

Export Performance Improvement Strategy Indonesia During The Pandemic

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Abstract. The main material in this discussion is regarding Indonesia's export strategy during the Covid-19 pandemic, at which time there was strong pressure from the declining supply and demand sides. From the data analyzed, it appears that the condition of Indonesia's export performance has not been affected significantly by the pressures caused by the pandemic. From the data analyzed, it appears that the condition of Indonesia's export performance has not been affected significantly by the pressures caused by the pandemic. This can be seen from the export performance data that there was no significant decline during the pandemic even though there was a slight decline in the first year of the pandemic. The Indonesian government issued policies and implemented strategies to anticipate the short-term impact of the pandemic on its export performance. Based on the results of the analysis, the writer considers that this policy is actually only accelerating export flows when supply and demand are decreasing. These policies and strategies turned out to be effective in maintaining Indonesia's export performance because Indonesia was helped by the quick resolution of the world pandemic problem when the current conditions of supply and demand completely stopped.

Keywords: export divert policy, covid-19 pandemic, Indonesia export performance

1 Introduction

Currently the world is faced with global economic dynamics as a result of the increasingly heated trade war between the United States and China and also high interest rates in developed countries, all of which reduce economic growth projections which in turn make aggregate demand and prices on a global scale.[1] simultaneously decreased. International financial institutions such as the World Bank, International Monetary Fund (IMF), and Organization for Economic Cooperation & Development (OECD) in 2019 simultaneously lowered world economic growth projections in the range of 0.1% to 0.3%. The decline in projections for world economic growth by leading international financial institutions reflects concerns that world economic conditions will slow down due to geo-political and geo-economic conditions that are undergoing extreme shifts. At the time of lowering the growth projections, it was not yet known that around the end of 2019 the Covid-19 pandemic would emerge which would have an even more devastating impact on the global economic order.[2]

Even though world economic growth at that time was projected to slow down, many economists in Indonesia were still very optimistic that Indonesia's economic growth would increase, arguing that the economic order in Indonesia was considered quite resilient to slowing world economic turmoil.[3] Before the pandemic, it was estimated that Indonesia's economic growth would increase by 5.1 to 5.5% in 2020, inflation was estimated to be controlled according to the target in the range of 3%, and the current account deficit was in the range of 2.75%. However, these optimistic projections turned out to be refuted by the Covid-19 pandemic which began to enter Indonesia in March 2020, which made these optimistic projections miss, where in 2020 there was actually a contraction in economic growth of -2.7%.[4]

One of the main determinants that influences and makes a big contribution to a country's economic growth is export activities.[5] When a country exports more than it imports, it will of course increase its national income, which will ultimately encourage economic growth. Through export activities, market coverage will become wider, not only in the domestic area, so that more local products will be able to meet foreign market demand, which will increase the number of domestic production activities, increase investment, especially foreign investment, which ultimately will increase the circulation of money. quickly so that economic growth increases.

It cannot be denied that the Covid-19 pandemic has had a significant impact on Indonesia's international trade, especially on the import side. This is due to changes in world trade patterns which have resulted in changes in the time and cost schemes required for carrying out transactions and sending goods as well as changes in the global supply chain centers of several of Indonesia's main trading partner countries. In the first year of the Covid 19 pandemic in Indonesia in 2020, the value of Indonesia's exports was depressed and decreased by 2.8% compared to 2019 which reached US\$ 168 million. However, even though the pandemic conditions are still ongoing and even during its critical period, Indonesia's export growth has increased by 42%, from previously US\$ 163 million in 2020 to US\$ 232 million in 2021.[6]

Indonesia's success in overcoming export obstacles during the pandemic has been proven, this can be seen from export performance data during the pandemic (except 2000), which was actually higher than in 2019, which only generated US\$ 168 million. Achieving high export performance in emergency conditions due to the pandemic is thought to be influenced by the accuracy of implementing Government policies and strategies in overcoming these emergency and extraordinary situations. The policy to increase exports in the short term is carried out through 3 (three) steps, namely determining export-oriented leading sectors/commodities, procedural complications to reduce time and costs, as well as carrying out economic diplomacy and increasing market access.[7]

