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Clothing Production in Indonesia: A Divided Industry

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Abstract: Clothing manufacture continues to be an important export for Indonesia, despite competition from China and other regional centres. Significant changes in Indonesia's clothing exports since the 1990s demonstrate the importance of external factors in the changing nature of the industry. However, there are many aspects of the industry that are not revealed in official statistics, including the importance of smuggling and other unofficial aspects of production and consumption. Internal factors in the industry are also important for understanding how it has changed and survived. These include lack of government planning, and the divided nature of the industry, with low-end large-scale production in West Java, and niche manufacturing and marketing in Bali.

Keywords: clothing, exports, Indonesia, niche production

JEL classifications: J08, L23, L67

1. Introduction

Predictions of the demise of the Indonesian clothing industry have been in circulation for at least a decade (Anon, 2009). While Indonesia's share in some of its major markets has declined markedly with the exponential growth of China's output, Indonesia still remains in the top ten clothing exporting countries in the world by value, and has marginally increased its position from tenth in 1990 and 2000 to eighth in 2010 (WTO, 2011). Indonesia's success story is one usually told as a triumph of cheap labour, which is an important part of the story, but the industry has also benefited from government policies, even when these have not been well coordinated. Sections of the industry rely on high-end markets, as the links between Bali's industry and tourism illustrate.

The divided nature of the industry illustrates why it has been able to survive the under-cutting of prices and the flood of cheap goods from China.

What reliable data exist come from international trade figures, and demonstrate an overall rising trend in production, despite the innate volatility of the industry. Indonesia's exports have not seen anything like the increases in its Asian competitors, although Thailand has slipped behind further than Indonesia in the last decade (Table 1).

The story of Indonesia's apparel manufacture is a long one, going back to ancient textile handicrafts, and since the 1970s the industry has proven to be extremely durable. Yet the confused picture of the industry that emerges from the media is a reflection of the lack of coherent national policy and the resulting regionalisation of production. In this study I seek to draw attention to problems in the relationships between the state and industry in Indonesia, problems which make it difficult to talk about a single clothing industry in Indonesia. As the case of Bali shows, there are at least two parallel industries in the country, and they continue despite, not because, of government policies and actions.

Table 1: Export Figures (US$million)

	1990	2000	2008	2009	2010
World	108129	197363	363621	315516	351464
China	9669	36071	120405	107264	129838
Hong Kong, China	15406	24214	27908	22826	24049
re-exports	6140	14279	25041	22248	23632
India	2530	5965	10968	12005	11246
Bangladesh	643	5067	10920	12525	15660
Viet Nam	...	1821	8724	8540	10839
Indonesia	1646	4734	6285	5915	6820
Thailand	2817	3759	4241	3724	4300

Source: WTO, 2011 (Table II.70).

This paper traces the history of clothing production in Indonesia, focussing on the major changes that have taken place since the 1990s. I show that the industry has gone from being an important element of government development planning, to being neglected, and therefore divided. The effects of the 1997 Asian economic crisis, and the 2005 ending of the Multi-Fibre Arrangement, have been particularly important in these changes. However, they do not tell the entire story, which has to be viewed from on-the-ground case studies contrasting wholesale consumption in the Tanah Abang, Jakarta, market, and niche production in Bali. The case study of Bali, while only a small part of the national industry, nevertheless illustrates how clothing production has survived the impact of Chinese competition, and the growth of other Asian competitors such as Vietnam. Bali's industry also shows that concern with international clothing chains does not explain the internal dynamics of the industry.[2]

2. History of the Industry

Indonesia's clothing and textile industries have very long histories, going back to ancient weaving traditions. *Ikat* or woven dyed pattern cloth has been documented to have been in existence in the sixth century CE. Indigenous products such as *batik* wax-resist dyeing have been a focus of indigenous and small-scale international trade, particularly in Central Java, at least since the nineteenth century (Brenner, 1998). Even with the coming of sewing machines in the nineteenth century, clothing remained a small-scale industry, relying on local tailors and seamstresses. During the colonial period there were initial attempts to develop a mechanised clothing industry in Indonesia, but these came late, and were not pursued by the colonial government with much enthusiasm.

