Advances in Economics, Business and Management Research, volume 132
6th Annual International Conference on Management Research (AICMaR 2019)

Analysis of Indonesia Exports to ASEAN Countries and Their Effect on Economic Growth in the MEA Era

Debby Ch. Rotinsulu*, Jacline I. Sumual, Robby Joan Kumaat
Faculty of Economy and Business
Universitas Sam Ratulangi
Manado, Indonesia
*debbyrotinsulu@gmail.com

***Abstract*—Foreign trade is one important aspect in the economy of each country. At present there is no country that does not have relations with foreign parties. The economy of each country is practically open and intertwined with the international world. A country's exports play an important role in promoting economic growth. Exports can supply the state budget through income and foreign currencies which can be used to improve infrastructure and create an attractive investment climate. In addition, exports also have an important role in developing domestic product markets. The role is to increase competition that drives a country to increase production and use new technology in its production process. Economic growth shows the extent to which economic activity will generate additional community income in a given period. The economy is considered to have experienced growth if all real service fees for the use of production factors in a particular year are greater than the real income of the community in the previous year. Kuznets said that economic growth is an increase in capacity in the long term of a country to provide economic goods to the population. Economic growth means the development of activities in the economy which causes the goods and services produced to increase and the prosperity of the community to increase. Economic growth is also the rate of increase in real GDP or GNP in a given year when compared to the following year. The purpose of this study is to see how the influence of exports to ASEAN countries on Indonesia's economic growth with the research method is regression analysis. The results of the study found that Indonesia's exports to ASEAN countries had a positive and significant effect on Indonesia's economic growth.**

Keywords: exports, economic growth

I. INTRODUCTION

Foreign trade is one important aspect in the economy of each country. At present there is no country that does not have relations with foreign parties. The economy of each country is practically open and intertwined with the international world [1]. With international trade the economy will intertwine and create an economic relationship that affects one country with another country and the traffic of goods and services will form trade between nations. International trade is an activity that aims to improve the welfare of the people of a country. The occurrence of the economy at home and abroad will create a mutually influential relationship between one country and another country, one of which is the exchange of goods and services between countries.

A country's exports play an important role in promoting economic growth. Exports can supply the state budget through income and foreign currencies which can be used to improve infrastructure and create an attractive investment climate [2]. In addition, exports also have an important role in developing domestic product markets. The role is to increase competition that drives a country to increase production and use new technology in its production process.

The economic growth of a country is inseparable from the current globalization and economic liberalization, which has led to the development of economic systems in a more open direction between countries and the process of economic integration in various regions of the world. One form of economic integration is the declaration of the ASEAN Economic Community (AEC) by the leaders of the ASEAN countries at the Bali Summit in 2003 which will take effect in 2020. However, at the 12th ASEAN Summit meeting in the Philippines in 2007 the implementation of the AEC was accelerated to 2015 [3]. MEA will realizing a single market and production base in ASEAN which is characterized by a highly competitive economy and equitable economic development and able to integrate with the global economy in 2025 [4].

Economic growth shows the extent to which economic activity will generate additional community income in a given period. The economy is considered to have experienced growth if all real service fees for the use of production factors in a particular year are greater than the real income of the community in the previous year. Economic growth is an increase in capacity in the long term of a country to provide economic goods to the population. Economic growth means the development of activities in the economy which causes the goods and services produced to increase and the prosperity of the community to increase. Economic growth is also the rate of increase in real GDP or GNP in a given year when compared to the following year [5].

A country's economic growth is seen from the increase in Gross Domestic Product (GDP). Increased economic growth is not always followed by equitable distribution. Kuncoro [6] states that development within the sphere of the State is not always spatially distributed. Some regions can achieve significant growth, while some regions experience slow growth. Regions that do not experience the same progress are due to lack of natural resources, human resources so that they are less attractive to capitalists (investors) and prefer regions with abundant resources, supporting facilities and infrastructure. Meanwhile, differences in resources and potential as well as facilities and infrastructure will make the industry or economic activity become a group and form an agglomeration.

II. Theoretical Framework

A. Export

According to Todaro and Smith [7], exports are international trade activities that provide stimulation to grow domestic demand which causes the growth of large factory industries, along with stable political structures and flexible social institutions. In other words, exports reflect international trade activities, so that a developing country is likely to achieve economic progress on a par with more developed countries.

An important function of the export component of foreign trade is that the country gains profits and national income rises, which in turn increases the output amount and rate of economic growth. With a higher level of output the vicious cycle of poverty can be broken and economic development can be increased [5].

