

footwear

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2 Measuring The Competitiveness of Footwear in The Global Market: A Comparison Study of Indonesia and Cambodia

19

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2

ABSTRACT

This study aims to compare the competitiveness of Indonesian and Cambodian footwear in the global market. Indonesia's export value increased over the year, but in 2019 it significantly decreased. The footwear industry has grown negatively since 2019, and during the pandemic, the growth rate is -8.76%. In contrast, since 2019, Cambodia has become the 10th world's footwear exporter. It is undoubtedly a threat to Indonesia, so it is necessary to make various strategies to increase Indonesia's competitiveness. Revealed Comparative Advantage (RCA) and Export Dynamic Product (EPD) methods measure the competitive position. This study uses secondary data in the form of annual export from 2011 to 2020. The results show that Indonesia has a comparative advantage over the world but is moderate, with an RCA value of 3.81. Cambodia has more competitively than Indonesia, with an RCA index of 8.22. Even though in 2020 it experienced negative growth, Indonesia's footwear both comparatively and competitively increased. The RCA index value increases and the EPD is in the best position, "the rising star". Indonesian products have high market attractiveness and market share in the global.

Keywords: footwear, competitiveness, RCA, EPD, rising star

INTRODUCTION

12 Asia is the largest footwear producer in the world. Asia countries produce 87.4% of the world's footwear and sell it worldwide (APICCAPS, 2020). Its total production in 2019 reached 21.2 billion pairs. China is the largest producer, followed by India and Vietnam in second and third place. Meanwhile, Indonesia ranks 4th with total footwear production of 1,228 million pairs or 5.1% of global manufacturing.

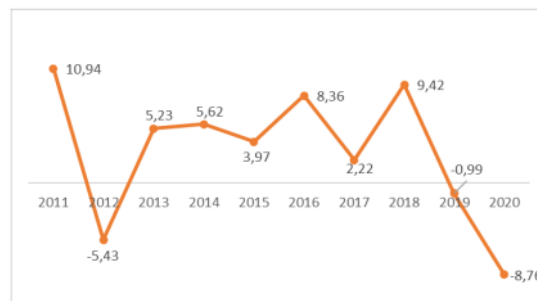
4 Asia is also the most extensive world exporter. Asia's export market is 83.9% (APICCAPS, 2020). China and Vietnam are in the top position with shares of 63.6% and 9.5%, respectively. Indonesia is the third major exporter, controlling 2.8% of the world footwear market based on its volume. Although not included as the primary producer, Cambodia has become a leading world exporter and is in 10th place with an export share of 1.1% (APICCAPS, 2020).

1

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The footwear industry is one of Indonesia's key sectors. The Ministry of Industry (Mol) stipulates the footwear industry as one of the priority industrial sectors. It has the main indicator requirements: 1) ability to meet domestic needs and import substitution, 2) improve the quality and quantity of labor absorption, 3) have international competitiveness, have added value that grows progressively, 4) ability to strengthen, deepen and nourish the industrial structure, 5) has a comparative advantage and mastery of raw materials and technology (Mol, 2015).

In the last decade, the growth of the footwear industry has fluctuated. The global crisis caused the decline in Indonesian footwear's demand, especially from Europe as the primary market. The global economic recovery has revived the world's footwear market; consequently, the Indonesian footwear industry has grown until 2016. 2018 was the climax point for the growth of the footwear industry in the last ten years. This sector could not maintain its performance and even fell drastically in 2019 with a negative growth rate of 0.99% (Figure 1). The COVID-19 pandemic exacerbated this condition in 2020; its growth was at the lowest point of -8.76% (Mol, 2021). Domestic and foreign trade have no significant growth in numbers, and even some countries' economies are in recession (Martoyo et al., 2022).



Source : (Mol, 2021)

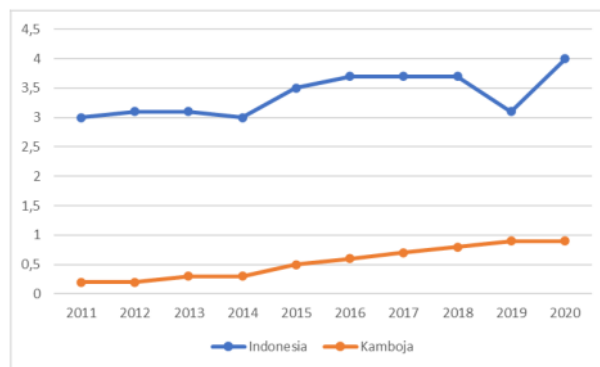
Figure 1. Footwear Industry Growth Rate 2011-2020 (%).

