companies.

Figure 1.2 : Realization of FDI on Manufacture Sector tahun 1990-2000 (US $)



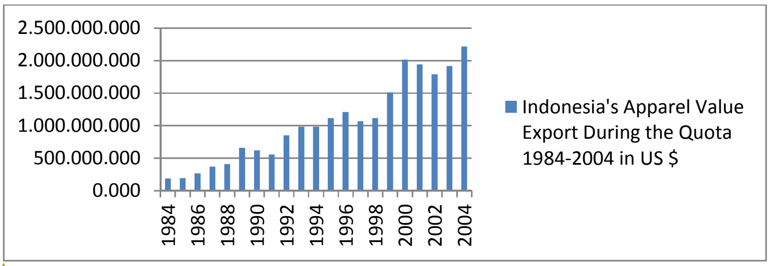
Source: BPS

Based on Table 1.2 show that the development of the value of FDI in Indonesia's manufacturing sector experienced a significant increase of 1993 amounted to US $ 3,422.800 to US $ 26,892.100 in 1995. The significant increase was due to a conducive investment climate reforms by the Government then, made manufacturing exports jumped sharply, from

24 percent of total exports in 1985, amounted to 65-66 percent in 1993-1996 (Ramstetter and Takii 2006 in Yeriesca and Kuncoro, 2014).

According to Trela and Whalley (1990) stated that the application of the import quota was carried out by three developed countries, namely the United States, Canada, and the European Community, since 1974 with a series of international agreements between countries of exporters and importers, known as multi-Fibre Arrangements (MFA). This agreement resulted in a series of bilateral quotas discrimination policy that prohibits the export of developing countries with low production costs to developed countries.

Figure 1.5 : Indonesia's Apparel Value Export During the Quota 1984-2004 in US$



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Based on the figure 1.5 show that the development of the Indonesian apparel exports to the US since 1984 to 1994. There was a significant rise from 1988 of US $ 409,550.600 to US $ 662,819.900 in 1990. Then, in 1991 drastically reduced the value of apparel exports amounted to US $ 556,983.400. This is caused by the Gulf's War-Kuwait invasion by Iraq which erupted in 1991 resulting recession in US partly reasoned by the spike in the price of oil. This is in line with the demand for Indonesia apparel exports, which declined from 1990 to 1991 with a value of US $ 619,599 to US $ 556,983.

Based on the various problems mentioned above, the author wants to study the factors that affect the performance of Indonesian apparel exports to the United States in 1984-2014. The time duration studied is 31 years from 1984 to 2014. Factors that affecting total exports are important indicators in analyzing the Indonesian apparel export performance. Based on Sharma (2003), Khairunnisa (2009), Lubis (2013), Pramana&Meydianawathi (2013), Sonaglio, C.M., et al., (2016) researches, the important indicators in international trade are GDP (Gross Domestic Product), FDI (Foreign Direct Investment), exchange rate, and quota.

Specifically the following research questions will be adressed : How does foreign direct investment (FDI) – particularly on manufacturing sector – gross domestic product (GDP), exchange rate and dummy quota affect to the performance of Indonesian textile exports?

B. LITERATURE REVIEW

In this chapter, the discussion about the definition of some topics in research will be explained

General description of International Trade Theory

International trade theory begins with the theory of absolute advantage initiated by Adam Smith. It stated that two countries that trade each other will gain the advantage by specializing on the production of a commodity which has the absolute advantage.

David Ricardo (1817) proposed Comparative Advantage Theory. A country needs to specialized in producing and exporting products that have the smallest inefficiency.

Heckscher-Ohlin (1933) produced a theory that international trade happen because there are differences in opportunity costs and production factors.

Linder Theory (1961) considers on the composition of international trade on the demand side and only emphasizes on manufactured goods. High level per capita income will lead to increase the demand of high-quality manufacture products.