2 Discussion

2.1 Export Performance in Indonesia During the Pandemic

The Covid-19 pandemic has caused all countries in the world, including Indonesia, to experience very significant economic and trade weakening.[8] The pandemic has forced changes in world trade patterns, such as implementing a lockdown system, implementing strict health protocols, stopping exports of certain commodities, instability in supply and demand for primary products, and changes at the center of the global supply chain from some of those influential in international trade such as China, Germany and the United States. For Indonesia, China can be said to be the largest trading partner and controls 25.62% of Indonesia's non-oil and gas export market share. After China, Indonesia's next largest trading partners as export destinations are the United States, India, Japan and Malaysia. The following table shows data

on the 10 (ten) countries that are the largest export destinations for Indonesia and the amount of their transaction value as of April 2023, namely:

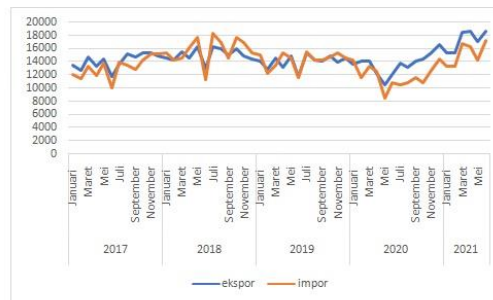
Table 1. Transaction value as of April 2023

Country	Transaction Amount US\$
China	4,627,000,000
United States of America	1,570,000,000
India	1,542,000,000
Japan	1,405,000,000
Malaysia	810,000,000
South Korea	610,000,000
Taiwan	610,000,000
Singapore	550,000,000
Thailand	360,000,000
Dutch	300,000,000

BPS data April 2023

The data above shows that the countries that Indonesia exports to are countries that have been widely affected by the Covid-19 pandemic. China, as Indonesia's largest export destination country, is the country where the pandemic originated and was the most affected and hardest hit economically. This condition makes China the most stringent country in reducing its economic activities in an effort to restore the situation by implementing a lockdown policy. Of the 10 (ten) main export destination countries for Indonesia listed above, it turns out that numbers 1 to 3 (China, the United States and India) are the top countries with numbers 1 to 3 of Covid-19 cases in the world, where the United States has 48,492. 731 cases and India with 34,495,506 cases.

The condition of Indonesia's three highest export destination countries will certainly make Indonesia's export performance in general depressed and decline drastically and make Indonesia the country hardest hit in terms of its export activities.[9] The strict lockdown policy implemented in these three countries caused a significant decline in demand for exports from Indonesia because these three countries controlled more than 50% of Indonesia's export market share at that time. In the graph below you can see the fluctuations in the value of Indonesia's exports and imports at the start of the pandemic:



Sumber : BPS, 2021, diolah

Fig 1. fluctuations in the value of Indonesia's exports and imports

It can be seen in the graph above that at the beginning of the Covid-19 pandemic in Indonesia there was the largest decline in Indonesian exports as a whole. From the graph it can be seen that in May 2020 (two months after the Covid-19 case appeared in Indonesia) there was the lowest decline in Indonesia's export performance. Likewise, import performance declined and experienced a contraction of 32.68% compared to the previous month. Indonesia's total exports in 2020 at the start of the pandemic were US\$ 163 million and decreased by 2.7% compared to 2019.

From the graph, it can also be seen that the impact of the pandemic on Indonesia's exports and imports was only a temporary shock-down decreasing, where after experiencing the hardest blow with the lowest point in May 2020, Indonesia's exports and imports increased again. Even though after that there were still fluctuations in the amount of exports and imports, graphically both were pointing to a positive trend. Below is a data table on Indonesia's export performance during and before the pandemic:

Table 2. Indonesia's Export and Import Performance 2019 -2022

Component	2019		2020		2021		2022	
	US\$ Billion	%	US\$ Billion	%	US\$ Billion	%	US\$ Billion	%
Export	167.7	-6.8	163.2	-2.7	231.6	41.9	291.9	26.0
Oil and Gas	11.8	-38.5	8.1	-31.6	12.2	50.5	16.0	30.8
Non-oil and gas	155.9	7.2	155.1	-0.5	219.4	41.9	276.0	25.8
Import	171.4	-9.2	141.5	-17.3	196.8	38.5	237.5	21.0

Source: Bank Indonesia April 2023 (processed)

Data on Indonesia's export and import performance from 2019 to 2022 gives the impression and suspicion that in general Indonesia is not really affected in terms of its export and import performance by the Covid-19 pandemic. It can be seen that although there was a decline of -2.7% in 2020, this decline was actually smaller than the decline in 2019 before the pandemic of -6.8%. There was a greater decline in import performance, where there was a decline in 2020 of -17.3% and greater than the decline in 2019 of -9.2%.