There was an anomaly between the growth of the footwear industry and its export performance. Export performance in 2020 was able to grow by 9% even though this sector was experiencing a recession. The footwear industry increased the export rate after being distorted in 2019. Trademap shows that its export value in 2020 reached US\$4.8 billion, whereas, in 2019, its exports fell 13.8%. The main export markets for Indonesian footwear are the United States (32.7%), China (12%), the Netherlands (7%), Belgium (6.9%) and Japan (6.7%) (Trademap, 2021).

Indonesia's imports increased over the year except during the pandemic. During the 2010-2019 period, imports of footwear increased by 258%, from US\$ 244.2 million in 2010 to US\$ 873.1 million in 2019 (Trademap, 2021). Most of them came from China and Vietnam. Cambodia also contributes to the Indonesian footwear market with a 0.8% share (Trademap, 2021). This condition certainly indicates a decline in Indonesian competitiveness in domestic and global markets. Indonesian footwear has lower

competitiveness than China (Yunika, 2017; Zhang, 2018). In 2020, demand for Indonesian footwear imports fell by 29% due to the Covid-19 (Trademap, 2021).

Cambodia is one of the world's major footwear exporters (Group, 2019). Its export rose significantly. As a result, in 2019, it was included in the top 10 global footwear exporters (APICCAPS, 2021). The export rate has reached 18% in the last decades, while Indonesia's is only 4.5% (Trademap, 2021). In 2010, Cambodia was only able to control 0.2% of the world footwear market, but in 2019 its export share increased 370% to 0.9% (Trademap, 2021). Cambodia's market share during the pandemic did not show an increase. Although Indonesia's market share is higher than Cambodia's (figure 2), Indonesia's export rate is slower, at only 16%. Cambodia's export speed should be a concern for Indonesia. In the long term, Cambodia can shift Indonesia's position. Therefore, it is necessary to make various efforts to improve Indonesia's export rate.



Source : Trademap, 2021.

18 Figure 2. Indonesian and Cambodian Footwear Market Share in 2010-2019.

The United States (US) is the largest importer in the world (Pandiangan et al., 2018; Vikiyanto, 2020). The trade war between the US and China, held since March 2018, certainly impacted their trade (Ahn & Lee, 2021). It changes in US import demand from China (Hayakawa et al., 2022). China as the largest exporter, lost its market in the US (Ahn & Lee, 2021). It is an opportunity for countries with a comparative advantage to seize China's loss. The volume of US footwear imports from China contracted by 3%, or US\$ 600 million (Trademap, 2021). Footwear exporting countries take advantage of their tensions by increasing market penetration into the US. According to Trademap, during 2018-2019, Vietnam's footwear trade volume in the US increased by 10% and Indonesia's by 9%. Indonesian footwear has a comparative advantage in the US market (Yunika, 2017). Cambodia can increase market penetration by 42% with a lower production capacity (Trademap, 2021).

The presence of Cambodia is a significant threat to Indonesia. After losing to Vietnam, which has a very rapid growth in footwear, do not let Indonesia lose for the second time. The Footwear industry must improve its performance in 2018-2019. Lest the covid pandemic further worsens Indonesia's condition to a more bottomless abyss, it is

challenging to rise. If Indonesia does not improve itself, Cambodia may defeat and replace Indonesia's position in the next five years.

Much research on the competitiveness of Indonesian footwear has been carried out (Yunika, 2017; Listianti & Syariah, 2020) analyzed the daytime power of Indonesian footwear exports in the US market; the results stated that Indonesia has strong competitiveness with an RCA value > 1, but Indonesia's competitiveness is lower than China. Abdulkadir et al., (2020) investigated the factors causing the intense competitiveness of Indonesian footwear compared to Vietnam. The main reasons for the low competitiveness of Indonesian footwear are the higher wages for labour than in Vietnam and business services such as R&D that have not been fully utilized. Pandiangan et al., (2018) developed a strategy to increase the competitiveness of Indonesian footwear using Porter's Diamond method, but it just focused on sports shoes.

