Non-oil and gas International Trade and Economic Growth in Indonesia

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Abstract. This study is motivated by the important role of international trade for Indonesia because it can affect its economic growth. If a country exports more than imports, its national income can increase, which has a dominant effect on the economy growing. This research is included in quanti- tative research, using secondary data, and using *purposive sampling* method. The results showed that Indonesia has the highest number of exports compared to the number of imports for non-oil and gas commodities, so it can be said to be good because if importing activities are more than exporting activities, then The country disburses a lot more funds than comes in from export marketing. The government strongly encourages export activities to improve a country's economy. One of the country's sources of income from international marketing. Where government regulations to support exports are increased so that the economy increases. One of the government policies to encourage exports is to maintain the stability of the rupiah exchange rate, increase product promotion, provide convenience for producers of exported goods, make international trade agreements, economic diplomacy and increase market access, and choose superior export modalities.

Keywords: International Trade, Exports and Imports, Economic Growth.

1. Introduction

International trade plays an important role for Indonesia because export activity, which is the main component, can be used as a means of driving the economy. However, international trade is affected by distance exporter and importer countries (distance of trading partners) which makes the price level higher the further away the trading partners are. In this case, exports can generate foreign exchange for the welfare of society. Export activities aim to earn foreign exchange, absorb labor, spur economic growth and are useful for expanding the market so as to obtain a wider market potential. If observed, Indonesia's international trade transactions (exports and imports) with trading partner countries have undergone structural changes and transformations with respect to the balance of trade. [1]

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A country's economic development is greatly influenced by international trade. If a country is dominant in exports rather than imports, its national income will increase, which will have a dominant effect on economic development. International marketing is bartering product services. Economic growth is one of the most popular discussions about a country's economy. Although there are some measures that are undeniable, economic growth is important in the context of a country's economy because it may be one part of the country's economic development or achievement. According to Wijono (2005), economic growth shows progress in development. The higher a country's imports, the higher its consumption, which has a negative effect on economic development. The more scarce the country's balance of installments becomes, which in turn adversely affects the country's monetary situation. Therefore, the higher the import value, the lower the economic growth.

The approach to import control in Indonesia, especially for food, is aimed at recognizing the influence of food and government assistance for farmers. Indonesia, with its large population, needs food strength. This is because dependence on imported food will put Indonesia in a *food trap*. If this happens, farmers/producers will not be eager to expand their production. Increased dependence on imports will also raise the stakes for food security and food strength. Meanwhile, trade affects economic growth, which means that the higher commodity prices are, the more financial development will pick up. The way to increase the productivity of Indonesian commodities is through the expansion of modern products, expansion of horticultural production, plantations, exploration of gold assets, appropriate innovation, modernization of executives, provision of time-limited assistance and tax cuts for exporters, improvement of product seriousness, as well as other products such as non-oil and gas. International trade can serve as a key driver of development. The following can be seen in table 1. about Indonesia's international trade in non-oil commodities in 2023.

Table 1. Indonesia's non-oil international trade in 2023

Month	Export (Million US$)	Import (Million US$)
January	20.836	15.537
February	20.135	13.513
March	22.078	17.573
April	18.025	12.393
May	20.398	18.145
June	19.342	14.928
July	19.635	16.438
August	20.679	16.218
September	19.341	14.013
October	20.776	15.466
November	20.715	16.098
December	20.913	15.735

Source: Foreign Trade Statistical Bulletin, 2024 [2] [3]

Based on Table 1. It is known that the amount obtained by non-oil and gas exports in 2023 amounted to 242,873 US $ and the largest amount was in March, which amounted to 22,078 or 9% of the total non-oil and gas exports in 2023. Likewise, in non-oil and gas imports, the amount obtained was 186,057 US $ and the largest amount was in May, which amounted to 18,145 US $ or 10% of total non-oil and gas imports in 2023.

Salvatore points out that exchange can aid development. It is possible that either or both serve as a major catalyst for development if global exchange activities consist of goods and imports. According to Hanifah (2022), in the mid-1980s, Indonesia set its strategy as product progress. [4] As such, this strategy provided the main impetus for development. A country's economic growth is used as a marker to assess the progress it has made during the turn of the economy. It is also used as a reference for making plans and determining how events will play out in the future. Negative financial development indicates economic decline, while positive economic growth indicates economic expansion.