General Description of Demand and Supply Theory related to International Trade

Krugman and Obstfeld (2000) stated that factors affecting exports can be seen from the demand and supply side deals. From the demand side, exports are affected by export prices, the real exchange rate, world income and devaluation policy. While the supply side, exports are affected by export prices, domestic prices, the real exchange rate, production capacity that could be proxied through investment, imports of raw materials and deregulation policy.

The correlation of Independent Variables and Dependent Variable

Correlation of Gross Domestic Product (GDP) with Total Exports

GDP are $Y = C + I + G + NX$ (Gregory, 2011)

Where C represents Consumptions, I represents Investment, G represents all purchases of goods and services by Government, NX represents Net Export. This amount represents the money value of domestically produced goods that are sold minus the purchase of goods and services produced in other countries. High level of national income can increase the level of exports from the country in international trade. Increasing of GDP in importer countries also affect the demand of exports to exporter countries.

Correlation of Foreign Direct Investment (FDI) with Total Exports

Aw and Batra (1998) argued that the existence of FDI is one kind of manifestation of globalization. By establishing FDI in a country, it will invite some multinational companies

(MNCs), which can increase the productivity of domestic corporations through its superior knowledge. The level of company's productivity can be seen from the increase on production efficiency, so company can take a chance to increase its productivity which is higher than a company's ability to expand to export market.

Correlation of Exchange Rate with Total Exports

Lipsey (1995) argued that the export is the total sales of goods that can be produced by a country, then traded with the aim of increasing the country's foreign exchange. A country will be able to export the goods it produces to other countries which cannot be produced by the importing country.

Correlation of Dummy Quota with Total Exports

Trade restrictions for apparel and textile products is done by the MFA quotas. Countries had been applied quotas are the United States, EU, and Canada. The application of quotas were occured unilaterally and very dependent on importing countries so it can be said that the application of these quotas hampering the trade of developing countries as a manufacturer and exporter of textile. Although MFA little hamper, they provide access to gain market share at a favorable price, so that developing countries such as Indonesia is able to enter the market and obtain favorable prices in developed markets like the United States.

MFA expires at the end of 1994, and was later replaced by the Agreement Textile and Clothing (ATC). ATC was formed with the aim of liberating the textile trade in full within 10 years gradually since 1995-2005 until all TPT now fully integrated into the WTO system and eventually ending the quota system where the importing country can no longer discriminate against exporters.

C. RESEARCH METHOD

This research method is descriptive quantitative method by using regression Ordinary Least Square (OLS) was used to analyze the influence of independent variables to dependent variable. The quantitative method is a method that stems from numerical data to be processed into information. There are two variables used as a model in quantitative research which are independent variable and the dependent variable (Kuncoro, 2003).

While the time taken in this study is 31 years from 1984 through 2014 with data obtained are annual data on several variables. This year's selection is based on the data of Indonesian textile exports belong to the the Central Bureau of Statistics.

EKS = b0 + X1FDIManufacture + X2USGDP + X3ER + X4Dummy_Q + Et

Where:

EKS	= Demand Indonesian Garment exports to the United States to the period-t (US $)
FDIManufacture	= FDI in Indonesia Manufacturing sector to the period-t (US $)
USGDP	= Real GDP of the United States to the period-t (US $)
ER	= The real exchange rate of Rupiah against the US Dollar (Rp/US$)
Dummy_Q	= Dummy Quota
Et	= Error time series