This study was conducted to complement previous research by updating data and methods. The analysis includes the competitiveness of Indonesian footwear in the world and the five main markets compared to Cambodia as a newcomer with a reasonably rapid export rate. This study analyzes all footwear HS (Harmonize System) codes; therefore, the coverage is more comprehensive than the previous research.

This research aims to: Analyze the comparative advantage of Indonesia and Cambodia in the global market. Analyze the comparative advantage of Indonesia and Cambodia in the five major importing countries of world footwear. Analyze Indonesia's competitive advantage in the global market.

METHOD

This study uses a quantitative descriptive method. Quantitative methods are used to measure Indonesian and Cambodian footwear's competitive strength and market position in the global market and the five leading importers: United States, Germany, Japan, France, and the United Kingdom. Then the data is interpreted in a descriptive analysis that describes the position and strength of the competitiveness of Indonesia and Cambodia over the last ten years. The competitiveness analysis carried out includes comparative advantage and competitive advantage.

The type of data used in this study is secondary data obtained from Trademap via the <https://www.intracen.org/> site. The time series of Indonesian and Cambodian footwear export data was processed and analyzed from 2011 to 2020. The object of this research is a footwear product with 4-digit HS codes 6401, 6402; 6303; 6404; 6405, and 6406. Other secondary data were obtained through literature studies with books, journals, and other sources investigative materials.

Revealed Comparative Advantage (RCA)

One of the methods that can show indicators of changes in comparative advantage is the Revealed Comparative Advantage (RCA) which was first proposed by Balassa. It is an index used to measure certain commodities' relative gains or losses in a country reflected in its trading patterns. RCA index compares the share of export commodities or a group of commodities of a country to the world share of exports of these products. In other words,

the RCA index shows ²¹ the comparative advantage or competitiveness of a country's exports in a commodity to the world (Balassa, 1965). The comparative advantage is reflected or can be seen in its exports. Systematically, the RCA index is as follows:

$$RCA_{ij} = \frac{X_{ij}/X_j}{X_{iw}/X_w} \dots \dots \dots (1)$$

⁴ X_{ij} = Indonesia's footwear export value

X_j = Indonesia's total export value

X_{iw} = World's footwear export value

X_w = World's total export value

Suppose the RCA index value for a particular commodity is more significant than one (RCA index > 1) (Balassa, 1965). ¹ that case, ⁵ the country has a comparative advantage over the world for that commodity. On the other hand, if a country's RCA index value for a particular commodity is less than one (RCA index < 1), it means that its comparative advantage for that commodity is low or below the world average (Nurkomariyah et al., 2019). Hinloopen & Van Marrewijk (2001) classified the Balassa index into 4 groups, as presented in Table 1.

Table 1: Classification of Ballasa Index (RCA)

Group	RCA index	Competitiveness
A	¹ 0 < RCA < 1	No competitiveness
B	1 < RCA < 2	weak
C	2 < RCA < 4	moderate
D	RCA > 4	strong

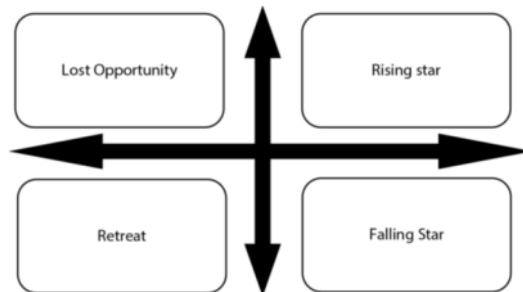
Source: (Hinloopen & Van Marrewijk, 2001)

Export Product Dynamics (EPD)

¹ EPD (Export Product Dynamics) is a quantitative analysis method to identify competitive advantage. EPD can also show the dynamic movement of export growth of a commodity (Suhdi & Suharno, 2015). According to (Esterhuizen, 2006) if a product has an export growth value that exceeds the average export value continuously, then the product could become the primary source of income for a country. These products can compete at the international level. Based ³ on the EPD, the export growth position or commodity competitiveness of a country consists of four categories that show the attractiveness and strength ⁵ of the product, as shown in Figure 3 (Prasetyani et al., 2020).

First, rising star, this category shows that a country gains additional market share from the rapidly growing footwear market. The second lost opportunity; in this condition, the market growth of a commodity in the global market moves dynamically. However, a country experiences a decline in market share, where ³ the world's supply of footwear is higher than the supply of Indonesian footwear. Third, falling star, this condition is almost

the same as a lost opportunity. In this condition, a country's footwear exports increase, but its market share stagnates. Fourth, the retreat shows the decline of the footwear market. It is the worst condition where the product has low attractiveness and market share.