2.1 Early Growth of Clothing Manufacture

It was not until the 1970s that large-scale export-production became important for the Indonesian economy (Hill, 1994: 141). At first the industry was hampered by a series of government policies oriented toward running quasi-monopolies, with tariff protections, import surcharges and import licensing procedures that combined with a complex system for allocating export quotas. All these measures were a product of the rent-seeking nature of government and particularly the civil service, which thrived on competition between agencies for access to resources, in combination with attempts by members of the Suharto regime to utilise patronage to ensure returns to those connected with a small ruling group. However the 1980s did see serious development planning, including industry investment (Pangestu, 1997).

Beginning in 1986 the centralised authoritarianism of the Suharto regime underwent a significant change through a series of liberalisation measures. These created duty exemptions, and provided incentive schemes, especially a drawback scheme, that gave a massive stimulus to garment production (Thee, 2009: 565). Although the Suharto regime continued to promote monopolies and to allocate resources to business partners and clients, and especially to Suharto's own family members, the smaller-scale nature of garment production meant that it was less open to the monopolising attentions of this group. All the sources agree that the take-off was the result of liberalisation (Aswicahyono and Maidir, 2003). Thus the industry could expand to take advantage of the quotas available to Indonesia under the Multi-Fibre Arrangement (MFA).

The initial burst of expansion of the industry ended in 1993 (Aswicahyono and Maidir, 2003). Despite government-commissioned reports in the 1990s that advocated significant investment in equipment in order to counter declining productivity, nothing was done to encourage the required investment, since the policy assumptions were centred on low labour costs (Thee, 2009: 571). Vested interests blocked deregulation in the late 1990s, in order to maintain income from what Thee (2006) subtly refers to as "the rents created by the barriers to import and domestic competition".

Lack of enthusiasm for investment came from the belief that the clothing industry was a "sunset industry" (Thee, 2009: 576). This policy seemed not to recognise the continuing importance of clothing manufacture as a major employer, perhaps because previous studies had focused on employment decline in the related textiles sector (Aswicahyono and Maidir, 2003). The underlying assumption was a model of development based on the rise of Korea, Taiwan and Hong Kong, each of which had initially developed through the textile, clothing and footwear industries. In these cases the rapid growth occurred through strong vertical integration, a factor not present in Indonesia. Government planners seem not to have noticed that Indonesia satisfies very few of the historical conditions of the Asia Tigers, or that the Tigers were able to move on from their cheap labour and low quality industries because they could shift their investment elsewhere. Indonesian companies have not based their growth on investment, domestically or abroad, but from the rent-seeking lessons learned from the Suharto clique.

The only real government promotion of the industry has come recently in what is called 'batik nationalism'. Various ministers have promoted the idea of wearing batik, at least on one day per year. This scheme is a post-Suharto version of the promotion of batik uniforms for civil servants, but has proven even less successful for a number of reasons. First, batik is generally identified with Javanese culture, so members of other ethnic groups have not been as keen on the idea. Second, as the national daily *The Jakarta Post* points out, the idea was actually born of competition with Malaysia, particularly Indonesia's assertion of national 'ownership' of batik through UNESCO World Intangible Heritage listing. Thirdly, much of the batik is not real wax-resist textile, but printed fabric actually smuggled in from China (Editorial, 2012).

The "sunset industry" view, along with the attention to batik, seems also to have affected ASEAN regional planning. In ASEAN plans, Indonesia is only a provider of textiles, not a manufacturer of clothing (Crinis, 2012). This seems to be an extraordinarily short-sighted view of the on-going significance of the industry for employment and export income. The ASEAN plan is probably a product of internal politics to avoid competition between members.

2.2 The 1990s and Beyond

Despite the industry's innate reliance on cheap labour, the years between 1990 and 1997 saw an increase in value overtake even the marked increase in volume of clothing exports. Hassler attributes the difference to an increase in prices, rather necessarily than to an increase in quality or a change in the nature of productivity (Hassler, 2003: 244).