The data above also shows that the portion of non-oil and gas exports is much larger than the portion of oil and gas exports. The dominance of the non-oil and gas export portion of Indonesia's total exports reached 92.6% in 2019, 95.0% in 2020, 94.6% in 2021, and 94.5% in 2022. Thus, the oil and gas export portion never to above 7.4% in the last 4 (four) years, it can

be assumed that the increase and decrease in Indonesia's total exports is greatly influenced by the performance of non-oil and gas exports. This condition is different from countries in the Middle East whose exports dominate the oil and gas sector. The leading commodities in the oil and gas sector in Indonesia are still crude oil and gas, while for the non-oil and gas subsector there are 3 (three) sub-sectors, namely mining, agriculture and industry. From the non-oil and gas mining subsector, there are coal, tin, iron ore, nickel, gold, and so on. Meanwhile, the agricultural subsector also includes plantations, fisheries, aquatic plant products; and finally in the form of industrial subsectors there are groupings of consumer goods industries, capital equipment industries, agricultural industries, and service industries,

Analyzing the development of Indonesia's export performance before and during the Covid-19 pandemic from the data shown in the table, it can be seen that the oil and gas sector was seen to be most affected, which saw a fairly large decline, namely 31.6% in the first year of the pandemic (2020) compared to previous year (2019). However, if you look closely, this is an exaggeration if this decline is immediately considered to be the impact of the pandemic because in the previous year when the pandemic had not yet occurred, it turned out that there had also been a decline in oil and gas export performance of 38.5% and was greater than the decline after a pandemic occurs. Thus, it can be assumed that there is no visible correlation between the pandemic and the decline in export performance in the oil and gas sector.[10]

Focusing on the performance of non-oil and gas exports, which is the dominant commodity of Indonesia's total exports, it cannot be denied that this sector is a sector that is very vulnerable to being hit by unfavorable macroeconomic conditions due to the Covid-19 pandemic which limits the movement of people and goods. These movement restrictions certainly have an impact on production, distribution and promotional activities which ultimately disrupt the availability of supply. On the other hand, the economic crisis due to the pandemic has forced all parties to tighten spending, which ultimately causes demand to decrease due to decreased public consumption in export destination countries.

Before the Covid-19 pandemic occurred, Indonesia was already experiencing export obstacles such as tariffs and tariffs imposed by several export destination countries for certain reasons from each of these countries, such as to protect their domestic products from invasion by goods from outside. These obstacles turned out to be greater than the obstacles caused by the pandemic, as evidenced by the arrival of the pandemic which caused most countries to relax tariff and non-tariff policies. In fact, after 2020, the trend of Indonesia's export performance increased even though the pandemic conditions got worse and reached its peak in July 2021.

2.2 Export Policy and Strategy in Indonesia During the Pandemic

As stated previously, it cannot be denied that the Covid-19 pandemic has paralyzed global economic activities, including international trade traffic. This condition has hit global economic activities and international trade traffic, including Indonesia. The drastic reduction in export and import activities in Indonesia has of course caused an increase in the prices of a number of commodities which is caused by an imbalance in supply and demand due to delays in production and distribution activities to meet needs. On the other hand, namely demand, a real reduction in consumer spending in Indonesia's export destination countries, especially China, the United States and India, will definitely suppress and reduce imports of consumer goods from exporting countries, including Indonesia.