Source³ (Esterhuizen, 2006)

Figure 3: Market Attractiveness and Business Strength in EPD

The formul⁹ used to determine the position of the x and y axes is:

Axis x: The growth of business strength or export market share of product i:

$$\frac{\sum_{t=1}^t \left(\frac{X_{ij}}{W_{ij}} \right)_t \times 100\% - \sum_{t=1}^t \left(\frac{X_{ij}}{W_{ij}} \right)_{t-1} \times 100\%}{T}$$

Axis y: The growth of market attractiveness or p²²duct market share i:

$$\frac{\sum_{t=1}^t \left(\frac{X_t}{W_t} \right)_t \times 100\% - \sum_{t=1}^t \left(\frac{X_t}{W_t} \right)_{t-1} \times 100\%}{T}$$

- X_{ij} = Indon¹⁵ia's footwear export value to destination countries
- X_t = Total Indonesia's export value to destination countries
- W_{ij} = Wolrd's footwear export value to destination countries
- W_t = World's export value to destination countries
- t = period of analysis

FINDING AND DISCUSSION

Competitiveness of Indonesian Footwear in the Global Market

A country is said to be competitive if²⁴ it has a comparative advantage and a competitive advantage. David Richardo argued that a country is said to have comparative advantage if it is relatively superior in producing a commodity even though it does not have²⁸ absolute advantage in that commodity (Group, 2019). So even though a country cannot produce a commodity at a lower cost than other countries, it can still specialize in that commodity. A country is said to have a competitive advantage if the country can market its products relative to other countries (Rassekh, 2015).

Many researchers use RCA to analyze the comparative advantage. The RCA value can show the strength of the comparative advantage of a country's commodities in the world and specific export markets. The more excellent value indicates the more substantial competitiveness. Table 2 shows the RCA index of Indonesian and Cambodian footwear in the global market.

Table 2: RCA Index of Indonesian and Cambodian Footwear in Global Market, 2011-2020

Year	Indonesia	Cambodia
2011	2,57	6,31
2012	2,90	7,50
2013	3,10	7,62
2014	3,11	8,14
2015	3,70	9,19
2016	3,92	9,46
2017	3,68	9,88
2018	3,79	10,93
2019	3,34	10,85
2020	3,81	8,22

According to Table 2, Indonesia has a comparative advantage over the world with an $RCA > 1$. However, the competitiveness is moderate because the RCA value is less than 4. Hinloopen & Van Marrewijk (2001) stated that moderate competitiveness has an RCA value is between 2 to 4. If $RCA > 4$, then the competitiveness performance is vital. From 2010 to 2016, Indonesia's comparative advantage has shown an increasing trend, but from 2017 to 2019, its competitiveness has weakened. The more substantial market penetration of world footwear exporters has led to a decline in Indonesia's export share in the global market. Producing countries have responded to the positive growth of global footwear trade by competing for design innovations, increasing market comfort when used, and production efficiency as a value offered by manufacturers. Countries that have competitiveness will undoubtedly be able to attract a more robust market so that their export share increases. It is what Indonesia needs to do. As a significant producer and exporter of global footwear, we must be responsive to market dynamics and create excellence.

Even though the footwear industry experienced negative growth on a micro basis during the COVID-19 pandemic, this sector strengthened its comparative advantage in the global market. The RCA value increased from 3.34 in 2019 to 3.81 in 2020. Several competing countries experienced a decline in competitiveness due to economic shocks that shifted the demand curve to the left. The increasing competitiveness of Indonesia during the pandemic shows that the footwear industry in Indonesia can improve its export performance and capture global market opportunities. When the Covid-19 case increased, the Indonesian government set the Operational Permit and Industrial Activity Mobility

(IOMKI) policy so that the industrial sector could continue to carry out its operational activities while still implementing health protocols. Meanwhile, several other countries have locked down so that economic activities, including production and exports, are hampered and cannot meet global market demand to the fullest. The Indonesian footwear industry uses this condition to seize the export market opportunity.

Cambodia's competitiveness rose rapidly from 2011-to 2018. Its RCA index was 6,31 in 2011, and its value grew up to 10,93 in 2018 (Trademap, 2021). Nevertheless, since 2019 its competitiveness has declined, especially during the Covid-19 pandemic. It has a high RCA value because footwear is one of its primary export products.