D. FINDING AND DISCUSSION

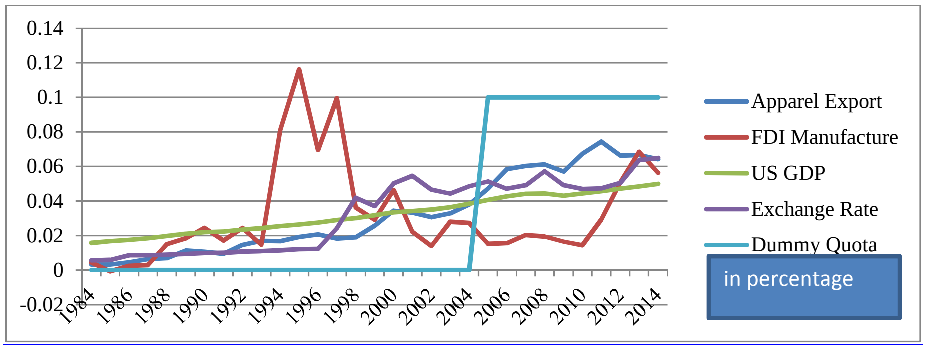
Overview of Indonesian Textile Industry

BAPPENAS made the National Development Program (PROPENAS) in 1999 involving an active role during the New Order government to promote various industries in Indonesia as well as provide subsidies for domestic industry. Industries in Indonesia average based on natural resources, such as wood products, food, and jewelry but the chain is not too solid technology, but it is different with manufacturing industries that require high technology so that this industry are held by foreign capital. (Rasiah, 1998 in Tambunan, 2007).

Textiles and textile products can play an important role in countries such as Pakistan, Vietnam, Thailand, Sri Lanka, and Indonesia. CBS (2008) in Hermawan (2011), in Indonesia, the value of increased economic growth is contributed by the good performance of the contribution of textile products. The textile industry contributes 2.18 per cent to the gross domestic product and 8.01 percent to the manufacturing industry in 2010. Even non-oil commodities that provide the greatest contribution during the last 20 years is the textile industry and textile products. At the beginning of the development of this industry, the increase in the value of the contribution is not independent of government policy alone.

Overview of Indonesian apparel exports to the United States

Figure 4.2.1 Export Apparel Indonesia to the US, FDI to the manufacturing sector, the US GDP, Exchange Rate Indonesia against the US dollar, and Dummy Quota.



Source: Central Bureau of Statistic (author processed)

Export Apparel Indonesia to United States

Based on the figures 4.2.1 above, Indonesia has experienced a rise in the value of apparel exports to the United States significantly starting from 1984 until 1993.

Based on the above data, the total value of Indonesian apparel exports to the US from 1984 to 1988 increased several times, i.e. 0.003% in 1984, and 0.006% in 1986, and became 0.011% in 1988. However, in 1990 the value of Indonesian apparel exports down from the original 0.010% to 0.009% in 1991. The slowdown is due to the instability of the political and economic situation in the United States. American launched its military invasion to Kuwait. American sought to expel Iraq from Kuwait by deploying military forces and capability as well as its economy to restore security and peace in the Middle East (Solichien M, 2008).

Simorangkir (2004) in Anggara (2015) explains that in mid-1997, Indonesia's economic growth rate continued to decline to 4.7% as a result of the Asian economic crisis. The high inflation rate as well as a massive withdrawal of funds by foreign investors coupled with a multidimensional crisis (economic crisis, social, political) slowed the pace of economic growth in 1998. Economic growth in 1998 fell to a negative figure of 13%.

Because of the economic crisis, the growth of total exports of apparel in 1986 to 1987 fell by the respective value of 0.020% to 0.018%.

Foreign Direct Investment (FDI)

According to the World Bank (1994) in Yeriesca and Kuncoro (2014) FDI inflows before the Asian economic crisis consists of two waves. In the first wave of 1988-1990, where there are many export-oriented FDI (export-oriented FDI) coming into Indonesian textile sector (covering apparel and footwear) coming from countries like South Korea and China, which are members Newly Industrializing Economies (NIEs). At the beginning of 1994 was marked by the recovery of the world stable investment climate and the government has begun an initiative to liberalize the investment at that time so as to attract export-oriented FDI from foreign firms to support export growth Indonesia. This can be seen from the value of exports that go into the manufacturing sector rose in 1984 valued at US $ 18,738.8 million of which were previously only worth US $ 3,422.8 million.

