

ANALYSIS OF APPAREL COMPETITIVE EXPORT IN THE COUNTRIES OF ASEAN

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ABSTRACT

The purpose of this study is to analyze the condition of the apparel export competitiveness in ASEAN and the factors that affect the competitiveness of apparel exports in ASEAN. This research was conducted in the ASEAN region with 10 countries, namely Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam in the period 2009-2018 so that this study had 100 observations. The data collection technique was done by non-participant observation and the method used in this study was by non-participant observation. The analysis technique used is panel data regression. Based on the results of the analysis it was found that apparel commodities in Cambodia, Vietnam, Myanmar, Laos, and Indonesia have comparative advantages in the world, while the Philippines, Thailand, Malaysia, Singapore, and Brunei Darussalam have low comparative advantages. The exchange rate, inflation and lending rates simultaneously have a significant effect on the competitiveness of apparel exports in ASEAN. The exchange rate partially has a significant effect on the competitiveness of apparel exports. Inflation partially has no significant effect on the competitiveness of apparel exports. Lending rates partially have a significant effect on the competitiveness of apparel exports. The advice that can be obtained from this research is that the government is expected to be able to maintain the stability of the exchange rate and the inflation rate, as well as the role of the government and the central bank to be able to maintain lending rates in low conditions.

KEYWORDS: competitiveness, exchange rates, inflation, lending rates

INTRODUCTION

Apparel is one of the commodities that has the most potential in the international market. This is because apparel is a leading export commodity in each country. The rapid development of apparel exports has led to competition between countries, as has happened in ASEAN member countries. Considering the intense competition in the international market, ASEAN countries have been forced to maintain the level of competitiveness of their finished apparel exports. To obtain a high level of competitiveness, ASEAN countries need to pay attention to factors that affect the competitiveness of apparel exports, such as Exchange Rates, Inflation and Lending rates.

There are several types of apparel exported from ASEAN countries, such as men's and women's overcoats, suits, shirts, blouses, underpants, pajamas, bathrobes, T-shirts, singlets, tank tops, sweaters, babies' garments, track suits, gloves, stockings, other made up clothing accessories, and so

on. The finished clothes can be grouped into two types, namely knitted apparel and non-knitted apparel. These two groups of apparel are adjusted by grouping items contained in the 2 digits Harmonized System (HS) nomenclature, namely code 61 (Articles of Apparel and Clothing Accessories, Knitted and Crocheted) and code 62 (Articles of Apparel and Clothing Accessories, Not Knitted and Crocheted).

The exchange rate is defined as the price of a currency against the currencies of other countries that are widely recognized that stability in the exchange rate guarantees macroeconomic stability that impacts positive economic growth (Khan & Qayyum, 2008). International exchange rates have a direct relationship with export volumes (Sukirno, 2010). If the US dollar experiences appreciation (the strengthening of the US dollar and the weakening of the ASEAN local currency) will have an impact on the price of a product which tends to be low. Low product prices will encourage increased exports. So that it has an impact on increasing the competitiveness of the product from the product. This is supported by several studies conducted by Ilegbinosa et al. (2012) states that the exchange rate is positively related to exports, and Putra (2016) states that the US dollar exchange rate has a positive and significant effect on exports in Indonesia. However, in several other studies, the exchange rate has a negative influence on export volumes, as conducted by Wulansari, et al. (2016) which states that there is a negative and significant influence between the exchange rate and the level of competitiveness. Likewise with research conducted by Krisna A. (2013) which states that the exchange rate of the rupiah against the US dollar has a negative and significant effect on the value of Indonesian wood exports in the period 1992-2011.

Like the exchange rate, inflation also has a positive effect on export competitiveness. This is supported by the Phillips curve theory proposed by A. W. Phillips which quantifies the determinants of wage inflation. The Phillips curve states there is a negative correlation between inflation and unemployment. So it can be explained if inflation rises it will reduce unemployment. Reducing unemployment means absorbing labor so that the amount of production also increases. Increasing the amount of production will increase exports, thus impacting on the increase in export competitiveness. However, several studies have been conducted such as Pramana (2017) which states that inflation has no significant effect on the export of the bag industry in Indonesia. In contrast to research conducted by Noviana and Sudarti (2018) which states that partially inflation has a negative and not significant effect on rubber commodity exports in Indonesia.