Hassler, the major analyst of the industry in the late 1990s and early 2000s demonstrates that garment exports really took off in the 1990s, but plummeted during the Asian Economic Crisis of 1997, only to sharply rise again in 1998 to surpass the pre-crisis levels (Hassler, 2004). Thee (2009), who takes up the story from Hassler, produces figures that show that Indonesia's exports declined (in US$ terms) to their 1999 levels in 2002, but then jumped in 2005, with the end of the MFA, to surpass all previous levels (Table 2). Fluctuations remain a constant in the industry, which is dependent on seasonal contracts and rapid shifts in sourcing by international buyers. Nevertheless, the industry has remained strong in 2010 and 2011.

Table 2: Garment Exports, Indonesia, 1997-2008

Year	Garment exports (US$ million)
1997	2876
1998	2588
1999	3818
2000	4703
2001	4477
2002	3887
2003	4038
2004	4352
2005	4967
2006	5608
2007	5713
2008	6092
2009	5735
2010	6598

Note: Rounded figures.
Source: Thee, 2009 and BPS, 2011a.

The focus of analysis of the industry has mostly been on large-scale factory production, which while scattered throughout the country, was particularly important in Java, both in the outlying Tangerang and Bekasi factory areas of the capital, Jakarta, and in West Java's capital, Bandung. The highest number of firms registered in the industry was 3,256, in 2006 (BPS, 2011b). Factory-based production centred in West Java and Jakarta grew the most in the 1970s and 1980s, as the number of plants and sewing machines increased rapidly under import substitution policies. Although these developments were furthered by the movement of companies from Korea, Taiwan and Hong Kong into investment in Indonesia, foreign firms only totalled 14.9 per cent of the industry by 1993 (Thee, 2009: 564-65). This low direct investment is mainly because foreign firms have been disadvantaged by government policies. Even so, the foreign-owned plants are some of the largest in employment terms, and provided the highest added value in the 1990s (Aswicahyono and Maidir, 2003: 13).

Most of the manufacturing is done by domestic licensees for international brand-name owners, with the products for different labels often being made in the same factory. Companies such as Nike, Triumph, Kenzo and Gap have their goods manufactured in Indonesia. The largest of these manufacturers has been Great River, which is the oldest firm of its type, and has built up long-standing relationships (Hassler, 2006: 155). Generally within the industry, discussions at all levels show that personal ties and networks of loyalty are important to manufacturers, suppliers and wholesalers.

Thus the industry was largely developed on the back of domestic ownership and investment, stimulated, sometimes not necessarily directly, by changing government policies. Networks of production and distribution remain important. During the take-off period of the industry, development of production was encouraged in many regional centres. North Sumatra Province, particularly around the city of Medan, was developed as a major industrial area, with textile and clothing production for export featuring heavily. Commentators on the Sumatran case observe that the industry declined alarmingly there in 2006, and only a small part remains. The decline is attributed to the ending of the textile quota for North Sumatra (BBP2KI, 2009). The decline of other areas has meant that West Java has been able to consolidate against domestic competitors. Even after the decline of some of the larger factories in the 2000s, Bandung has survived as a centre with the majority of factory production (Table 3).

Table 3: Distribution of Textile and Clothing Company by Region (2007)

Region	%
West Java	57
Jakarta	17
Central Java	14
East Java	6
Bali	3
Sumatra	2
Yogyakarta	1

Source: Indonesian Textile Association (API).