In 1997 toward 1998 the value of apparel exports declined from US $ 23,017.3 million to US $ 8,388.2 million. This slowdown caused by the economic crisis that occurred in Asia in 1997. Simorangkir (2004) in Anggara (2015) explained that in mid-1997, Indonesia's economic growth rate continued to decline to 4.7% as a result of the Asian economic crisis.

Economic growth in the second quarter of 2011 recorded a growth rate of 6.5 percent (yoy). An increase in the value of economic growth is driven by the high value of performance improvement increasing investment and solid export performance, thereby offsetting solid household consumption as a source of growth over the years. The capacity of the economy is getting better because the important role of investment, particularly foreign direct investment (FDI) showed an increase, in line with the improvement in credit rating (sovereign credit rating) Indonesia. It is also evident and of foreign investment gradually improved from the year 2011 amounted to US $ 6,789 million, 2012 amounted to US $ 11,769 million and go up to US $ 15,858 million in 2013.

Gross Domestic Product (GDP)

Then the economic crisis that hit the United States in 2008 was caused by the subprime mortgage crisis that began in mid-2007 and then peaked in September 2008, accompanied by the announcement of the bankruptcy of several financial institutions (Nezky Mita, 2013). The fall in the performance of the American economy had an impact on GDP decline. In 2007, America recorded GDP growth slowed from the previous growth of 0.0407 became 0.0406 in 2008. American GDP continued to experience fallout from the economy that had not recovered until 2009 with the growth rate reaching 0.0394.

Exchange Rate

BI (2013) revealed that the fixed exchange rate policy has created a new problem when the early 1990s export growth declined. Prices of goods and services in Indonesia became more expensive, causing the rupiah considered overvalued. Between 1990 and 1997, the value of the rupiah appreciating is 22 percent.

Exchange rates have an important role in the context of a country's monetary stability in supporting economic activity. to maintain exchange rate stability, the central bank at any time intervene in the foreign exchange markets is often called the exchange. since 15 november 1978 exchange rate system in Indonesia is converted into a floating controlled (managed floating exchange rate) Indonesia where the exchange rate is not solely linked to the US dollar, but against a basket of currencies some major trading partner countries, such as Japan and the European Union.

Dummy Quota

Trade restrictions for apparel and textile products is done by the MFA quotas. Countries had been applied quotas are the United States, EU, and Canada. The application of quotas were occured unilaterally and very dependent on importing countries so it can be said that the application of these quotas hampering the trade of developing countries as a manufacturer and exporter of textile. Although MFA little hamper, they provide access to gain market share at a favorable price, so that developing countries such as Indonesia is able to enter the market and obtain favorable prices in developed markets like the United States.

MFA expires at the end of 1994, and was later replaced by the Agreement Textile and Clothing (ATC). ATC was formed with the aim of liberating the textile trade in full within 10 years gradually since 1995-2005 until all TPT now fully integrated into the WTO system and eventually ending the quota system where the importing country can no longer discriminate against exporters.

Based on the figure 4.2.1, after the quota was abolished in 2005, the value of apparel exports Indonesia as a whole experienced a downward trend from 2011-2014. The lowest value apparel exports after quotas are abolished in 2005 with a value of US $ 2,761,689. Then, the value of exports continued to decline in a row starting in 2011 with an export value of US $ 4,342,369 and then dropped progressively in 2012 of US $ 3,872,148, US $ 3,887,406,800 in 2013, and US $ 3,758,453 in 2014. API (2004 and 2006) conducted a study on the impact after the ATC and shows the challenges and opportunities for the Textile and Garment industry with domestic issues involving the policy side and infrastructure constraints.