Export competitiveness is also influenced by lending rates. Lending rates have a negative relationship with export competitiveness. If interest rates rise, export competitiveness will weaken, whereas if interest rates decline, export competitiveness will improve. This is because an increase in interest rates causes working capital to be less. Declining working capital was caused by the addition of debt repayment costs, so exporters were reluctant to get more funds. The lack of funds will cause the amount of production to decline which will further affect the decline in export volume. A decrease in export volume will affect the value of exports which is getting smaller, so that export

competitiveness will decrease. It can be interpreted that lending rates and export competitiveness have a negative relationship (Bank Indonesia, 2005). This is supported by several studies that have been carried out, such as Mahendra (2015) which states that lending rates partially have a significant negative effect on Indonesian exports in 1992-2012. Sri Pramana (2013) states that the test results partially show that the interest rates for loans with non-oil and gas exports only have a significant effect on $\Delta = 10\%$ and have a negative relationship. Likewise with other studies, such as Sulaiman et al (2014), Pramana (2017), and Novalina and Rusiadi (2015) who stated that interest rates have a negative influence on exports. In contrast, Wulansari et al (2016) stated that interest rates have a significant influence on the competitiveness of palm oil exports.

Not all factors can be measured as mentioned, there are unmeasured factors entering into error terms, such as government policy. The government policy used is a fiscal policy that affects export competitiveness through the exchange rate. The relationship between the two can be seen in the Mundell-Flemming model. If a fiscal change (an increase in government spending) causes an expansion in the economy so that the long-term exchange rate will be appreciated, this will result in a reduced level of exports and an increase in imports. Furthermore, over time the exchange rate will depreciate, thereby driving up exports and reducing imports (total output increases) adjusting slowly. In short, it can be concluded that the net effect of an expansion of fiscal policy is the appreciation of the long-term exchange rate by initially undershooting and increasing output in the long run. This is supported by the results of research from Badia and Ubiergo (2014) which states the effect of fiscal policy in suppressing appreciation of the real exchange rate in Brazil, motivated by the level of exchange rate appreciation in Brazil which causes the decline in competitiveness of Brazil.

Literature Review and Development of Hypotheses

International trade

Boediono (1997) states that trade is defined as a process of exchange based on the voluntary will of each party. Exchanges that occur because of coercion, threats of war and so on are not included in the meaning of trade. Every country that trades aims to profit from that trade. In addition to the motive for seeking profit, the main reason for the occurrence of international trade is because each country is different from one another and they conduct trade to achieve economies of scale.

Competitive advantage

Competitive advantage has the concept of financial viability, where competitive advantage sees the benefits of economic activity both from the point of institutions or individuals involved. Competitive advantage is the ability of a country to make strategies in achieving profits so that natural conditions do not hamper the production of the country's leading commodities. The success of a country's competitiveness is determined by innovations that can be carried out by the country so that it has high added value and cannot be perfectly emulated by its competitors (Setiawan 2008 in Pradipta 2014).

Comparative Advantage

David Ricardo introduces another theory of international trade, namely the theory of comparative advantage. In contrast to the theory of absolute superiority which prioritizes absolute superiority in certain production owned by one country compared to other countries, this theory argues that international trade can occur even though one country has no absolute advantage, provided that the comparative prices in the two countries are different. Ricardo believes that all countries should specialize in commodities where they have a comparative advantage and only import other commodities. This theory emphasizes that international trade can be mutually beneficial if one country does not have an absolute advantage over a commodity as expressed by Adam Smith, but rather has a comparative advantage in which prices for a commodity in one country with another country are relatively different.

