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The Effect Of Exports On Indonesia Economic Growth: A Review Of Previous Research In International Marketing

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Abstract: Foreign trade sector plays a main role in the economic development strategy of a country. The basic development and expansion of export, improvement of import composition and foreign capital flow become very essential elements of the economic growth. Market opportunities are always open for all business actors, including in the export market. What matter are creativity and innovation on the development of the market. Tough business actors are definitely not drowned easily by the changes of business challenges even though the challenges are getting heavier. In the several research that had been conducted, there was a positive significant relationship between the export and economic growth which indicated that a country must improve the long-term strategies in the export growth. The export contribution for the growth by facilitating the mobilization of labors and capital accumulation. Theoretically, there were two causal relationship between trade and productivity, even though the supporting export growth led generally argued that export increased the productivity growth.

Index Terms: Global Marketing, International Marketing, Exports

1. INTRODUCTION

In several cases, globalization has many similar characteristics with internalization so these two terms are often exchanged. Some parties often use globalization term which is related to the lessening of a country's role or borders. The word "globalization" is taken from the word global which means universal. Globalization has no established definition, unless just the working definition, so it depends on which side the individual sees it. Some see it as a social process, or historical process, or natural process which will bring all nations and countries in the world attached one another, realizing new life order or co-existence unity by ignoring the geographical, economic and cultural borders of the society. Import and export trading activities have great benefits for all parties, including businessmen, wider society, even government. Export transaction is the trading by releasing goods from inside to the outside of Indonesian territory areas and fulfilling the applicable regulations. For the development of Indonesia economy, this export-import transactions are one of important economic activities. In the world economic situation today, various efforts have been done by the Indonesian governments which are expected to improve the seeking of foreign exchange sources covering in improving the export transaction and suppressing the foreign exchange expenses by limiting the import activities. The obstacles which need to be considered in the transaction of international trading are: different government systems, applicable legal provisions, different currency used, relatively long distance, existence of restrictions and protection of trading and existence of conflict of interest or different interests. The implementation of opened Economic system adopted by Indonesia is Indonesia's participation in international trade covering export and import activities among countries in the world. The export-import activities carried out by Indonesia had a considerable effect on the country's economy in which the export plays an important role in the economic growth, especially for developing country like Indonesia. Thus, it is not a common thing if many countries in the world rely on export for the economic interests of their countries. Economic activities through export-import by economists are used as one of the benchmarks of the economic success of a country. A country possessing good economic conditions has been successfully increasing its graph on the number of goods and services. The estimations or indicators of the amount of production of these goods and services in economy are known as Gross Domestic Product (GDP) and the measurement of economic growth on GDP is based on constant price (GDP Real) in which it is intended to eliminate the effect of changes in prices during the measurement period. Export performance as an influential factor in increasing th economic growth is still optimized in order to improve the national income and create a balance surplus on national trade. On the other hand, import contributes in reducing the economic growth of Gross Domestic Product so that it will be minimized by substituting any imported products under the protection of prices and quotas. In economic liberalization, strong competitiveness is required, but in fact developing country has not yet obtained some/all of these reliabilities. According to World Economic Forum, several factors cause low level of industry competitiveness at the micro level in which they involve(1) poor infrastructure, (2)poor government institutions and private institutions related to public services, (3) the inefficiency of industrial-good market, (4) the inadequate education and workforce expertise, (5) low efficiency of labor market, (6) low ability of company in adopting new technology, (7) the development of financial market that has not supported the industrial development yet, and (8) low innovation and efficient

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application of high technology (Gnangnon, 2019) Elliot, R, J R et al (2018) in their research pointed out that if a company needed to bear with high sunk cost before doing import or export, it would reduce the possibility of a company in deciding to start a new trade relationship. (Exporting or importing) while the company's size, productivity, average quality of labor, and financial health were expected to give positive effect on the probability of company whether it wanted to start doing import or export. Foreign ownership is expected to affect the company's decision positively to trade as the main company had extensive knowledge of the domestic market and potentially affected other markets if it has filiates after being in another country. The company's age affected the mixed international trade. On the other hand, an old-established company might seek foreign market for further growth and expansion. In addition, some newly-established companies were born globally, which means that they involve themselves in international markets soon if they often used new technology to access new markets

2. THEORETICAL FRAMEWORK

2.1 Export

Globalization tends to increase the growth of international trade, in which each country is able to export its products to various countries and import their needs from other countries. Export refers to an economic activity which sells domestic products to overseas markets, (Murni, 2009: 208).

2.1.1 Export Dimension

The Ministry of Trade states that export is the activity of selling goods out of Indonesian customs territory. The objectives of export (Amir M.S, 2004: 101) consist of:

1.Increasing company'sprofits through the market expansion and obtaining higher selling prices.

2.Opening new markets abroad as expanding domestic markets (opening export markets).