For Indonesia, the impact of these conditions is definitely very burdensome because these three countries occupy the largest market share (>50%) of Indonesia's total export market. To reduce the negative impact of the pandemic on export activities, the Indonesian Government

has issued several policies by providing non-fiscal stimulus to encourage export activities, namely:

1. Simplification and reduction in the number of prohibitions and restrictions (Lartas) on export activities. With this policy, it is estimated that export activities can run smoothly and increase the competitiveness of domestic export players
2. Acceleration of the process for reputable traders, namely export/import players who have a high level of compliance.
3. Improvement and acceleration of services for export and import processes with supervision through the National Logistic Ecosystem (NLE).

The aim of issuing this policy is directed at facilitating export and import activities by ensuring the availability of necessary materials in economic activities. There are 749 commodities in the HS Code category where the prohibition and restriction (lartas) policy has been relaxed, which means 55.2% of the total commodities previously subject to the export prohibition and restriction policy. Furthermore, reputable traders or export companies that have high compliance are given the convenience of speeding up the flow of cargo through the implementation of automatic processes and approvals and the elimination of the obligation to report surveyors on mandatory commodities. Companies that fall into this category are members of the Authorized Economic Operator (AEO) which consists of 136 companies and 626 main customs partners.

As stated in the third policy, the non-fiscal stimulus to encourage the export process is the ease of export process services and supervision through the National Logistics Ecosystem (NLE) application, which is a channel for collaborating information systems between government and private agencies for the purposes of simplifying and synchronizing data. The simplification in question is related to the flow of information and documents for import-export activities at ports and trade activities or distribution of domestic goods through various data, business process simplification, elimination of repetition and duplication. With NLE, an integration process occurs between INSW, Inaport, Inatrade, CEISA, trucking system, warehouse system, transportation system, terminal operator system, and so on.

By issuing a policy in the form of a stimulus to encourage export activities which are experiencing many obstacles from various sides due to the pandemic, it is hoped that Indonesia's export activities can move positively again. To support the export policy described above, the Government through the Ministry of Trade is also layering this policy by implementing strategies to improve export performance under the heavy pressure conditions of the Covid-19 Pandemic, namely:

1. Focus on the types of products that will be exported to certain countries.
2. Providing relaxation of export policies.
3. Providing convenience and speed of service for certificates of origin for exported goods.
4. Providing training facilities for prospective new exporters, especially for MSMEs.
5. Optimizing regulations and implementation in e-commerce.
6. Increased trade financing through the national interest account program in collaboration with the Improvement of the Indonesian Export Financing Institution (LPEI) for SME exporters affected by the pandemic.
7. Increasing market access through strengthening export facilitation and information.

8. Increasing competitiveness and developing export products through strengthening and optimizing as well as implementing superior programs for export.

The policies and strategies implemented by the Government in overcoming export obstacles during the pandemic as stated above have actually been very effective in developing exports in the non-oil and gas sector. Indicators of the effectiveness of these policies and strategies can be seen from the data that in the January-August 2020 period during the initial pandemic period, Indonesia experienced the highest surplus since 2011, namely US\$ 8.75 billion, of which the surplus came from the non-oil and gas export trade balance of US\$ 12.5 billion. Meanwhile, for the captive oil and gas trade balance, there was a deficit of US\$ 3.82 billion. There are many opinions that the highest surplus at that time was due to the very decline in import performance, which was much lower than export performance.

Indonesia's overall export performance basically only experienced a very large contraction at the beginning of the pandemic, namely in the first semester of 2020 because China, as Indonesia's largest trading partner, had already been affected by the pandemic around the end of 2019. At that time, there were many export transactions. , imports and investments were postponed and even some were canceled because economic actors in China went bankrupt due to the economic crisis caused by Covid-19. However, as we entered the second semester of 2020, where the Government had anticipated with export stimulus policies and strategies, a positive performance movement in the export trade balance emerged with an increase of 14.3% in July compared to exports in the previous month.

From the description given above, it can be seen that during the pandemic, Indonesia was actually not too affected in terms of exports. Even if there was a decline in export performance in the first semester of 2020, it was more due to a decline in export performance from the oil and gas sector. As is known, oil and gas export activities have been jointly regulated and determined through a quota system regulated by a cooperation system between oil exporting countries where it is not easy for each country to increase or decrease its export supplies. For this reason, the relatively looser and more flexible system for export activities is non-oil and gas exports. In 2022, the largest export value of Indonesia's non-oil and gas commodities will be coal with a share of 16, 4% of total non-oil and gas exports, followed by palm oil exports with a portion of 10.54% and iron/steel with a portion of 10.42%. Meanwhile, the smallest main non-oil and gas commodity exports were fertilizer (1.12%), pulp & paper (1.25%), and crumb rubber (1.42%).