Export

A country can export its production goods to other countries if the goods are needed by other countries and they cannot produce these goods or their production cannot meet domestic needs. Even more important factor is the ability of the country to issue goods that can compete in foreign markets. That is, the quality and price of the exported goods must be at least as good as those traded in foreign markets. The taste of the people abroad for goods that can be exported abroad is very important in determining the export of a country. In general, it can be said that the more types of goods that have such features produced by a country, the more exports can be carried out (Sukirno, 2010).

Import

Deliarnov (2005) states that there are countries that are able to produce various needs of their population, but this will not be sufficient. So that the activity of importing goods is cheaper than producing it domestically. This is what causes a country to import. The import function is strongly influenced by the size of national income. If the higher the national income, the higher the import. The amount of a country's imports is not only influenced by national income, but also by other factors.

International Trade Competitiveness

Competitiveness is a distinguishing advantage from others, which consists of comparative advantage and competitive advantage (Tambunan, 2000). According to Amir (2003) the price and cost of production is one aspect that needs attention in the competitiveness of international trade. The price aspect can be influenced by exchange rates and inflation, while the aspect of production costs can be influenced by lending rates. So it can be said that several factors can affect the competitiveness of international trade, namely Exchange Rates, Inflation and Lending rates.

Exchange rate

The relationship of exchange rates and competitiveness of export commodities can be seen in the Mundell-Fleming model proposed by Mankiw (2009). The Mundell-Fleming Model is used to

analyze the effects of implementing a free floating exchange rate system in implementing economic policies by a country. One of the economic policies used is fiscal policy. If the government intends to encourage domestic spending by implementing an expansive fiscal policy, the exchange rate of the domestic currency against foreign currencies will appreciate. However, the level of national income will remain. In an open economy that implements a free floating exchange rate system, fiscal expansion will not change the level of national income. This is because when the domestic interest rate starts to increase due to expansive fiscal policies exceeding the world interest rate, there will be inflows from foreign capital (capital inflow). This capital inflow causes appreciation in the value of the domestic currency, thereby reducing the net export value of the country concerned. This decline in net export value will erase the impact of expansive fiscal policy on changes in national income.

Inflation

Inflation rates are generally expressed as a percentage (%). Inflation rates can occur at mild, moderate, severe, and hyperinflation levels. Minor inflation occurs when price increases are below 10%; moderate inflation between 10 - 30%; and heavy inflation between 30 -100% per year; and hyperinflation or uncontrolled inflation occurs when price increases are above 100% a year. However, inflation figures are generally relative and do not have a common standard. In Indonesia, for example, if the inflation rate is still a single digit, for example 6-7%, then the inflation rate is still considered relatively reasonable inflation even though the inflation rate is relatively higher than the inflation rates of countries in the region. The inflation rate for developed countries ranges from 2-3%. Conversely, an inflation rate can also occur in a negative number, which means that the development of prices of goods and services in general in an economy has decreased over time or is called deflation (Suseno and Siti, 2009).

Lending rates

Lending rates depend on the type of credit itself. Based on Banking Law no. 10 of 1998, according to the intended use, credit is divided into three namely working capital loans, investment loans, and consumption loans. Working capital loans are working loans to finance their business activities or capital turnover, for example purchasing merchandise for a maximum period of one year. Investment credit is a medium / long-term credit given to (prospective) debtors to finance capital goods in the context of rehabilitation, modernization, expansion or construction of new projects, for example for the purchase of machinery, buildings and land for factories, the repayment of the proceeds businesses with capital goods that are financed for a period that is generally more than one year. Consumer loans are loans given by banks to finance the purchase of goods, the purpose of which is not for business but for personal use for a long or short term.

Research Hypothesis

The hypothesis used in this study is as follows:

- 1) Exchange Rates, Inflation, and Lending rates simultaneously effect the competitiveness of apparel exports in ASEAN countries.

2) The exchange rate and inflation partially have a positive effect on the competitiveness of apparel exports in ASEAN countries, while Lending rates have a negative effect on the competitiveness of apparel exports in ASEAN countries.