In addition to increasing the production of goods to be sent abroad, exports also increase domestic demand, so that exports directly enlarge the output of the industries themselves, and indirectly foreign demand influences the industry to use its production factors, such as capital, and also uses cheaper and efficient production methods so that price and quality can compete in the international trade market.

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 done [8].

B. Economic Growth

A country's economic growth as an increase in the ability of a country to provide economic goods to its population, an increase in this ability is caused by technological advances, institutions and ideological adjustments needed [7]. The three main components of this definition are very important meaning for an economy [9]:

- The increase in national output continuously is a manifestation of economic growth and growth in the ability of an economy to provide various kinds of economic goods, and also a sign of economic maturity.
- Technological progress is a necessary condition for sustainable economic growth, but not a sufficient condition in realizing the growth potential contained in new technology.
- Institutional, attitude and ideological adjustments must be made immediately. The existence of technological innovation without social innovation is like a light bulb without electricity. Potential exists but without complementary input, it will not mean anything.

C. Export Performance

According to Todaro and Smith [7], exports are international trade activities that provide stimulation to grow domestic demand which causes the growth of large factory industries, along with stable political structures and flexible social institutions. In other words, exports reflect international trade activities, so that a developing country is likely to achieve economic progress on a par with more developed countries.

Meanwhile, according to Samuelson and Nordhaus [10] states that the factors that affect the volume and value of a country's exports depend on foreign income and output, the exchange rate (exchange rate) as well as the relative price between domestic and foreign goods. If foreign output increases, or the exchange rate against other countries' currencies decreases, then the volume and value of a country's exports will tend to increase, and vice versa. In addition, the choice between domestic goods and foreign goods relates to the relative prices of the two goods. If the price of a domestic product increases relative to the price of foreign goods, then the population will tend to buy more foreign goods. So that the amount and value of exports will be influenced by the relative prices between domestic and foreign goods, which in turn will depend on domestic prices, international prices and the exchange rate of the rupiah against the dollar.

III. Methods

A. Sample and Procedure

The type of data used in this study is secondary data, in the form of Export and Economic Growth data. The objects of this research are: Indonesia. In the first year of this study the target was the State of Indonesia. The data was obtained from the Indonesian Statistics Office.

B. Measurement Procedures

In this study the variables that will be used are: (1) Exports are all production of goods and services in the domestic economy that are exported abroad. As measured in units of million US $. (2) Economic Growth is defined as an increase in GDP / GNP regardless of whether the increase is greater or smaller than the rate of population growth, or whether changes in economic structure occur or not. Economic growth shows an increase in GRDP from the base year of research to the end of the study. Economic growth is measured in percent.

To analyse the relationship between dependent and independent variables, the data management is done by the method of analysis with the Ordinary Least Square (OLS) model. OLS method is used to obtain parameter estimates in analysing the effect of independent variables on the dependent variable. The OLS method was chosen because it is one of the simplest methods with strong and popular regression analysis, with certain assumptions [11].

IV. Results and Discussion

The performance of Indonesia's exports to ASEAN countries in the period 2001 to 2004 continued to experience a decline in performance, in 2001 the performance of exporters to imports was still at number positive namely 4,045 million US $ but decreased in 2002 but still at a positive number of 3,166 million US $ continued to experience a decrease in 2003 of 2,996 million US $ and down in 2004 by 1,503 US $. In the period of 2005 to 2017 Indonesia's export performance to ASEAN countries has decreased to a negative number or deficit which means that imports are greater than exports. In the period of 2005 to 2017 Indonesia's exports to ASEAN countries seen from the graph is smaller compared to imports. So that Indonesia's export performance has a deficit.

The following is the result of data processing using Eviews 8 to determine the effect of the Economic Growth (Y) variable (dependent variable) and Export (independent variable) in Indonesia:

$$Y = 4.462620 + 3.27E\text{-}05X \qquad (1)$$

TABLE I. Results of Indonesia's Export Regression to ASEAN Countries on Indonesia's Economic Growth

Dependent Variable: Indonesian Economic Growth (Y)
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Ekspor (X)	3.27E-05	1.40E-05	2.328892	0.0343
C	4.462620	0.411199	10.85270	0.0000
R-squared	0.265560	Mean dependent var		5.339412
Adjusted R-squared	0.216598	S.D. dependent var		0.770304
S.E. of regression	0.681796	Akaike info criterion		2.181959
Sum squared resid	6.972691	Schwarz criterion		2.279984
Log likelihood	-16.54665	Hannan-Quinn criter.		2.191703
F-statistic	5.423737	Durbin-Watson stat		0.873529
Prob(F-statistic)	0.034254			