Cambodia's footwear ranks 3rd after apparel and jewelry (ILO, 2019). The RCA value is calculated based on comparing a country's share of footwear exports and the world's footwear exports. Cambodia's footwear export share is relatively large compared to other commodities, so the RCA value of its footwear is high, even though when viewed from its total exports, Indonesia is far superior.

Many factors contribute to Cambodia's high competitiveness. First, the average price of Cambodian footwear is relatively cheaper than Indonesia's. According to Footwear Year Book Cambodia's average export price is US\$ 13.95, while Indonesia's is US\$ 16.36 (APICCAPS, 2020). Price is one of the determinants of competitiveness obtained from production efficiency (Schumacher, 2012). The second is the low wages of workers in the manufacturing sector. The International Labor Organization noted Cambodia's average monthly wage rate of \$182, Vietnam's \$193, and Indonesia's \$27 (ILO, 2019). It is also a factor that can attract investment in Cambodia. China has relocated many production activities to low-wage countries, such as Cambodia and Vietnam (Group, 2019).

The third is the Everything But Arms (EBA) facility. EBA is the ease of access provided by the European Union to the least developed countries (Xhafar Nuon, 2018). The provision of this facility aims to encourage the trade of these countries to the European Union to grow the economies of the EBA member countries (Cernat et al., 2003). The facilities provided are the application of preferential tariffs and the exemption of export quotas to member countries of the European Union (Gradeva & Martínez-Zarzoso, 2010). Thus, it can increase market penetration and competitiveness. The EBA makes a significant contribution to Cambodia's trade (Schill, 2019) (Russell, 2019). Cambodia's export growth in the global market, especially in the European Union, is faster than Indonesia's. Cambodia's RCA Index is higher than Indonesia's because footwear is one of Cambodia's leading export commodities and ranks 3rd after apparel and jewellery. In recent years, the growth of footwear exports has even been higher than that of apparel and jewellery.

Indonesia is the fourth largest footwear producer globally, contributing 5.1% of total world production. Total production in 2020 reached 1,228 million pairs (APICCAPS, 2020). However, most of them distribute to meet domestic footwear needs, considering that Indonesia is also one of the largest footwear consumers in the world. 34.7% of Indonesia's total production is exported to various countries (APICCAPS, 2021).

Tabel 3: Indonesia's and Cambodia's Footwear Export Value , 2011-2020 (US\$ milyar)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Indonesia	3.30	3.52	3.86	4.11	4.51	4.54	4.91	5.11	4.41	4.80
Cambodia	0.27	0.28	0.35	0.42	0.64	0.77	0.88	1.04	1.27	1.12

Source: Trademap, 2021

Cambodia is the 11th world footwear producer. 94.7% of its production is exported to foreign (APICCAPS, 2020). Thus, it is one of the factors that cause Cambodia's RCA to be higher than Indonesia's. The high share of exports of a commodity to the country's total exports causes the high comparative advantage of that country's products because the RCA index is calculated based on the contribution approach to commodity exports.

The Competitiveness of Indonesian and Cambodian Footwear in Main Export Markets

According to APICCAPS (2020) the top five importers are the United States (19.1%), Germany (5.8%), Japan (5.1%), and France (3.8%) and the UK (3.6%). An analysis of the position of export competitiveness of Indonesia and Cambodia is carried out in the five countries as presented in Table 4. Both Indonesia and Cambodia have comparative advantage in the five main export markets with different competitive strengths.

The United States, as the main footwear importer, has imported US\$ 21.5 billion in 2020. It decreased by 24% when compared to the value of its imports in 2019, which reached US\$ 28.2 billion (Trademap, 2021). In 2020 Indonesia exported US\$1.38 billion, fell by 4% compared to 2019. However, its competitiveness increased with an RCA index of 8.75. Indonesia's market share in the United States has increased from 6.1 to 6.7. The trade war between the US and China has benefited Indonesia and other exporters such as Vietnam, Italy, and Cambodia. The US's share of Chinese footwear exports fell by 7.2%.