METHODS

Location and Research Object

This study took place in 10 ASEAN member countries, namely Indonesia, the Philippines, Malaysia, Singapore, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia. The choice of location is because countries in ASEAN have similar characteristics. In addition, apparel exports are superior exports from ASEAN countries, but there is an imbalance in the value of apparel exports between ASEAN countries. The object of this study focuses on the condition of the competitiveness of apparel exports in ASEAN in 2009-2018, and the effect of Exchange Rates, Inflation and Lending rates on apparel exports in ASEAN in 2009-2018.

Types and Data Collection Methods

Data collection method in this research is done by non-participant observation. Data collection is done by observing, recording, and studying the description of books, scientific works such as theses, articles and documents contained in the World Bank and WITS (World Integrated Trade Solution). The type of data used in this study is secondary data in the form of panel data. Wooldridge (2016) states panel data is a data set consisting of a time series for each member of the cross section. Panel data in this study are the value of apparel exports in ASEAN, exchange rates, inflation and lending rates in destination countries in 2009-2018. Secondary data used are obtained from UN Comtrade which is downloaded through WITS (World Integrated Trade Solution) software and the official World Bank Website.

Data analysis technique

Revealed Comparative Advantage (RCA)

Revealed Comparative Advantage (RCA) analysis is used to measure the strength of apparel export competitiveness in ASEAN. Balassa (1965) in Saboniere (2009) states that the results of export activities are used to express the comparative advantage of parts of the country that are lacking against other parts that have advantages in the cost factor. The variables used include the value of apparel exports in ASEAN, the total exports of ASEAN countries, the value of manufactured exports in the world, and the total value of world exports.

$$RCA_{ij} = \frac{X_{ij}/X_{it}}{W_j/W_t} \quad (1)$$

Information:

RCA_{ij} = index of commodity j competitiveness level by country i

X_{ij} = export value of commodity j from country i

X_{it} = total export value (products j and others) country i

W_j = export value of commodity j in the world

W_t = total world export value

In the calculation of RCA (Revealed Comparative Advantage) if the results of the equation show the value of a country's RCA for a certain commodity more than one (> 1), then that country has a product's competitiveness above the world average and if the value of the RCA equation shows a value of less than one (< 1), means that the comparative advantage or competitiveness of a commodity product from that country is low, below the world average (Tambunan, 2001).

Panel Data Regression

In this study a panel data regression model was used to test each variable that affected the competitiveness of apparel exports in ASEAN in 2009-2018. According to Wooldridge (2016) panel data is a data set consisting of a time series for each cross section member. Widarjono (2016) states that the use of panel data has several advantages, including the panel data being able to provide more data so as to produce a greater degree of freedom, as well as the combined time series data and cross section information can overcome the problems that arise when a variable reduction occurs (omitted variable). In panel data regression, the coefficient of determination is not very significant in panel data. This is because it is not uncommon to find low R-squared values, especially in cross-sectional analysis. A low R-squared value does not mean the regression equation is useless. So it needs to be emphasized that the R-squared value cannot be used as a benchmark of success in panel data analysis (Wooldridge, 2016).

The general form of panel data equation is as follows:

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it}; i = 1, 2, \dots, N; t = 1, 2, \dots, T \quad (2)$$

Information:

Y = Dependent variable

α = Constant

β = Regression coefficient of the independent variable

X = Independent variable

N = Number of cross section units

T = Number of time periods

NxT = Amount of panel data

To find out the variables that affect the competitiveness of apparel exports in ASEAN, this study uses the following model (Sholihah, 2014):

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it} \quad (3)$$

Information:

Y_{it} = coefficient of competitiveness of apparel exports in ASEAN

α = Constant

$\beta_{1,2,3}$ = Coefficient of independent variable regression 1,2, and 3

$(X_1)_{it}$ = Exchange rate at time t

$(X_2)_{it}$ = Inflation at time t

$(X_3)_{it}$ = Lending rate at time t

ε_{it} = error term

Panel Data Regression Model Estimation Method

There is an error term in the panel data regression analysis used. The error term consists of unobserved variables which are likely to correlate with the independent variable (exchange rate) while influencing the dependent variable (the competitiveness of apparel exports). In this study, the term error in question is Government Policy. This is supported by research conducted by Badia and Ubiergo (2014) which states the effect of fiscal policy in suppressing appreciation of the real exchange rate in Brazil, motivated by the level of exchange rate appreciation in Brazil which causes the decline in competitiveness of Brazil. The existence of government policies will affect the exchange rate variable, because the exchange rate will be endogenous. If endogeneity occurs, then estimation or analysis of data using the OLS method will give biased results. Therefore, the potential bias must be eliminated by several methods, namely random effect models or fixed effect models (Wooldridge, 2016). Government policies have a fixed nature, so the method used is the fixed effect model.

RESULTS AND DISCUSSION

Competitiveness of apparel exports in the countries of ASEAN

The RCA Index (Revealed Comparative Advantage) is used to measure the strength of the competitiveness of apparel exports in ASEAN member countries, which include Indonesia, Brunei

Darussalam, Cambodia, Laos, Malaysia, the Philippines, Singapore, Vietnam, and Thailand in 2009-2018. The results obtained in this study will be used to describe the condition of the competitiveness of apparel exports as a leading export commodity in ASEAN member countries. If the value of $RCA > 1$, a commodity in a country has a high comparative advantage, whereas if $RCA < 1$, a commodity has a low comparative advantage so that it cannot compete in the international market. Based on the RCA calculation, the highest competitiveness is owned by the country of Cambodia which in 2018 amounted to 39.95 points. The high value of RCA of Cambodian apparel is because apparel commodity is the main export commodity that provides the highest state income. The second rank is owned by Myanmar which has a level of competitiveness of 13.29 points in 2018. Then followed by the countries of Vietnam, Laos and Indonesia which in 2018 had a level of competitiveness of 6.58, 3.03 and 2.56 points. This is because the apparel export commodity is the leading export commodity in these countries. In addition, the five countries received special attention from the United States, namely the provision of facilities in the form of GSP (Generalized System of Preferences). Meanwhile, the Philippines, Thailand, Malaysia, Singapore and Brunei Darussalam countries have low competitiveness. Based on the infographic of the ASEAN National Secretariat, it can be said that the low value of the RCA can be caused by the commodity exports of apparel is not a leading export in these countries.

Table 1. Competitiveness of apparel exports in the countries of ASEAN in 2009-2018

Country	Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Brunei	0,27	0,04	0,03	0,03	0,03	0,03	0,05	0,07	0,10	0,08
Darussalam										
Myanmar	1,68	1,87	3,03	4,73	4,96	4,22	2,97	6,02	8,43	13,29
Cambodia	21,70	26,39	29,65	34,75	34,82	36,91	28,69	29,35	35,17	39,95
Indonesia	1,59	2,00	1,89	1,90	1,95	1,99	2,01	2,21	2,25	2,56
Lao PDR	3,63	4,69	3,91	1,46	3,14	3,74	2,35	2,13	2,76	3,03
Malaysia	0,29	0,25	0,27	0,24	0,24	0,28	0,28	0,31	0,29	0,29
Philippines	1,76	1,01	1,44	1,53	1,32	1,39	1,00	0,80	0,75	0,70
Singapore	0,16	0,14	0,14	0,15	0,14	0,15	0,15	0,17	0,19	0,19
Vietnam	6,49	6,81	6,60	6,18	6,12	6,23	5,48	5,66	5,46	6,58
Thailand	0,87	0,81	0,72	0,65	0,61	0,60	0,52	0,51	0,49	0,53

Secondary Data, 2019

Selection of Model Specifications

In the panel data regression model analysis, there are three approaches that can be used to estimate parameters, namely the common effect model, fixed effect model, and random effect model. To find out the most appropriate model to use, the Chow Test and Hausman Test were performed. The Chow Test is used to determine whether the common effect model or fixed effect model approach will be used. Based on appendix 4, the probability value of F is 0.0000 less than the 0.05 level. This means that H_0 is rejected, ie the model used is the fixed effect model. Next, the Hausman Test is performed to determine whether the fixed effect model or random effect model approach will be used. Based on

appendix 6, the chi square probability value is 0.0000 smaller than the significance level of 0.05. This means that H_0 is rejected, the most appropriate model used in this equation is the fixed effect model.