Source: Results of Eviews 8

The results of the export variable regression equation in Table 1. note that the export variable has a significance value of 0.0343. The value of sig is smaller than α 5%, then Ha is accepted by Ho as rejected. The export variable has a calculated value of 2.328892 and t table 1.74588 with df 10 (n-k). So, t count 2.328892> t table 1.74588 this means that there is a linear relationship between export variables and economic growth. So, it can be concluded that exports have a positive and significant influence on economic growth. The R2 value obtained is 0.265. This means that variations in export changes affect economic growth by 26.5%, while the rest (73.5) is explained by other variables not included in the model.

The export coefficient value is 1 which means that it has a positive influence on economic growth. That is, if exports increase will encourage increased economic growth and vice versa cateris paribus. The influence is significant at the 95% confidence level and is in accordance with the theory. Exports can be interpreted as activities involving the production of goods and services produced in a country to be consumed outside the country's borders. According to Samuelson et al. [10]. Exports are goods and services produced domestically and purchased by foreigners. Both exports and imports are important factors in stimulating a country's economic growth. Import exports will increase the consumption capacity of a country to increase world output, as well as provide access to scarce resources and potential international markets for various export products without these products, poor countries will not be able to develop the activities and life of the national economy.

Export is an effort to sell commodities that we have to other nations or foreign countries with government regulations by expecting payment in foreign currencies, as well as communicating in foreign languages. So the results obtained from exporting activities are in the form of a sum of money in foreign currency or commonly referred to as foreign exchange which is also one of the sources of state income. What is meant by exports are trade activities that provide stimulation to grow domestic demand which causes the emergence of large factory industries, together with stable political structures and efficient social institutions [7] Exports are one of the economic sectors that play an important role through market expansion between several countries where market expansion can take place in the industrial sector, thus encouraging in other industrial sectors, further encouraging other sectors and the economy.

V. Conclusion

Based on the results obtained that the following conclusions can be drawn as the results of the study indicate that Indonesia's exports to ASEAN countries have a positive and significant effect on Indonesia's economic growth. This means that when an increase in Indonesia's exports to ASEAN countries will encourage an increase in Indonesia's economic growth.

For the government, given the size of exports to the Indonesian economy, it is expected that all relevant stakeholders can collaborate in order to achieve the desired export target and later will encourage a favourable climate of economic growth. The development of creative businesses must also be given more attention by the government because the export of creative products with high added value must also be intensified so that the higher the value of exports so that later it can improve the welfare of the community.

Acknowledgment

This research was financially supported by the author and the Faculty of Economics and Business, Sam Ratulangi University (UNSRAT) Manado, Indonesia.

REFERENCES

[1] Dumairy, Perekonomian Indonesia, Jakarta: Erlangga, 2005.

[2] A.S. Mohsen, S.Y. Chua, and C.N.C Sab, “Determinants of Economic Growth in Syria between 1980 and 2010,” Eurasian Journal of Business and Economics, vol. 10, no. (19), pp. 81–98, 2017.

[3] Asean, Asean Economic Community Blueprint, Jakarta: The Asean Secretariat, 2008.

[4] Asean, Asean Economic Community Blueprint 2025, Jakarta: The Asean Secretariat, 2015.

[5] M.L. Jhingan, Ekonomi Pembangunan dan Perencanaan, Jakarta: CV. Rajawali;,2001.

[6] M. Kuncoro, Otonomi dan Pembangunan Daerah, Jakarta: Erlangga, 2004.

[7] M.P. Todaro and S. Smith, Pembangunan Ekonomi di Dunia Ketiga, Jakarta: Erlangga, 2006.

[8] S. Sukirno, Mikroekonomi: Teori Pengantar, 3 ed., Jakarta: PT. Rajagrafindo Persada, 2008.

[9] L. Arsyad, Ekonomi Pembangunan, Yogyakarta: UPP STIM YKPN, 2010.

[10] P. Samuelson and W. Nordhaus, Economics, 19th ed., New York: McGraw Hill, 2010.

[11] D.N. Gujarati, D.C. Porter, and S. Gunasekar, Basic Econometrics, 5 ed., New York: McGraw Hill, 2017.