Both Indonesia and Cambodia show a trend of increasing their competitiveness in the US. Within a decade of growth, Cambodia's comparative advantage has increased significantly. The RCA value in 2011 was 1.28, a drastic increase to 6.66 in 2020. Indonesia's competitiveness has also increased, but the growth rate is not as fast as Cambodia's. It shows that Cambodia has a higher market penetration ability, threatening Indonesia because Cambodia can take the share of Indonesia's exports in the US. Cambodia has massively increased its market penetration in the US market because it sees a massive opportunity in the US market as a great importer of footwear. However, Cambodia's competitiveness is below Indonesia's. Cambodia's market share in the US is also lower than Indonesia's, only 2.4%. However, compared to the annual export growth between Indonesia and Cambodia in the US, the Indonesian market can be overtaken by Cambodia in the long term. Therefore, Indonesia needs to increase its competitiveness, accompanied by an increase in the export growth rate in the US.

Indonesia and Cambodia have received the Generalized System of Preferences (GSP) facility, preferential tariffs granted by the US to developing countries since 1974. This facility is in the form of exemption from import duties to increase trade of developing countries to the US (USTR, 2013). Indonesia has received this GSP facility since 1980, so Indonesian products are more competitive in the US market. 3572 HS codes received GSP facilities, but only 729 tariff posts or around 20.4%, used this preference (MoT, 2015).

Footwear is one of Indonesia's leading products that have taken advantage of this facility. The US government has extended the granting of GSP facilities to Indonesia in October 2020. Thus, Indonesia's opportunity to increase the penetration of the footwear market in the US market is tremendous. Moreover, the China-US trade war continues, and Indonesia can acquire a share of Chinese exports to the US.

Germany is also one of the major importing countries for Indonesian footwear products. Indonesia's market share is 6% and has strong competitiveness with an RCA value of 14.60. Indonesian footwear products are increasingly competitive in Germany, with a positive RCA growth trend from 9.9 in 2011 to 14.6 in 2020. After experiencing negative growth of 15% in 2019, the export performance of Indonesian footwear in the German market grew positively by 13% during the covid-19 pandemic. Indonesia was able to seize the smaller Chinese market share in Germany. It shows that Indonesian footwear can rise and take advantage of market opportunities during a pandemic.

Germany is the second primary market for Cambodia after the US. The export share growth trend in Germany has fluctuated in the last ten years but tends to grow negatively. Likewise, its comparative daytime power showed a negative trend throughout 2011-2015. The lower RCA value indicates the weakening of competitiveness from 14.33 to 7.90. Since 2016 Cambodia has been trying to increase its competitiveness in Germany. Opportunities for market penetration are getting more prominent with the acquisition of EBA facilities from the European Union.

Table 4: RCA Index of Indonesian and Cambodian Footwear in Top 5 Importer Countries

Exporter Countries	Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
United State										
Indonesia	4.52	5.85	6.19	6.25	6.58	7.16	7.06	7.48	7.66	8.75
Cambodia	1.28	1.19	1.65	3.22	4.67	5.30	5.77	5.91	6.48	6.66
Germany										
Indonesia	9.99	10.12	10.13	9.69	12.00	12.15	11.87	13.31	12.56	14.60
Cambodia	14.33	10.03	7.87	7.22	7.90	8.18	8.57	9.24	10.41	11.17
Japan										
Indonesia	0.70	0.83	1.06	1.29	1.75	2.17	2.26	2.25	2.40	3.00
Cambodia	29.85	27.95	19.83	16.92	10.95	11.60	11.22	9.95	9.38	11.40
France										
Indonesia	7.97	7.05	6.35	6.08	8.15	7.95	7.18	8.36	5.59	3.78
Cambodia	20.68	15.03	13.79	11.29	14.31	15.13	16.57	18.03	12.02	13.16
United Kingdom										
Indonesia	17.03	16.69	14.70	14.51	15.18	12.72	14.03	17.18	12.10	18.19
Cambodia	15.99	14.18	10.00	10.69	9.52	8.60	9.33	10.63	10.89	9.93

Japan is the fifth primary export market for Indonesian footwear products. In the last decades, Indonesia's competitiveness has increased quite significantly from 0.7 in 2011

to 3 in 2020. Although its relative competitiveness is still in a moderate position, this shows an improvement. When viewed from the value of exports, there has been a downward trend since 2018, from US\$338 thousand to US\$281 thousand in 2020 (Trademap, 2021). It means that the ratio of footwear exports to Indonesia's total exports to Japan is relatively increasing.

Cambodia's performance in Japan is as well as in Germany. The increasingly intense competition in the footwear market in Japan seems unable to be won by Cambodia. Its competitiveness declined during the first five years of the study period, but a positive trend has been shown since 2015. Compared to Indonesia, the competitiveness of Cambodian footwear in Japan is much stronger than that of Indonesia.