3. Production and Consumption

3.1 Labour in the Industry

In 2008 the ILO estimated that there were one million workers in the apparel sector in Indonesia, of whom 4-10 per cent were estimated to have lost their jobs as a result of the subsequent economic downturn (Forstater, 2010). Women workers, who make up a large part of the clothing industry were hit hard (Miller-Dawkins *et al.*, 2010). The first figure is probably only based on the number of employees in factories, and does not include the army of sub-contractors and outworkers, although Thee's study of the Indonesian clothing industry provides even lower official employment figures in the industry – 376,584 at the highest point of employment in 2001 (Thee, 2009: 575). Official figures from the government statistics body *Badan Pusat Statistik* (BPS) or Statistics Indonesia, give a range of 444,904 to 585,634 employees in the period 2004-2009 (BPS, 2011b). Significantly these figures show clothing manufacture to be the second-highest industrial employer after food and beverage, just ahead of the related textile industry (with textiles sometimes overtaking clothing). Only tobacco, and rubber and plastics come close to these figures. It must be remembered that these figures reflect the generally unreliable nature of Indonesian statistics, where official bodies are anything but rigorous in pursuit of data, and much industrial activity takes place beyond official eyes.

The industry has thrived on cheap labour, defined as Indonesia's comparative advantage (Aswicahyono and Maidir, 2003), with low levels of investment in technology. In most provinces of Indonesia the minimum wage is less than US$1 per day, and Indonesia's labour remains some of the cheapest in Asia, cheaper than China and India on average, ahead only of Bangladesh and a number of the most impoverished countries. In March 2011, the average monthly wage of a worker in the clothing industry was the equivalent of US$156, although in real wages the income was approximately one-fifth of this amount (BPS, 2011b).

Table 4: Manufacturing Data, Indonesia, 2005-2010 (US$million)

Country/Region	2005	2006	2007	2008	2009	2010
Manufacturing	3,790.9	4,950.1	5,144.9	5,441.6	6,631.9	8,489.2

Source: Production of Wearing Apparel: Euromonitor International from national statistics/UN/OECD, Date Exported: 15/11/2011.

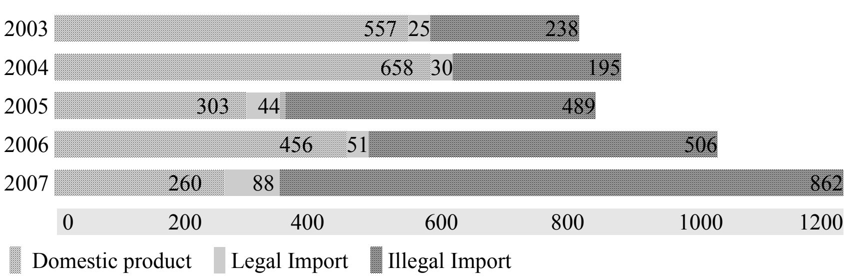
3.2 Domestic Consumption

Indonesia's domestic market is illustrated in part through the manufacturing data for the period 2005-2010 (Table 4), which show a healthy rise in production. However these data have to be treated with caution, since they contradict the export data. The government statistics, while differing in kind from the above table, show that the volume of exports had actually declined between 2004 and 2005, but the value had increased. Thee indicates that the domestic consumption made up only 30 to 40 per cent of total production, and in 2005 only 10 per cent (Thee, 2009: 575). Value-added taxes are levied on the sale of locally-made items, and on Indonesian raw materials that go into their production, so domestic producers have little chance of competing (Hassler, 2004: 70; Thee, 2009: 575).

These rather strange statistics reveal the importance of illegal trade in the industry, as well as the unreliable nature of reporting of production outputs by companies seeking to avoid tax and other forms of official scrutiny. Recent statistics put out by Indonesia's own Association of Clothing Manufacturers, API, demonstrate that the domestic market is dominated by illegal imports, which by the mid-2000s made up more than half the market share (Table 5). Again these data may not be entirely reliable, and while showing the levels of fluctuation in the market at a time of relative economic stability before the Global Financial Crisis of 2008, have to be viewed in terms of a series of other influences.

On the basis of the clothing sold in Indonesia, it is safe to assume that a large proportion of the illegal imports come from China, although there are reports of imported Muslim clothing, presumably from the Middle East, becoming a significant trend (Bazaar Tanah Abang, 2011). The effects of anti-smuggling legislation passed in response to this trend remain to be seen.

Table 5: Domestic Market Share of Garment Consumption in Domestic Market (000 Ton)



Source: Badan Pusat Statistik (BPS), Ministry of Industry, API Compiled (from API).