Panel Data Regression Analysis

To find out the magnitude of the effect of Exchange Rates, Inflation and Lending rates on the competitiveness of apparel exports in ASEAN, a panel data regression analysis using the E-Views 10 program is used and produces the following regression equation:

$$Y_{it} = 5,583525 + 0,543174\text{Ln}X_{1it} + 0,062070X_{2it} - 0,436691X_{3it}$$

$$\text{Prob. } t = \quad \quad \quad 0,0527^{**} \quad \quad \quad 0,1359 \quad \quad \quad 0,0088^*$$

$$\text{Prob. } F = 0,0000$$

$$R^2 = 0,962463$$

Information:

$\text{Ln}X_{1it}$ = Exchange Rate Variable

X_{2it} = Inflation Variable

X_{3it} = Credit Interest Variable

*) significant at $\alpha = 5\%$

***) significant at $\alpha = 10\%$

Based on the results, the probability value of t is greater than 0.05 and smaller than 0.10. Wooldridge (2016) states that researchers are free to determine the level of significance to be used, which is between 1%, 5%, or 10% and in research in the social field of humanities a significance level of 10% can be used.

Effects of Exchange Rates, Inflation, and Lending rates on the Competitiveness of Exports of Apparel in the countries of ASEAN

Simultaneous Test (Test F) is used to test the significant effect of the variable Exchange Rate, Inflation, and Lending rates simultaneously on the variable Export Competitiveness. Based on the equation of the results of the panel data regression analysis (appendix 3) shows the results of the F test through the F probability which has a value of 0.0000 < 0.05 . The results of the panel data regression analysis state that the variable exchange rate, inflation, and credit interest simultaneously have a significant effect on the competitiveness of apparel exports in ASEAN countries.

Effect of Exchange Rates on the Competitiveness of Exports of Garments in the countries of ASEAN Based on calculations using the E-Views 10 program, the coefficient of the exchange rate variable is 0.543174 and the probability of t is 0.0527. Based on the results of panel data regression analysis, it is known that the probability of t for the exchange rate variable is $0.0527 < \text{the real level of } 0.10$, then the effect of the exchange rate variable on the competitiveness of apparel exports is significant. The coefficient value of the exchange rate variable (LnX1) of 0.543174 means that every increase of one currency unit per USD will cause an increase in the competitiveness of apparel exports by 0.543174 points assuming the other variables are constant.

The exchange rate has a positive and significant relationship to the competitiveness of apparel exports in ASEAN countries. In accordance with the theory stated by Sukirno (2010) and several other research results such as those conducted by Illegbinosa et al (2012) and Putra (2016) that if the US dollar appreciates, the export competitiveness of a commodity will increase. The appreciation of the United States dollar has weakened the local currency. Weakening local currency means the price of a product tends to be lower. Low product prices will increase exports of a product in a country that causes an increase in the export competitiveness of a product. In addition, GSP (Generalized System of Preference) assistance from the United States has greatly helped several developing countries in ASEAN to increase their export competitiveness, as has happened in Indonesia, Thailand, the Philippines, Myanmar, and Cambodia.

Effect of Inflation on the Competitiveness of Clothing Exports in the countries of ASEAN

Based on calculations using the E-Views 10 program, the coefficient of the inflation variable is 0.062070 and the probability of t is 0.1359. Based on the results of panel data regression analysis, it is known that the probability of t for the inflation variable is $0.1359 > \text{the real level of } 0.05$, then the effect of the inflation variable on the competitiveness of apparel exports is insignificant even using a 10% real level remains insignificant. The inflation variable regression coefficient (X2) is 0.062070, because it does not have a significant effect, the coefficient value is equal to zero.