Based on Table 1, it is known that the amount obtained from non-oil and gas exports in 2023 was US$ 242,873 and the largest amount was in March, which was US$ 22,078 or 9% of the total non-oil and gas exports in 2023. Likewise, non-oil and gas imports, with the amount obtained being US$ 186,057 and the largest amount was in May, which was US$ 18,145 or 10% of the total non-oil and gas imports in 2023.

Based on the background above, this research model is described as follows:

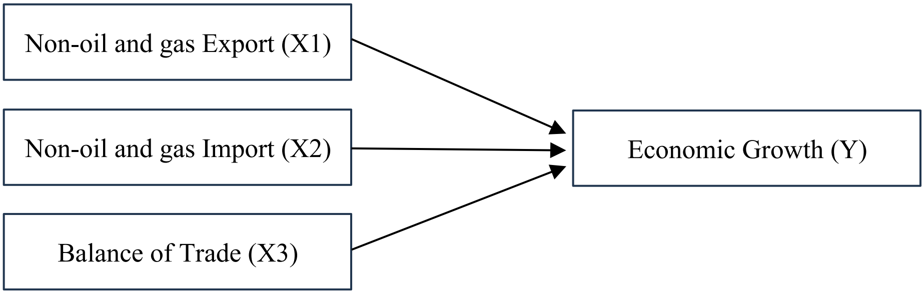


Figure. 1 Research Analysis Model

The hypotheses developed in this study are as follows:

Hypothesis 1. Non-oil and gas exports have a positive and significant effect on economic growth

Hypothesis 2. Non-oil and gas imports have a positive and significant effect on economic growth.

Hypothesis 3. Trade balance has a positive and significant effect on economic growth.

2. Methods

This study is of a quantitative type and is part of a series of systematic investigations of phenomena by collecting data and then measuring it with mathematical or computational statistical techniques. The data source obtained in this study is secondary data. Determination of the sample in this study by purposive sampling is taken with a specific purpose and purpose, which considers that the research subject taken has the information needed for the research to be carried out.

In this study, the data collection carried out in this study consists of two kinds, namely literature study and documentation. Literature study is carried out by collecting information through literature related to the object of study in the form of statistical books at the Bank Indonesia and the Central Statistics Agency, related articles and journals on this topic. For documentation, it is carried out by searching and recording reports related to each existing object under study. After collecting research data, several data analysis techniques were carried out, namely multiple regression analysis, and classical assumptions. Making conclusions so that it is easy to understand by yourself and others.

3. Results and Discussion

Global trade, also known as "international trade", is the exchange between the population of one country and the population of another country based on mutual agreement. The population in question can be the relationship between the people and public authorities of a country, or between the people and public authorities of another country. International trade based on deregulated standards generally uses financial guidelines designed for efficiency, transparency, and open competition between businesses across countries. Countries and regions around the world trade globally for many reasons. One of them is to capitalize on the availability of necessary materials that cannot be produced independently by any of the parties involved in the trade, as well as to address the issue of shortages of materials required for manufacturing. This is because natural resource assets are accessible from place to place. Since international trade regulation is part of global regulation, the weaknesses and shortcomings of global regulation also cover the field of international trade.

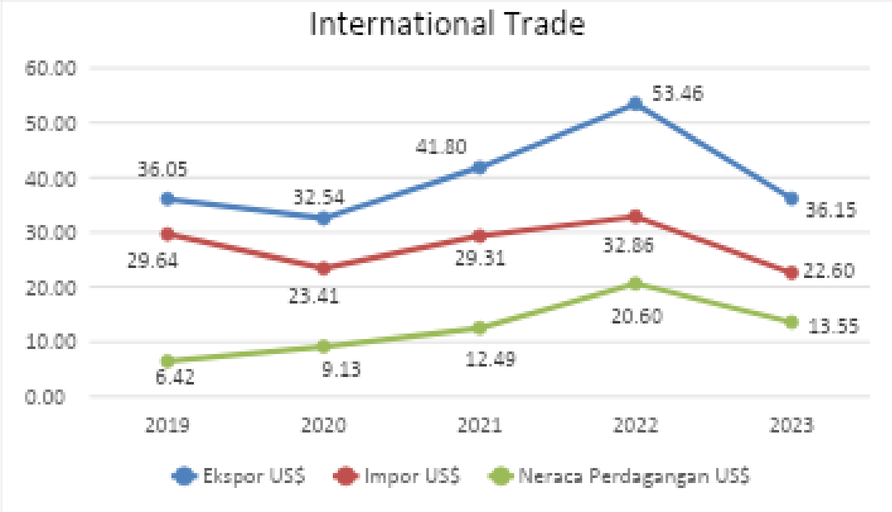
How global regions or countries should agree to in- ternational trade regulations and why global regions or countries should comply with them are two interesting things to study. A country's consistency with global regulations, especially world stock exchange regulations, is not measured by applying consistency and status on an ongoing basis in regulating rules overseen by regulatory experts. The enforceability of international law must be seen and measured by the way local regions around the world behave in compliance with international law. International trade is usually the basis for a country to become prosperous, equitable and strong. Countries with a high level of seriousness will become entertainers in global exchanges, while countries with a low overall level will become customers. That is why international trade is so important for a country.