4. Case Studies

The story provided by statistics of Indonesia's clothing industry does not give a complete understanding of the various ways that the industry functions. Two very different sites best express the successes and problems of the industry: the giant complex of emporia that take up most of the suburb of Tanah Abang in central Jakarta, and the tourist strips of Seminyak in the north part of Kuta, Bali. The first of these case studies shows the 'low' end of the market at work, how cheap clothing enters circulation, and the importance of different networks for that circulation. The second is about the 'high' end of the market, how middle to high level fashion production can provide a sustainable model for local industry against the rising tide of mass production coming out of China and other Asian centres.

4.1 Tanah Abang: Behind the Statistics

Tanah Abang is one of the older areas of modern Jakarta, a product of the city's expansion beyond the old colonial base of the seventeenth century. Previously it had mostly been known for its colonial graveyard, but in the last decade the area has become the largest clothing wholesale centre in Southeast Asia. The two main buildings, Blok A and Blok B, were built in 2003 after a fire destroyed the old market centre. Blok A is the largest of the two, with twelve storeys of closely-packed clothing stalls (TanahAbangOnline). The top storey has a large banking section, where transactions are quickly expedited by a number of bank branches. There are a further six storeys of parking, and a continual traffic jam in the street outside of the buildings.

While Jakarta is a city of traffic jams, the concentration at Tanah Abang is particularly heavy, as the ubiquitous porters help purchasers package up their goods and load them into taxis, smaller vehicles, buses and other passing traffic. The railway station is also close by. Most of the goods for Tanah Abang come from Bandung, according to stall-holders, and the purchasers are in the main petty traders who ship goods all over the archipelago, and beyond. The packaged-up bundles show names such as Surabaya and Tegal on Java, as confirmed by other stall holders who have subscription customers on other islands, in Makassar, Medan, Padang, Sorong, Ambon and Manado (TanahAbangOnline). It seems that business is still done face-to-face, so the re-sellers make the journey to Jakarta to acquire goods, although many of the Tanah Abang outlets also have websites. A number of stall holders report selling outside Indonesia, with customers in Singapore and Malaysia.

It is in Tanah Abang that we see the low-end production of the West Javanese factories on display. Sometimes the goods for sale have recognisable international labels, but more often they have local labels, having been produced in the same factories as the international items.

It is likely that the sales beyond Indonesia include goods that are smuggled across the border, since the maritime boundaries of the region are extremely porous. It is well known that criminal mafia-like organisations control major ports, particularly Jakarta. There is regular traffic between Indonesia and its neighbours over sea borders, sometimes with legitimate documentation but not legitimate entry, other times through people smugglers. The Indonesian navy has lived off this trade since smuggling to Malaya helped support the struggle for independence in the 1940s. This traffic is not always regarded as criminal by local officials, but rather part of the system of balancing out power and interests across a heterogeneous region (Ford and Lyons, 2011). An obvious presence in Tanah Abang is that of Nigerians. While they may indeed be legitimate customers looking for models of materials and business practice to take back home, given the involvement of Nigerians in the drug trade (Honna, 2011: 281), the suspicions of porters and taxi drivers is that these Nigerians are using the clothing trade both to launder drug money and for smuggling.

Tanah Abang is an unregulated complex, thriving on small capital, casual labour and what was formerly known as the "informal sector", although it demonstrates that the differences between "formal" and "informal" are rather hazy. Recent government attention has seen concern expressed about foreign imports being sold there, but the solution offered is for more government control of the wholesale part of the industry, not support for production (Bazar Tanah Abang, 2011). This may well be based on the usual attempts by government agencies to identify sources of rent income.

Tanah Abang further demonstrates that the number of people involved in the clothing industry is huge – besides the garment makers, there are the wholesalers, retailers, porters, transport drivers and other associated workers, meaning that the industry affects a substantial proportion of the population. Larger capital interests, legitimate and illegal, are present as well, not just through the factories, but through the real estate developments associated with the building and running of the emporia, as well as through the finance sector and the possible involvement of illegal figures. Thus the official data on the clothing industry are the tip of a very significant iceberg.