Classical Assumption Test

From the classical assumption test, it can be said that this model are free from Multicollinearity, Heteroscedasticity (using White), and Autocorrelation (using Breusch-Godfrey). It can be seen from the multicollinearity test results, can be seen in table columns Centered VIF. VIF value for the variable D FDI Manufacture, D USAGDP, D ER, D Dummy_Quota value of each 1.02, 1.17, 1.15, 1.04. Because the VIF value of the four variables no greater than 10, it can be said does not happen multicollinearity on all four independent variables. The absence of heterocedasticity can also be seen from the probability value of chi squares of 0.133 (13%) greater than $\alpha = 5\%$, which means the regression model has no heteroscedasticity symptoms. Output in the table 4.3.4 indicates that the probability value (Obs * R-squared) of 0.2346 (23%) greater than the significance level ($\alpha = 5\%$), then H0 is accepted so concluded is not found symptoms of autocorrelation in the model.

The normality assumption is to determine whether the standardized residual studied is in normal distribution or not. In the study, the number of observation is 30 consisting of total export value of Indonesia's clothing to United States for 31 years.

Partial Test (t-test)

Probability value of GDP is smaller than 5% alpha, so it can be said that $0.000 < 0.05$. Therefore, the H0 hypothesis is accepted and it can be said that USAGDP variable significantly affects to total export apparel variable.

Probability value of FDI is bigger than 5% alpha, so it can be said $0.1577 > 0.05$. Therefore, the accepted hypothesis is H1, and it can be said that FDI variable does not affect and insignificant to total export apparel variable.

Probability value of exchange rate is bigger than 5% alpha, so it can be said 0.0999 > 0.05. Therefore, the accepted hypothesis is H1, and it can be said that exchange rate variable does not affects and insignificant affect to total export apparel variable.

Probability value of dummy quota is smaller than 5% alpha, so it can be said 0.0037 < 0.05. Therefore, the accepted hypothesis is H0 is accepted, and it can be said that dummy quota variable does affects and significantly to total export apparel variable.

Simultaneous Test (F-test)

Based on the result it is known that F_{count} is 319,3723 which is bigger than $F_{critical}$ 4,26, with a probability value equal to 0,000000 and it is significant in alpha = 5%. This shows that USAGDP, FDI Manufacture, Exchange rate, Dummy Quota simultaneously does affect to Indonesia's apparel export towards the United States period of 1984-2014.

Determination Coefficient (R2)

Determination coefficient shows the significant effect of independent variable towards dependent variable in percentage units. The advantage of this research design is measured by using determination coefficient (R2). The value of R2 nearly increases to one, so it can be said that the research design is good. The value of determination coefficient (R2) is 0,9800. Thus, the effect of total independent variable towards dependent variable is 0,9761 or 98%, and other 2% is affected by excluded from the current research variables.

The Result Test

Multiple Linear Regression

Dependent Variable: TOTALAPPARELEXPORT
Method: Least Squares
Date: 02/01/17 Time: 09:12
Sample: 1 31
Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.

FDI_MANUFACTURE	-0.041394	0.028456	-1.454668	0.1577
US_GDP	2.091050	0.312695	6.687180	0.0000
EXCHANGE_RATE	-0.194643	0.114069	-1.706369	0.0999
DUMMY_QUOTA	0.106632	0.033449	3.187917	0.0037
C	-0.031021	0.005422	-5.721034	0.0000

R-squared	0.980054	Mean dependent var	0.032258
Adjusted R-squared	0.976985	S.D. dependent var	0.023271
S.E. of regression	0.003530	Akaike info criterion	-8.308116
Sum squared resid	0.000324	Schwarz criterion	-8.076828
Log likelihood	133.7758	Hannan-Quinn criter.	-8.232722
F-statistic	319.3723	Durbin-Watson stat	1.452542
Prob(F-statistic)	0.000000		

TOTAL APPAREL EXPORT = - 0.031021 – 0.041394 FDI Manufacture + 2.091050 USA GDP – 0.194643 Exchange Rate + 0.106632 Dummy_Quota + ε_{it}

The interpretation of the previous formula can be explained based on the regression model as follows:

1. The value of FDI on Manufacture Indonesia = **- 0.041394**. It means that if the value of FDI on Manufacture Indonesia increases by 1%, Indonesia total export apparel variable will decrease by **0.041**%, while other independent variables remain ceteris paribus.
2. The value of USAGDP = **2.091050**. It means that if the value of GDP USA increases by 1%, Indonesia total export apparel variable will increase by **2.09**%, while other independent variables remain ceteris paribus.
3. The value of Exchange Rates = **– 0.194643**. It means that if the value of exchange rates increases by 1%, Indonesia Total Export of apparel variable will decrease by **0.19**%, while other independent variables remain ceteris paribus.
4. The value of Dummy Quota = **0.106632.** It means that if the value of dummy quota rates increases by 1%, Indonesia total export apparel variable will increase by **0.10**%, while other independent variables remain ceteris paribus.

Discussion of Results

The effect of FDI particular Manufacture Sector to the export performance apparel Indonesia

Based on the regression result, it is revealed that the FDI of importer country positively affects to the Total Export of exporter country by 5% significant level, and the coefficient value is - 0.041394. Based on the result, it can be concluded that the FDI of importer country increases by 1%, so the effect towards the total export of exporter country change is - 0.041%. Therefore, it can be concluded that if the FDI of importer country increases by 1%, so the effect towards the total export of the exporter country will increase by - 0.041%. Vice versa, if the FDI of exporter country decreases by 1%, the total export of exporter country will decrease by - 0.041%.

Comment [B1]: belum ada nilainya

The effect of the United States of America GDP per capita to the export performance apparel Indonesia

Based on the regression result, it is revealed that the GDP of importer country positively affects to the Total Export of exporter country. The positive effect of significant level is amounted to 5%, and the coefficient value is 2.091050. Based on the result, it can be concluded that the GDP of importer country increases by 1%, so the effect towards the change of total export of exporter country is 2.09%. It indicates that if the GDP of importer country increases by 1%, so the total export by export country and trade partners will increase by 2.09%. Vice versa, if the GDP of importer country decreases by 1%, so the total export by exporter country and trade partners will decrease by 2.09%.

Comment [B2]: Nilai????

Increasing the GDP of a country's importers will further enhance the exporting countries experienced an increase in demand for goods exports to the importing country.

Based on these results, these findings are consistent with the theory put forward by Mankiw (2006: 5) which explains that the Gross Domestic Product or GDP (Gross Domestic Product) is the economic statistics most important aspect because it is considered as the best single measure of the welfare of the community. The underlying case for GDP measures two things at once: a total income of everyone in the economy and the total state expenditure for purchase of goods and services results from the economy. The reason GDP can perform measurement of total income and expenses due to the economy as a whole, income must be equal to the expenditure. This research finding is also supported by previous Oktora (2009), which revealed that the GDP per capita European positively effect on export demand for textiles and textile products Indonesia to Europe.

The effect of exchange rates on performance of the export performance apparel Indonesia

Based on the regression result, it is revealed that the exchange rate of importer country negatively affects to the total export of exporter country by 5% significant level, and the coefficient value is – 0.194643. Based on the result, it can be concluded that the exchange rate of importer country increases 1%, so the effect towards the total export of exporter country change is – 0.19%. Therefore, if the exchange rate of importer country increases by 1%, the total export of the exporter country will increases by – 0.19%. Vice versa, if the exchange rate of importer country decreases to 1%, the total export of exporter country will decrease by – 0.19%.

Comment [B3]: Nilai??

In previous hypothesis stated that exchange rate is negatively correlated to export. This is in line with the previous research. According to Kemal and Qadir (2005) stated that real exchange rate is negatively associated with the exports and possitively with imports. Exports do not respond to the shock caused by the real exchange rate, but imports respond to the sudden shock in the real exchange rate. The sudden movements in the real exchange rate in Pakistan do not affect exports.