Although not Indonesia's primary market, France is the fourth largest importer globally, which is included in this research analysis. The daytime power of domestic footwear has experienced a significant weakening in the last decades. In 2011 the competitiveness of national footwear was powerful in France, with an RCA index of 7.97. However, it seems that the industry in the country is not sufficiently able to maintain its competitiveness, so it weakens, especially during the covid-19 pandemic, the RCA value dropped significantly to 3.78.

The position of competitiveness shifted from strong to moderate. In 2020, the demand for French footwear fell as indicated by a decrease in the value of imports which reached US\$ 878 thousand. France is one of the countries with the most prominent positive cases of Covid in the world. It, of course, has a significant impact on the economy. The lockdown imposed by the French government as an effort to suppress Covid cases in the country certainly has an impact on the demand for imported goods, including footwear products that are not a basic need.

Cambodia's footwear competitiveness position in France showed a negative trend from 2011 to 2015. Competitiveness has increased from 2016 to 2020. Cambodian footwear products are comparatively superior to Indonesia. Its RCA value far exceeds Indonesia's, which is 13.16. The highest competitive position was obtained by Cambodia in 2018, with an RCA index of 18.03. Its export share dropped significantly from 8.1% to 4.5% in 2020. The Covid-19 pandemic did not significantly change Cambodia's export share in France.

The last country to be analyzed in this research is the UK, the fifth largest importer globally. Likewise, for Indonesia, the UK is one of the leading footwear trading partners. However, its exports are not to France; its competitiveness is powerful and even has the largest RCA value compared to the other four main markets. In 2020 UK footwear imports fell significantly from US\$6.9 billion in 2019 to US\$5.7 billion (Trademap, 2021). However, Indonesia's exports to the UK increased by 23%, and its RCA value increased to 18.19. However, Indonesia only controls 3.6% of the UK market. Indonesia needs to improve its export performance in the UK because it has a tremendous market opportunity.

Cambodia's competitiveness in the UK is much lower than Indonesia's, with an RCA value of 9.93. Cambodia is not a prime exporter in the UK, with a 1.5% export share. However, Britain has become one of Cambodia's main partners. During the 2013-2020

period, Cambodia's competitive position tends to be stable. The coronavirus outbreak has not significantly changed its position in the UK.

Analysis of Indonesian Footwear Competitiveness Using the EPD method.

Export Product Dynamic (EPD) can show the dynamics of a commodity in international markets or specific markets (Purba et al., 2021). The dynamic in question is the movement of the market share position and the attractiveness of the commodity market in the international market (Nurkomariyah et al., 2019). EPD can also show the competitive advantage of a commodity to improve the results of the RCA analysis. EPD is interpreted in a Cartesian diagram with four quadrants, namely rising star, lost opportunity, falling star and retreat (Prasetyani et al., 2020). The best position is rising star. In this position, a commodity can have strong competitiveness because it has a high market share and attractiveness or positive value (Nurkomariyah et al., 2019). In 2020, Indonesia's EPD position will be in the rising star quadrant, as shown in Figure 4. Indonesia's footwear export growth is higher than global export growth. Based on Trade map data, in 2020, world footwear exports grew negative 10.5 per cent due to the global crisis due to the COVID-19 pandemic (Trademap, 2021). However, Indonesia's exports were able to grow by 9%, while China's exports fell by 20.3% and Cambodia's -by 11.4%. It shows that Indonesian footwear products have high competitiveness in the global market amid an economic recession.

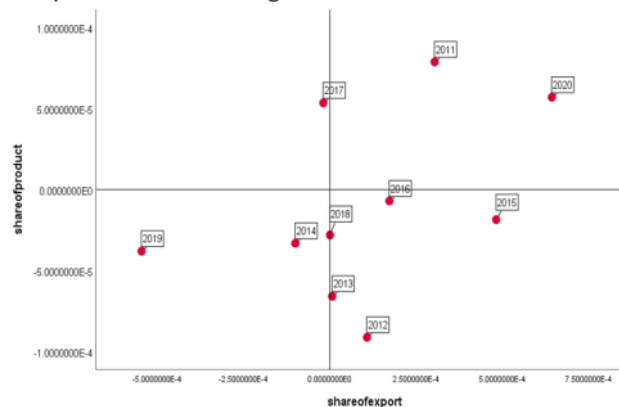


Figure 4: Indonesian Footwear EPD Position in the Global Market (2011-2020)