An important part of the relatively undocumented aspect of the clothing industry is the role of out-workers and sub-contractors in clothing production (Crinis *et al.*, 2000). Different sites of production rely on different mixes of labour. Typically the industry in Bandung and Jakarta is one of huge factories. These are sites where the workers can be monitored and their days controlled, especially where there are attached dormitories with strict monitoring of the social life of the young women employed there.

4.2 Home-work, Handicrafts and Niche Production: The Case of Bali

Apparel production is such that it does not exclusively depend on factory production. This is an industry that requires high flexibility, short production time and low margins. In situations where there is high variability of the timing of orders, it is easier not to have permanent employees. Piece-workers from the wider community are essential to keep costs down. While it only represents perhaps 5 per cent of national clothing exports, and 3 per cent of clothing firms, Bali's garment industry is an important example of how localised niche production is maintained in Indonesia (Hassler, 2005). In the case of Bali, the specialist work of embroidery, lace-making and sewing on of sequins depends on people who can work by hand. Usually these are home workers, adding extra income to the family while juggling childcare and domestic work.

The garment industry in Bali began from two different sources: local traditions and the impetus of informal ties linked to tourism. The local traditions of textile and garment production go back many centuries, since like other parts of Indonesia, Bali has a rich heritage of weaving forms of *ikat* cloth, including the supplementary-weft forms of *songket* realised as splendid gold and silver brocades. As Nakatani documents, *ikat* production continues within households throughout Bali, particularly in East Bali (Nakatani, 1999). The region of Sidemen, where Nakatani carried out her fieldwork, is still one of the major centres of weaving, supplying to the large market at Klungkung, which is also an emporium for fabric from Eastern Indonesia. By the 1970s machine-based *ikat* cloth was being produced in Gianyar Regency to supply local markets, which are fed by the on-going demand for ceremonial clothing as Balinese are involved in more and more rituals involving ever more splendid versions of what constitutes 'traditional' clothing. As a by-product of supplying that Balinese demand, some of the *ikat* patterns and cloths found their way into designs for the foreign market.

By the time the Japanese invaded Indonesia (in 1942) there was also a strong tradition of work by local tailors, and if the antique Singer showing machines still in use are any indication, that tradition goes at least back to the colonial period. A number of local entrepreneurs continued production during the War, despite the lack of cloth.[3] In the post-war period nationalist economic policies assisted local entrepreneurs, including some who had interests in cloth and thread imports, and tailoring.

Tourism and Clothing Manufacture

It was not until the 1970s that the garment manufacturing industry took off on a large scale in Bali. Its development was due to a combination of factors. Expatriates or other foreigners married to Balinese provided design input, helping to mediate between foreign tastes and local materials. These same foreigners were also partners in marketing the garments overseas, in some cases in person, in others, through providing access to larger chains. Local entrepreneurs, including but not exclusively Chinese-Balinese, developed their own manufacturing bases and production of garments for both specialised and mass markets. Some connected via the supply of textiles, especially batik from the city of Solo (Surakarta), shifted to Bali and set up garment manufacturing there. What began as an effort to supply tourists at Kuta with batik skirts, quickly developed into a larger export production (Hassler, 2005). Local production of *batik* and other fabrics soon followed.

Such production is highly variable, both in terms of the materials used, countries supplied to, and the quantities of materials. The foreigners who move between Bali and their home countries and who are involved in small-scale ('boutique') production provide strong continuity, as does the staple production for the tourist industry. However even in terms of tourist staples, there is a need to update styles and products from time to time, although not as regularly as the seasonal changes dictated by the international fashion industry.

