INTERNATIONAL ECONOMICS: RATTAN

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Introduction

Indonesia's exports value performance has improved overtime. Indonesia has 10 major export product which contribute around 84,95% of Indonesia's total non-oil and gas exports. The significance shared percentage was product from industry by 66% (Yuniarti, 2013). Export commodities were separated into 10 principal products, 10 potential products, and 3 service-based products. Included in the category of top 5 bestselling products of Indonesia's exports are textiles products, followed by electronics, rubber product, oil and forests (Ervani, 2013). One of the 10 principal products incorporate a wide range of furniture, which includes rattan finished products.

However, Indonesia's trade ministry separated raw rattan as ban product for export. This is done to strengthen rattan domestic supply chain. The policy benefited rattan-processing industry by gaining short-term low prices, and from high prices because of the distinctiveness of the availability of raw materials compared to competitors. (Meijard, Achdiawan, Wan, & Taber, 2014). Due to banned raw rattan export, it impacts the production of rattan industries. World furniture export transaction has shown a positive growth since 2008. Increasing market demand can be met by using appropriate strategy of competitive advancement of the domestic rattan industry. In addition, Indonesia has about 80% of rattan on the global market, and is the leading exporter of rattan furniture and the second-largest exporter of rattan mats, plaits, baskets, chairs and wicker. (Hirschberger, 2011)

One of rattans famous product is Wicker. Wicker items are made of rattan coir. Rattan palm tree branched stripped of their bark then processed into different diameters and profiles. Most rattan products are made manually by skilled workers. The production is done by hand using a flat oval rattan coir, flat on one side, rounded on the other. They run horizontal strands through vertical strands in and under and over pattern. Its important to keep moistening the rattan with hot water to keep its supple enough to manipulate. In the process, there's no structural reason for this pattern, just purely aesthetic to please customers. Quality wicker is very durable because even though it is old in age the quality of the furniture will be sturdy as it is today.

Absolute and Comparative advantage

To explain why countries trade is related to an economic theory. The first concept is called the theory of absolute advantage. If a country has the absolute advantage in the production

of a good or service it means it's the most efficient producer and will results in a more better-quality products compare to others. The principal of this theory is that country should specialize on what they are good at making and will be efficient at that particular good or service, therefore the price charge or sell to the market will be the most competitive.

The industrial products directly processed rattan in an environmentally friendly way. To be specific, Indonesia is dominating the production of raw rattan in the world compared to Malaysia, China and Vietnam. (Iqbal, 1993) Thus, it has a comparative advantage in the supply of raw material for the rattan industry. However, the government changes the policy by banning raw rattan exports, which makes the situation for rattan industry unstable. On one hand, a country will tend to export goods if the domestic production costs is relatively much lower than the same goods in other country and be able to compete in the international factors that have several factors such as; human resources, natural resources, technology and social culture (Maulana & Suharno, 2013) which will determine the price and quality of goods and services produced. On the other hand, a country will import goods or services if the cost of production is more expensive inside the country, and better purchase from abroad which has a lower production cost.

According to (INBAR, 2014), bamboo and rattan are mostly traded within and between Asia and Europe. Asia is the main source of bamboo and rattan products. While Europe, Asia and North America are the major importing markets. Consequently, other countries that have similar advantages of resources such as Malaysia that produce, harvest, transport, store and marketable export rattan and have a 31,000 hectares of cultivation area and Indonesia by 37,000 hectares. (Wahab, Mokhtar, Mohn Ghani, & Sulaiman, 2019). Comparative advantage is when two country trade benefits accordingly and efficiently. Both countries are producers of rattan and crude palm oil. With the fact that Malaysia has comparative advantage over Indonesia in crude palm oil, as well as more excess to rattan resources in Indonesia, the two countries will gain benefits from one another if they trade with the same amount and proportion.

Global Value Chain

Rattan global market industries have been driven as Global Value Chain (GVC). GVC supports economic transformation by being environmentally global. Meaning that it provides opportunities for economic growth and development such as foresters, local craftsman, and skilled designers workers.

There are 3 types of GVCs models. The first one, e- market is a competitive market, which provides opportunities to many young designers to promote their brand. Rattan farmers harvest and processing the rattan first, and they sell it to the local designers. Then the product will be marketed under the brand of local designers through E- Commerce. In this case, the Information Technology (IT) replace the middleman such as marketing, and young designers also can easily enhance their business networks from mass media, such as youtube, website,

Instagram, etc. Local designers can also hire weavers and manufacturer for customized product and sell it to customer. There are events called International Exhibition Collaboration of Designer which provide by government or association to improve the idea and knowledge of young designers.

The second model, buyer-driven market focuses on customer preferences. In this model, a sales agency act as a multinational corporation that dominates the market in several countries. They provide direct access to end-users and also build a strong relationship with the customer to understand market preferences in making innovative and creative design. Sales agency corporate with manufacturers company to make the product. When dealing with uncertain demand, the manufacturer will hire weavers to outsource the product and reduce cost.

In the last model producer driven market, European designers act as an international leading firm. The international leading firm provides market access to end-user. Usually, their products known as high-class product, they manage the superior quality product through natural resources, masterpiece design, innovation, and solution for product deficiencies. The international leading firm has its manufacturer, designer, weaver so they can ensure the quality of the product. As a result, their masterpiece design allows the leading firm to be the price maker. Besides that, European designers also build a strong relationship with farmers to explore unidentified varieties of rattan to make a unique and new product. The three typologies of cross-cultural collaboration provide various opportunities on how the cross-cultural collaboration between the developed market and emerging economies promotes an IGVC through the innovation and technology transfer. (Pratono, 2019)

Conclusion

The rattan industry is one of the most important non-wood forest products industry in the international trade and has improve the economy for many communities in developing countries such as Indonesia and Malaysia. This results to an increase for the community income. However, the lack of technologies, investment and sustainable raw material supply results in tough challenges for the rattan industry. By improving the availability of raw materials through intensive rattan plantation course using modern technology and would possibly result in a high-technological product to develop further. In addition, providing an adequate education to the worker in rattan industry to ensure a quality product is serve to the market.

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