

## Application for a Willingness to Be Resource Person

Contributed by editor  
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Indonesian garment industry is known as a world-class player. Until know, this sector recorded a good performance especially for export oriented garment industry. To elaborate about this sector in more detail we interviewed Mrs. Anne Patricia Sutanto, the Vice CEO of PT. Brothers, Tbk.. And here the interview:

**Q:** How the performance of garment industry in last 5 years? **A:** There are increasing demands to ASEAN manufacturing countries on TPT including Indonesia due to less manufacturing garment capacity in China especially for export oriented garment. However, Indonesia could not yet pick up the due to external factors such as Indonesia is not yet TPP member as well as Indonesia has not had FTA with Europe such as Vietnam. Thus, Indonesia in year 2014, the market share in TPT is only 1.53% compared to Vietnam which is at 3.15% based on figure shown next page. And in the internal factors, there is not much supply chain for more premium fabrics in Indonesia, due less investment in weaving or knitting and dyeing and printing in Indonesia than in Vietnam or China in the last five years. So, we still need to import quite a number of fabrics as raw material for the export garment.

**Q:** Especially in 2015, how the situation of this sector? **A:** There are two main positions in the garment industry, first one is export oriented garment industry, where the compliance of the industry is strictly adhered since the brands that are giving the orders have strict requirements, thus, there are lots of upcoming garment factories in the lower minimum wage area, and less or stable capacity of garments factories in the high minimum wage area. The second one is the local oriented garment industries. We have seen stable capacity, but we believe in the next few years, there is also increasing demand on the garment for local markets due to weak rupiah, so the local demands would be sourced locally if the local garment market is more stable and increasing, since this year the local garment demand is less than year 2014.

**Q:** Base on that situation, can you explain more detail about supply-demand and the competition in this sector? **A:** Domestic market conditions in 2015: Due to soft market demand, the garment market in Indonesia is less than 2014, however, due to the weak rupiah, there are less import garments, and the garment market relies more to Indonesia garment industries. Regional market conditions in 2015: There is increasing demand from the Brands to ship to MEA countries and Japan and Korea in year 2015, and we believe there are more upcoming sourcing activities from Indonesia to source to MEA markets. Especially if we could blend with MEA fabric mills in doing the collaboration supply chain. Global market Conditions in 2015: The Global brands do multi sourcing, but for Indonesia, they increase the demand for MEA destination countries strategy, and for Vietnam, they increase the demand for Europe and US countries for FTA Europe and TTP preparations. We hope that Indonesia government is consistent and moving forward with the Europe FTA, as well as become TPP members, since we could have more increasing demand and more investment in supply chain for Indonesia.

**Q:** So, you're very optimistic that Indonesia garment industry will always grow? **A:** We believe there are more optimism in Indonesia Garment Industry in the next 3 years since Indonesia government has commitments to ensure the Free Trade Agreement negotiations regionally as well as globally. In addition, the government also counters measure the labor policy by having more predicted and measured policy and giving more benefits for labor intensive industry for tax allowance. There are lots of positive mind set for garments and there are quite an increasing demand from global brands as well as local brands in year 2015, and we believe it would continue increasing in the year 2016-2018. If the Government succeeds with the FTA Europe in year 2017, and Indonesia becomes the TPP member, we could see much more increasing demand in the few years ahead including up to year 2020.

**Q:** What Challenges and Opportunities of Garment Industry from 2016 to 2020? **A:** The challenges of garment industry are the lead-time, Efficiency/ Productivity, supply chain, Infrastructure and The instability of foreign exchange. The Global brands, and the Garment markets always need fast response on market trends, thus, the one that could have the shorter lead time is the winner. As for Indonesia, where the lead time is a challenging effort due to limited fabric sourcing for the premium brands. Efficiency and Productivity to ensure competitiveness in free trade market. Indonesia has huge labor force, but not necessarily has competitiveness among the MEA region due to the lack of competency in certain skills. The garment supply chain especially in the upper stream is quite lacking, thus, it would take some years for Indonesia to build and convince more investment in the garment supply chain especially fabric mills: weaving or knitting, dyeing and finishing(printing). A serious infrastructure in electricity, waste water management, as well as transportation alternatives need to be build along the demand for the industries. The weaker and sometimes stronger Rupiah with inconsistency manner on the up and down could cause benefit or misery to garment industries, since the momentum on the import and export period could really affect the foreign exchange loss or gain. And the opportunities are labor force, huge market, government support and political stability. Indonesia as the fourth largest country in terms of population has advantage to optimize the work force as one of the major ingredients in the garment industry. Beside the export market, the garment industry in Indonesia could also enjoy the advantage of having huge market to balance among the country, the regional and the world demand. The government encourages and supports the garment by focusing on the free trade negotiations, gives incentive for the renewal machineries, and also give the training budget for the industry competency training programs. And the last program that is being introduced is the tax allowance for labor intensive industry with certain size of labor as well as export oriented garment industry. Indonesia has relative stable political situation across the region thus make the labor intensive industry more stable.

**Q:** What Strengths and Weaknesses of Garment Industry face 2016 &ndash;2020? **A:** Strengths of Garment Industry are labor force. That there is more younger labor forces in Indonesia compared to other part of the region. Indonesia has understanding and legacy in garment making among labor force thus the skill despite number of series unfortunate era of garment in Indonesia, is still embedded within the lower level labor force. Strong source of Polyester and other Synthetic, as a country that produce crude oil,

Indonesia is always competitive in the polyester arena, and these days with the technology on the performance fabric, more and more people wear polyester based garment comfortably, and given that polyester garments are easier to maintain, the world demand keeps increasing. And the infrastructure, that Indonesia is considered quite ready to absorb the garment industry infrastructure compared to the other manufacturing region across MEA countries. The Weaknesses are limited supply in middle and upper level of garment management, and there is not enough university to bear the garment and textile major. Thus it takes time to have skilled middle and upper management in garment industries. The lack of supply chain makes the lead time in the Indonesia garment industry longer than other competitors countries. Thus Indonesia really needs to enhance the incentive for the upper stream industry to be built and complete the supply chain of the garment industry. Lack of creativity as well as innovation, that Indonesia needs to learn from other emerging country how to adapt to the raising wages, so that Indonesia could have more consistency in the increasing productivity and efficiency. And lack of understanding on some area and thus the increase of minimum wage depend on the political will instead of the productivity and efficiency measurement

Q: What is the key to successful Garment Industry face conditions of 2016 &ndash;2020? A: Understanding on the strength and weaknesses on the country. Understanding on the Garment organization that one has, so all the growth needs to be synchronized with the strength and preparation for the growth needs to be synergized with the global market and demand. Human capital management. How we could have sustainability in the human development to ensure continuous competitiveness as well as regeneration. Commitment to excel and adapt to the Brands demand. And managing the supply chain as well as the logistics and distribution strategy.