The connections with foreigners, either through expatriates, particularly marriage partners of Balinese owners, or through regular visitors to the island, produced a number of strong market connections. One group of producers has close links, mainly through personal ties, to the US. Another has links to Europe, especially Italy, providing access to Italian and French designs. A third group has links to Australia, since Australians have usually made up the largest proportion of tourists to Bali. Australian firms with Balinese links, either through direct production or through contracting to local brokers and factories, are some of the oldest in the industry, and many of the world's major surf-wear companies, such as Quicksilver, have had production bases on Bali through long-standing surfing tourism. Other Australian companies producing on Bali include Alice McCall, Kerry Grima, and the large chain, Sportsgirl (AAP, 2008).[4]

A number of the expatriate-linked producers demonstrate long-term commitment to local production and to the industry, and these producers eschew cheaper labour alternatives to stay in Bali, because Bali's handicraft expertise provides a special production niche. The eponymous owners of the companies Milo's and Paul Ropp had been in Bali since the Hippy Era of the early 1970s. These pioneers of the industry have continued to find new styles and to maintain their investments in local employment and production. The major outlets for these producers are found in the northern part of the tourist concentration of

Kuta, particularly the Seminyak-Kerobokan area. Speciality producers have also been able to work from the craft base of Bali, for example the Uluwatu firm specialises in lace-work, using the local skilled workforce. In the 2000s bikini and other swimwear producers began to expand specialist production in Bali, and the push become more one oriented toward the high end of the fashion market, rather than the cheap items that had launched the industry.

Local firms have also survived over many decades, notably the Chinese-Balinese Mama and Leon, Bali's largest firm, which has now shifted its target market to the Indonesian domestic front, producing Muslim clothing as well as adapting to the middle-to-high end of Indonesian taste. Some of the firms with expatriate ties also pay attention to the domestic market, such as one of the major factories to the east of the capital, Denpasar. Run by a Balinese woman with an American husband, this firm has an assured stream of sales to US children's clothing stores, produces to order for aspiring young Australian fashion designers, and maintains its link to the domestic market. The factory does not manufacture completed garments, but produces patterns and models for outworkers, and acts as a collecting point for smaller sub-contractors, many of who have long-term ties to the firm.

Hal Hill, a major writer on clothing production in Indonesia, commented on the "unplanned" nature of the development of garment production on the island in the 1980s and 1990s (Hill, 1992: 26). The tourism connection was one that developed organically, built on personal relationships. By the early 1990s the industry was an important contributor to the local economy, and as the agricultural sector declined, local authorities began to see that it was vital that Bali was not solely reliant on the tourist industry. Local producers remember the 1990s as something of a golden age, when they could rely on mass production, and admit that their lack of attention to quality undermined this mass production base. Balinese planning authorities did not seem entirely sure what to do with the industry, since nationalist sentiment, plus the fact that many of the westerners involved in the industry did not have working or business visas or other requisite permits, has meant disapproval of the foreign role in the industry. The Indonesian regulations help to explain why businesses are almost always in the names of Balinese partners.

Regional Autonomy

A major shift that has influenced the industry since 2001 is the implementation of Regional Autonomy legislation, which was first passed in 1999. The legislation was a reaction to Suharto-era centralisation, and its association with authoritarianism and Javanese domination of the nation. The legislation was meant to forestall demands for independence by different regions. Regional Autonomy has decentralised all aspects of regulation, sometimes producing confusing conflicts between national and local laws and taxes, but it has also meant that it is now local planning authorities who have to pay attention to industries like clothing production (Aswicahyono and Maidir, 2003). This legislation has thrown planning back on local authorities, not just at the Provincial level, but at the lower, Kabupaten or Regency level, where there has not been preparation or human resource development. This lack of training of local officials, many of who were products of the centralised Suharto era, has meant that attention to industry has been haphazard.

Table 6: Clothing Exports, Bali, 1996-2001 (US$million)

1996	$136.4
1997	$162.6
1998	$152.1
1999	$169.4
2000	$170.1
2001	$149.0
2002	$155.1
2003	$168.3
2004	$213.3
2005	$141.1
2006	$121.2
2007	$130.6
2008	$129.0
2009	$114.9
2010 (to Sept)	$119.1

Source: Kurniawan and Santosa 2002 and Badan Pusat Statistik Bali.