During the 2011-2020 period, Indonesian footwear moved dynamically in the global market. In 2011, Indonesia had strong competitiveness with the position of EPD is rising star. However, this position cannot be maintained. Competition among world footwear exporters shifted Indonesia to a falling star position in 2012-2013. This position also occurred in 2015, 2016 and 2018. In this condition, it can be interpreted that Indonesian footwear products have low market attractiveness negative value even though their export share is high or positive. In this condition, it can also be said that Indonesia's competitiveness is in poor condition. During this period, Indonesia's export growth stagnated, as did Italy, Belgium, and Germany.

However, Vietnam¹⁸ and China can penetrate exports very quickly. In 2015, Vietnam overtook Italy's position as the world's third-largest exporter. Of Vietnam's total footwear production, which reached 1,320 million pairs³⁸, 93.4% were exported to the global market. Meanwhile, Indonesia only exports 34.3% of its total production, and the rest is used to meet domestic needs. Vietnam's export growth is very aggressive, and it has a significant market share in the global market (APICCAPS, 2021).

One of the factors that cause the low attractiveness of the Indonesian product market is price.¹² The average price of Indonesian footwear is US\$16.36 per pair, while China's is much cheaper at US\$4.72 per pair (APICCAPS, 2020).¹⁰ The high cost of production in Indonesia causes the price of its products to be less competitive in the domestic and global markets.¹⁰ The high cost of production in Indonesia is partly due to high wages for labor, raw materials, energy and logistics costs (Mol, 2021).⁴ In addition, since November 2019, the Indonesian government has also stipulated the imposition of Safeguard Measures Import Duty (BMTP) on 107 HS of fabric products which are one of the raw materials for the footwear industry. This policy certainly impacts the increase in input costs to produce textile footwear, so Indonesian footwear prices are increasingly uncompetitive.

In 2014 and 2019, the worst EPD position was retreat. In this position, it can be said that Indonesia has low competitiveness or does not have a competitive advantage. In this condition, Indonesian footwear products have a low (negative) market attractiveness and market share. Indonesia could not follow the pace of growth in the global footwear trade. Other countries are quick to respond to attract a broader market.

In 2015-2016, Indonesian footwear products were in the EPD falling star position. This condition is better than retreat. Footwear export growth has increased, but its market share tends to stagnate. Indonesian footwear products have low market attractiveness despite increasing export value. It can also be interpreted as a low, competitive advantage. In 2017, Indonesia experienced a lost opportunity.³⁰ The competitive power is almost the same as the falling star. The pace of global export growth is faster than Indonesia's export growth, so Indonesia loses the opportunity to increase its market share. In 2017, global footwear trade accelerated by 6.4%, while Indonesia's was only 5.9%. So, this is what causes Indonesia to experience a lost opportunity.

Based on the description above, it can be said that the Indonesian footwear industry has a competitive advantage,³² but its position is easy to shift. During the 2011-2020 period, its competitiveness tends to be unfavorable. The rising star position that has been obtained in 2020 must be maintained. The footwear industry must make a revolution, especially in increasing productivity, efficiency, and technology transfer. The resulting product can attract a more extensive market, followed by an increase in market share. The government also needs to create a conducive business climate and provide a stimulus to encourage growth in the footwear industry.

CONCLUSION

Indonesian and Cambodian footwear products have a comparative advantage in the global market. Indonesia's competitiveness is moderate (RCA 3.81). Since 2015 it tends to be stagnant, with a bit of improvement in share and competitiveness. As a new competitor, Cambodia is more robust with an RCA 8.22. It was growing faster than Indonesia but was shaken by the Covid-19 pandemic. On the other hand, Indonesia can increase its export competitiveness during the pandemic.

Indonesia and Cambodia also have a comparative advantage in five primary markets: the US, Germany, Japan, France, and the UK. Indonesian products are superior in the US, Germany, and the UK. Cambodian footwear is more competitive in Japan and France than in Indonesia, while Indonesia is a moderate position.

During the 2012-2019 period, the competitive advantage of Indonesian footwear products declined. It has low market attractiveness or negative value even though its export share is high or positive. However, it increased its competitiveness in 2020 with the position of EPD rising star. It has a good performance when other countries were degraded due to the Covid-19 pandemic.

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