Not long ago, mercantilists argued that international trade was a win-lose transaction. They argued that exchanges are winners, while imports are losers, so countries should concentrate on shipping and avoid imports. However, financial market analysts have made similar assessments since the mid-nineteenth century. They argue that international trade is a win-win arrangement, based on several reasons, among them:

a. Includes transactions where two countries produce and import goods that have value in international trade. For example, if Indonesia does not import goods from abroad, they will not be able to buy the goods we send them due to lack of money. Receiving jobs and goods from other countries into Indonesia can generate these rupiahs. These rupiahs may be earned assuming the country trades labor and products to Indonesia.
b. International trade provides a wide array of labor and products. If Indonesia did not have international trade relations with other countries, how would it fare? The types of goods and labor that can be exchanged for products in Indonesia's home market would be severely restricted. For example, we would not see American-made computers, Swiss-made watches, or Japanese-made vehicles.
c. International trade can bring efficiency. A country that tries to solve all its labor and product problems (standalone economy) will not achieve economic effectiveness. Only with global exchange, skills can be generated at any time and both countries will benefit from each other due to the accompanying factors: different normalized assets, economies of scale, and differences in preferences. An overview of how international trade between two countries can benefit each other can be seen from these three factors.

With international trade, a country can enhance growth and spur uniformity of interests, supply, and administration. International trade is beneficial because it can help build position and impact the development of the domestic economy directly or indirectly on the asset portion. The following can be seen in figure 2. about international trade in Indonesia's non-oil and gas commodities.

Figure 2. Non-oil international trade Indonesia - ASEAN



Source: Ministry of Trade of the Republic of Indonesia, 2024 [5]

Based on Figure 2. It is known that Indonesia has the largest number of exports compared to the number of imports for non-oil and gas commodities, so it can be said to be good because if there are more importing activities than exporting activities, then funds spent on export marketing. On the other hand, the more often a country exports, the more diverse the economic activities will be, which will improve a country's economy by increasing income, production and employment opportunities.

The government strongly encourages export activities to improve a country's economy. One of the country's sources of income from international marketing. where official regulations to support exports are increased to ensure economics increases. One of the government policies to encourage exports is to maintain the stability of the rupiah exchange rate. Government policy refers to the development of the trade balance, this is because if export activities fall and import activities rise, then the government needs to issue policies to re-stabilize economic activities that occur in Indonesia. The marketing balance is the remainder between the value of a country's exports and imports at any given time. [5]

The global economic competition that continues to heat up causes Indonesia as a developing country to continue to survive by increasing the competitiveness of its various products, one of Indonesia's considerable sources of income is export activities, although it continues to import activities. Therefore, the Indonesian government continues to strive to encourage export activities by increasing exports.

Implementing a number of policies, not only maintaining the stability of the rupiah exchange rate, there are still several other policies related to international trade, such as increasing product promotion, making it easier for producers of export goods, making international trade agreements, economic diplomacy and increasing market access, choosing superior export commodities, and there are still other policies that continue to be pursued by the government in encouraging the progress of export activities.

Table 2. Indonesia's economic growth over the past 5 years

Year	Economic Growth (%)	Description
2019	5,02	-
2020	-2,07	Down
2021	3,70	Up
2022	5,31	Up
2023	5,05	Down

Source: Central Bureau of Statistics, 2024 [6]

Based on Figure 1, it is known that 2023 was a challenging Indonesia's economic year. development was slow at 5.05%, below the initial year's 5.31%. Despite the impact of the global economy and rising inflation, Indonesia is showing resilience. The ship moving forward even though it was hit was not guaranteed. Development since the fourth quarter of 2023 has reached 5.05% (year on year), which exceeds the official project of 5%. The main participation is the development of household consumption and capital investment. [6] Household consumption is an element of GDP which will increase by 4.82% since 2023. This increase in minimum wages and assistance is an aspect of supporting officials to increase and focus on these two things. Despite the obstacles of inflation and the high global era, citizens' purchasing power is still shown to be strong since household consumption is observed.