The effect of Dummy Quota on performance of total export apparel Indonesia

Based on the regression result, it is revealed that the dummy quota of textile and product textile possitively affects to the total export of exporter country by 5% significant level, and the coefficient value is 0.106632. Based on the result, it can be concluded that the exchange rate of importer country increases 1%, so the effect towards the total export of exporter country change is 0.10%. Therefore, if the exchange rate of importer country increases by 1%, the total export of the exporter country will increases by 0.10%. Vice versa, if the exchange rate of importer country decreases to 1%, the total export of exporter country will decrease by 0.10%.

Comment [B4]: Nilai??

In the previous hypothesis that has been stated previously, the abolition of quotas have a negative influence on the performance of Indonesian garment exports to the United States. However, after the estimation results are not consistent with the hypothesis. Results alleged provides coefficient value of 0.106632 to mark a positive and significant effect on Indonesian garment exports to the United States. The coefficient of 0.106632 gives the sense that at the time of the abolition of the quota system, the performance of Indonesian garment exports to the United States increased by 1.62 percent.

The abolition of quotas for textiles and textile products (TPT), the world imposed by countries like the United States and the European Union to some textile exporting countries officially ended in early 2005. (Martin, 2007). This is a sign for Indonesia to compete more closely with countries of the world textile producers to improve the performance of its exports to the United States. When the enactment of textile quotas, Indonesia do not bother to compete for the market because in countries where quotas, TPT Indonesia already has a quota or quotas for apparel market products in the United States as well as the guarantee facility of its textile market. However, despite Indonesia must compete closely in fact Indonesian textile exports continue to increase the value of exports to the United States. Things that leading to increase the Indonesia exports to the United States is releasing of textile products are very salable in the market, especially T-shirts, men's shirts and men's shirts, children's clothes, jeans, and blouse women which were previously restricted by quotas so as to encourage exporters to do export as much as possible.

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

After testing and analyzing international trade (exports of clothing) between Indonesia and the United States from 1984 to 2014, there are several conclusion formulated:

1. GDP variables of importer country, FDI particularly on Indonesian manufacture sector pose positive and significant impact on Indonesian apparel export to US. Therefore, if these variables increase, the value of apparel exports between Indonesia to US will also increase. GDP increase in revenue on the United States, if earnings increases, the state welfare will also increase and international trade will be better. Demand of apparel export is followed by increased consumption in the US, as well as the quality of resources of exporter state are things that are important to enhance the trading activities. Similarly, FDI inflow will raise and fluently to tied up the international trade between Indonesia and the United States.
2. Exchange rate variable poses negative effect and insignificant impact on trade (export) between Indonesia and the United States. Therefore, if exchange rate is increase (the home country currency relatively decrease towards the foreign currency) it will cause the exported product cheaper related to the foreign

consumer (importer). Furthermore, to strengthen the textile industry Government needs requires strategic to maintain the monetary stability especially exchange rate. Because the Indonesian textile industry still imported raw material from the foreign country to raise its production. If Rupiah fall related to US Dollar then the exporter will have less raw material and it will decrease the apparel production related to competitiveness.

3. Facing the post-quota free market, Indonesia should be capable to increase it's competitiveness of the textile industry namely restructuring inside the Textile and Product Textile industry which means replacement of updating technology new machines modern to increase productivity and create efficiency so Indonesian textile products are able to compete with the other exporter countries of Textile and Product Textile.

5.2 Suggestion

Based on the empirical data, there are several suggestions proposed, among others:

1. The government should immediately formulate strategic steps that can be implemented on the specific targets in order to open the new market segmentation. Government needs to arranged in an integrated manner in textile sectors ranging from upstream like shifting the foreign direct investment which entering the manufacture sector to agriculture sector (cotton supply). If government could do that, then the efficiency of production will be achieved. The apparel exporter do not need to imported the raw material from foreign country again.
2. The government of Indonesia should maintain the stability of Rupiah exchange rate towards USD. Concerning that it is a necessary condition to create a conducive situation which increase the business activity.

3. The government of Indonesia should keep promoting manufacturing industry specialty especially in apparel textile to foreign investor to boost the production quantity and quality of clothing textile towards the United States.

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