There were 108 businesses in textiles and clothing on the island in 2011, down from 165 in 1996 (Badan Pusat Statistik Bali). Despite fears of decline (Table 6), during the first eight months of 2011 Bali's clothing exports fetched US$88.7 million, or 36.2 million pieces, an increase on the US$62.8 million or 33.4 million pieces for the first eight months of the previous year (Antara, 2011). The optimistic spin on this by the head of the export section of the Provincial trade body covered the fact that there had been a decline in the total number of producers in previous years, and even if that level of sales had held up, the total production would still have been down from the high figures fetched at the end of the 1990s.

The island's export figures (Table 6) show surprising trends, and fluctuations which only sometimes match changes in national-level exports. The Asian economic crisis boosted the industry temporarily in the late 1990s, since the close international ties provided income in US dollars, as the Rupiah plummeted. One shake-up for the industry came in 2001, after the September 11 attacks in New York and Washington (Anon 2001), as US demand declined, and international trade disrupted. But the downturn in Bali's exports was much less than the national downturn and recovery happened reasonably quickly, compared to the national downturn which lasted for almost three years. There was actually a subsequent spike in Bali's exports between 2001 and 2004, and a rapid fall thereafter, which on first glance would seem to be related to the end of the MFA. The exporters to the US would seem to have been most vulnerable to the post-MFA changes. It is possible that the European and Australian industry links helped Bali's exports during the early 2000s, and the MFA changes would

Table 7: Clothing Export Trends, Indonesia and Bali, 1997-2007 (US$million)

Source: Thee 2009, Kurniawan and Santosa 2002 and Badan Pusat Statistik Bali.

not have as much an effect on trade with these destinations as with the USA. However national exports after 2005 increased markedly (Table 7).

A more likely explanation for the downturn is that 2005 saw a rapid fall in tourism following the second Bali bombing. The first bombings in 2002 had an effect, but tourism quickly returned on the basis of "lightning never strikes twice" thinking. If anything the discounting of airfares and accommodation to encourage post-bombing tourism may have also stimulated clothing production. When lightning struck twice, the effect was dramatic. This explanation demonstrates the close link between the constant tourist traffic and the commissioning and export of orders. It may also be that the 2005 tourist downturn converged with changes in demand in the handicraft industry, as India began to be a major competitor in international exports in this market around the same time.

5. Conclusion: A Divided Industry

There are many reasons for the lack of cohesion in Indonesia's clothing industry, but lack of government attention and serious industry planning must rank highest amongst the problems.

In the 1980s the centralised nature of the Suharto regime meant that there was industry planning, and the boom in clothing production of the 1990s was a result of the ground-work laid in this earlier period. To some degree the success of the industry has seen it being taken for granted. The combination of this attitude with rent-seeking regulation and Regional Autonomy implementation has not been conducive to clear policy formulation. The case of Tanah Abang shows that where there is no real investment in infrastructure, smaller-scale production, wholesaling and retailing will find their own solutions, but rent-seeking attention from central authorities threatens this as well.

Clearly the government does not see clothing production as requiring foreign investment. Policies in taxation, licensing and even visa provisions, seem designed to dissuade foreign investors, and ignore the role that expatriate partners, business and marital, have played in developing the industry in Bali. Certainly regional policies alone cannot explain why Bali has succeeded while North Sumatra has failed. The survival of the industry in Indonesia, and the livelihoods of the millions of people linked to clothing production seems open to the whims of international fate.

Indonesia demonstrates that different types of clothing production can co-exist within a single national framework, even if that framework does not provide a means of connection. Large-scale production of cheap materials for domestic and Asian markets can co-exist with niche production of higher-end goods for targeted markets. This kind of mixture suggests that there is room for planned diversification.

Notes

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1 Research for this paper has been carried out through participant observation since the early 1990s, including interviews with producers and workers, updated with more recent materials and visits to specific locations of production and consumption. All interviews are anonymous.

2 Personal communication with the late A.A. Kompiang Gede, a tailor who worked during the Japanese period and was involved in entrepreneurial activities after Independence.

3 My thanks are due to Amity Lynch, FairWear NSW Campaign Co-ordinator, for some of this information.

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