Exports and imports also increased. The increase in exports was driven by relatively strong global demand for Indonesia's mainstay commodities, such as coal, palm oil, and rubber. Meanwhile, the increase in imports was driven by the need for raw materials and capital goods to support economic growth. This shows that Indonesia is still able to compete in the global market. [8] Cumulatively throughout 2023, the realization of economic growth amounted to 5.05 percent, slowing down compared to the growth of 5.31 percent in 2022. This is in line with the forecast due to the global economic slowdown and domestic activities affected by high inflation. The following can be seen in Table 3. Related to the effect of independent variables on economic growth.

Table 3. Regression data analysis

No.	Free Variable	B	Sig.	Classical Assumption Test	
				VIF	Tolerance
1.	Non-oil and gas Eksport (X1)	1088,728	0,009*	971,605	0,001
2.	Non-oil and gas Import (X2)	-599,358	0,010*	454,734	0,002
3.	Trade Balance (X3)	-141,011	0,010*	359,357	0,003
	Constant				557,818
	F_{count}				2189,333

No.	Free Variable	B	Sig.	Classical Assumption Test	
				VIF	Tolerance
$F_{Sig.}$					0,016
Adjusted R^2					0,999
N					5

Source: Data processed, 2024

Based on Table 3. the results of this study indicate that:

a. In the multicollinearity test with the *Variance Inflation Variable* (VIF) method, it shows multicollinearity because the VIF value of each independent variable is more than 10.
b. In measuring the accuracy of the model or often referred to as the determi- rice coefficient, it can be seen that the *Adjusted* R Square value in this study is 0.999, meaning that the variant of factors affecting Economic Growth used contributes 99.9% to Economic Growth, and 0.001% is influenced by factors not taken in this study.
c. In testing the hypothesis in this study, it can be seen that the Fvalues of 0.016 is much smaller than the significant level used in this study, namely 0.05. Thus it can be concluded that hypothesis testing on Economic Growth has a significant effect (the independent variable affects the dependent variable). Based on the results of the analysis in Table 3. the regression equation is produced, namely:

$$EG = 557{,}818 + 1088{,}728\ X1 - 599{,}358\ X2 - 141{,}011\ X3 + e$$

Based on Table 3. for the equation above, it is known which variables have significant influence and meaning on Economic Growth using the t test. The following variables have a significant and insignificant effect on Economic Growth in Indonesia.

a. In variable X1 with a regression coefficient of 1088.728, which means that any increase in the number of Non-Oil and Gas Exports will increase the level of Economic Growth by 1088.728, and variable X1 has a significant effect.
b. In the X2 variable with a regression coefficient of 599.358, which means that each additional amount of non-oil and gas imports will reduce the level of economic growth by 599.358, and the X2 variable has a significant effect.
c. In variable X3 with a regression coefficient of 141.011, which means that each additional amount of Trade Balance will reduce the level of Economic Growth by 141.011, and variable X3 has a significant effect.

4 Conclusion

Based on the results of the research and discussion that has been carried out, then in accordance with the problems and research objectives, it can be concluded that:

1. Indonesia has the largest number of exports compared to the number of imports for non-oil and gas commodities, so it can be said to be good

because if there are more importing activities than exporting activities, then more money is leaving the country than entering through export sales.

2. The amount obtained by non-oil and gas exports in 2023 amounted to 242,873 US $ and the largest amount was in March, which amounted to 22,078 or 9% of the total non-oil and gas exports in 2023. Likewise, in non-oil and gas imports, the amount obtained was 186,057 US $ and the largest amount was in May, which amounted to 18,145 US $ or 10% of total non-oil and gas imports in 2023.
3. The government strongly encourages export activities to improve a country's economy. One of the country's sources of income is through international trade. That is why, government policies to encourage exports continue to be developed so that the economy increases. One of the government policies to encourage exports is to maintain the stability of the rupiah exchange rate, increase product promotion, provide independence to producers of exported goods, make inter- national trade agreements, economic diplomacy and increase market access, and choose superior export commodities.

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