3.Utilizing idle cspscity (idle capacity)

4.Getting yourself used to compete the international market so that you are trained in intense competition and avoid to be called as the champion.

5.Transferring science and technology

2.2 Import

Import is the process of transporting goods or commodities from one country to another country through a legal way, which generally in trading process. In general, import process is the act of getting goods or commodities from other countries into the country. Large import of goods, generally require interference from customs in the sender and receiver countries. Import is an important part of international trade. Import activities are done to meet people’s needs. The imported products were goods that could not be produced or countries that could already produce, but could not meet the people’s needs. (Ratnasari, 2012)

2.3 Marketing

Companies needed a variety of ways to be able to regulate their marketing activities to fit the stated company goals. According to Kotler and Keller (2012: 27), “Marketing management as the art and science of choosing a target market and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value”. It can be interpreted that marketing management is the art and science of selecting target markets and getting, keeping, and growing the number of customers by creating, delivering, and communicating superior customer value. Doing foreign trade is the same as doing marketing functions at the international level. One of the factors to be stated here is that in foreign trade, the producers and consumers are separated one another by country (geopolitics). Therefore, it is necessary to find the right way and the channels determination that will be used to enable the existence of a relationship between producers and consumers in order to achieve goals.

2.4 Target Market (Export Target)

Target market is a market consisting of potential buyers with specific needs or desires that may be able to take part in buying and selling to satisfy those needs or desires. In implementing the target market, there are three main steps that must be considered, they are:

a. Market segmentation
b. Determination of the Target Market
c. Product Placement

2.5 Economic Growth

Economic growth is a long-term economic problem. According to Sukirno (2010: 56) the economy can be said growing if the real for the production factors in a certain year is greater than in the previous years. A rough picture of the size of a country's economic growth usually uses the level of GDP achieved by that country.

3. DISCUSSION

Effect of exports on economic growth

International trade is trade carried out by residents of a country with the residents of other countries based on the mutual agreement. The intended population may be individuals and individuals, between individuals and the government of a country or the government of a country and the government of another country. A research by Ali, et al (2008) proved that the significant positive relationship between exports and economic growth in Somalia implied that the country needed to improve its long-term export growth strategy. The current government seems to prioritize to achieve economic growth through labor-intensive industrialization through the export sector. Then as a result, unemployment can be reduced. Eldir, S T (2015) in his research stated that the relationship quality and foreign intermediary affected export performance hyposthesized in the research model. For the sustainability of the relationship, commitment affected export performance positively and consistent with the literature. In the study, export performance was measured by using financial dimension. Relationship quality between the exporter company and intermediary company was measured by using three dimensions namely trust, cooperation, and commitment. In the research conducted by Yee Sin L, et al (2016) there was several policies and activities that was beneficial and effective used to improve export. First, there was some import goods that would be re-imported. Second, avoiding inflation policy. When inflation happened in the economic market showed that the goods price and production would improve. Furthermore, FDI filter was another effective policy that could be used to improve export. In the research conducted by Samiee S, et al (2019), the capcity of market company developed to adjust their strategy and succeed in a developed economy that is competitive, although relatively not experienced, volatility, and information asymmetry at home. Export still important for the market economy of developing country, and these findings gave bigger optimism for their company capability to solve condition of host in their marketing strategy, as well as showing competitive threat emerged by a novice of this developing market. Export contributed to the growth by facilitating labor mobilization and capital accumulation. Theoretically, there were two causal directions of relationship between trade and productivity. This econom argued that company tended to study sophisticated technology through export and should adopt them to compete in abroad market. The company also learned to study by conducting and imitating foreign competitor through trial and error that attached to the production and goods export sales (Jayakumar et al, 2014). Moreover, the expansion of production resulted from export reduced the production of price unit, so it improved productivity. Beside this effect, export also provided the country with foreign exchange which often rare in the early stage of development economy, allowed a country to imported capital and intermediate goods. Therefore, for various reasons, export improved productivity growth. Conversely, the cause-effect of productivity growth of export was also intuitively easy. Growth productivity increased international competition level of a country in terms of price and quality, and so increased export (Jayakumar et al, 2014)

4. CONCLUSION

Export was one of injection variables in a country economy, which mean that if export of a country increased, then the economy of the country increased much more due to the process of multipler in the economy. International marketing acted far more from export marketer and involved intensely in the in-country marketing environment. International marketer did not really depend on intermediary trader. They were more interested in building direct representative to coordinate the marketing effort in the target market. With a company branch in a country, international marketer created an internal organization which focused on the utilization of product and company competency in the country. In some research that had been conducted, a significant positive relationship between export and economic growth implied that a country should remedy their long-term strategy in export growth. Export contributed to the growth by facilitating the labor force mobilization and capital accumulation. Theoretically, there were two directions of causeal relationship between trade and productivity, although the supporter of export growth led arguded that export increased productivity growth.

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