Based on the results of the study, inflation does not have a significant effect but when viewed based on the direction of the relationship, inflation shows a positive direction on the competitiveness of apparel exports in ASEAN countries. This is consistent with the alleged hypotheses and theories that have been stated by A. W. Phillips in the Phillips curve which states there is a negative correlation between inflation and unemployment. So it can be explained if inflation rises it will reduce unemployment. Reducing unemployment means absorbing labor so that the amount of production also increases. Increasing the amount of production will increase exports, thus impacting on the increase in export competitiveness. Clothing is a primary need, so the increase or decrease in the price of apparel does not cause a decrease in the purchasing power of the people. So that garment importers pay little attention to the existing inflation rate. So, whatever the level of inflation it will not affect the competitiveness of apparel exports in ASEAN because importers do not consider the inflation rate in ASEAN countries (Putri et al, 2016 and Larasati, 2018). In addition, there is

assistance from the United States in the form of GSP (Generalized System of Preference) which facilitates exports to destination countries so that importers do not need to pay attention to the inflation rate from the country of origin. Thus, inflation does not affect exports and export competitiveness will also increase.

CONCLUSION

The current era of globalization causes apparel not only as a basic need for humans, but also as fashion or a trend that is followed by most teenagers today. Changes in fashion that quickly led to competition between apparel exporting countries. This tight competition causes one country to compete with other countries. Each country has its own level of export competitiveness. Competitiveness is the ability of a commodity that is able to compete not only domestically but also in foreign markets.

Some variables that affect the level of competitiveness of apparel exports, namely Exchange Rates, Inflation, and Lending rates. The exchange rate is a tool used for transactions between countries, one of which is for export and import activities. The exchange rate has a relationship with government policy. One of the government's policies is to set a floating exchange rate system.

The floating exchange rate system causes the exchange rate of each country to be influenced by the strength of demand and supply of US dollars. The US dollar is used as international money because the US dollar is considered the most stable currency in the world. The application of the floating exchange rate system in each country causes the exchange rate to fluctuate every day. The ups and downs of the exchange rate will have an impact on the competitiveness of apparel exports in ASEAN. Based on the results of research conducted exchange rates have a positive and significant relationship to the competitiveness of apparel exports. The appreciation of the United States dollar has led to a decrease in the price of apparel in ASEAN countries so that the competitiveness of apparel in ASEAN has also increased. In order to be able to maintain and increase the competitiveness of apparel exports, the government's role in promoting exchange rate stability is urgently needed.

Inflation is an event of rising prices for the entire product continuously and in certain periods. Based on the results of the study, inflation does not have a significant effect but has a positive relationship towards the competitiveness of apparel exports in ASEAN. It can be said that the competitiveness of garment exports is not influenced by inflation, because apparel is a primary need. The rise and fall of clothing prices will not reduce people's purchasing power. In addition, this insignificant influence can be said that each country has succeeded in maintaining the stability of the price of goods, so to maintain and enhance export competitiveness, the role of the government is needed to be able to maintain a stable level of inflation so as not to affect the price of products.

Lending rates are loan interest that must be paid to banks. Lending rates have an influence on a country's economy, one of which is the production capacity of a commodity. Decreasing lending rates in a country will increase the amount of production of a commodity. Increasing the amount of production will encourage an increase in the export volume of these commodities. If the volume of exports increases, the value of exports increases so that the competitiveness of commodity exports from a country will increase. It can be said that lending rates have a negative influence on export competitiveness. Rising lending rates are determined by the Financial Institution based on monetary policy determined by the Central Bank. Fluctuations in lending rates will have an impact on export competitiveness. In order to keep increasing export competitiveness, the role of the Central Bank and Financial Institutions is needed to keep credit rates low.

The link between exchange rates, inflation and lending rates to the competitiveness of apparel exports in ASEAN is very close. To realize the good competitiveness of apparel exports, the role of government is needed. Thus, the competitiveness of apparel exports in ASEAN can be increased. Some of the government's role in enhancing the competitiveness of apparel exports, namely the government is expected to maintain the stability of the exchange rate and the inflation rate, as well as the role of the government and the central bank to be able to maintain lending rates in low conditions.

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