2.3 Analysis of Export Policy and Strategy in Indonesia During the Pandemic on Export Performance

After obtaining data regarding Indonesia's export performance during the pandemic starting from 2019 (before the pandemic) until 2022 when the pandemic was declared officially over with the normal reopening of community and business activities as well as information regarding the policies and strategies implemented by the Government , the author is interested in analyzing the extent to which these policies and strategies are effective in solving Indonesia's export problems during the pandemic. By carrying out the analysis, it will be possible to find out whether it is true that the export problem is indeed solved by the policies and strategies implemented by the Government or whether it is solved by macro conditions which recover by themselves.

Based on performance data, it is known that Indonesia's export movements appear to be less affected by the difficult macroeconomic conditions resulting from the Covid-19 pandemic. This suspicion can be seen from the relatively constant fluctuations in export performance,

increasing as if nothing had happened to export activities during the pandemic, whereas theoretically the pandemic conditions should result in a decrease in both export supply and demand, which would certainly have a very significant effect on export performance. Data on Indonesia's export performance shows that the decline in export performance only occurred in the early year of the pandemic (2020), and even then it was relatively small and the rate of decline was even lower compared to the decline in the previous year when there was no pandemic and economic conditions at both macro and micro levels were still relatively normal.

Indonesia's export structure for the last 4 (four) years since 2019 is still dominated by non-oil and gas exports which take up a portion of more than 92% of Indonesia's total exports, in contrast to Middle Eastern countries whose export dominance is in the oil and gas sector, which has a relatively captive portion of exports and does not too affected by the pandemic situation. With the dominant portion of the non-oil and gas sector in its export structure, Indonesia is very vulnerable to its total export performance because the non-oil and gas sector is a sector that is not regulated by a strict quota and portion system like the oil and gas sector. Fluctuations in non-oil and gas export performance are relatively regulated based on elastic and dynamic supply and demand fluctuation mechanisms,

With the decline in export supply and demand as stated above and the export structure being dominated by the non-oil and gas sector, of course the downward pressure on Indonesian exports will be very heavy and the ability to withstand this pressure will definitely depend on the strength of the foreign exchange reserve supply until the pandemic situation recovers. The author considers that the main source of all this problem is the problem of supply on the one hand and demand on the other hand, both of which are not operating as usual. Therefore, the way to fix it is to open the blockages on the two side axes at once because it will be useless if only one of them is open. If you only open the supply axis without opening the demand axis, the flow of goods will be blocked at the end. And if you open the demand axis, of course it will be useless because the flow of goods will not flow. Therefore, the author considers that any policy or strategy implemented will certainly be in vain (except for the short term) if these two axes cannot be opened.

Of course, opening these two blockages cannot be done alone because this condition is on a global scale and must be resolved simultaneously and comprehensively by all countries, both exporting countries to open up supply and importing countries to open up demand. Analyzing the export policies and strategies implemented by Indonesia to overcome export problems during the pandemic, such as providing export stimulus and so on, is considered only as a temporary and short-term anticipatory measure because it only addresses the smooth flow of exports from supply and demand that are still available. When the availability of supply and/or demand stops completely, of course there will no longer be any supply flowing or demand flowing.

The relatively stable flow of Indonesian exports during the pandemic and even a significant increase when the pandemic peaked shows that Indonesia still has a sufficient foundation for economic resilience and is able to take advantage of existing opportunities at a time when supply and demand have not stopped completely. What Indonesia can do with the policies and strategies implemented is considered to be only to smooth the flow of exports from increasingly small supply and demand which in time if these two axes are not opened quickly will stop. However, fortunately all countries at the end of 2022 jointly agreed to reopen both axes even though the pandemic has not yet fully recovered.

5 Conclusion

From the discussion regarding the implementation of Indonesia's export strategy during the Covid-19 pandemic, it can be concluded that:

1. There is no significant influence of the Covid-19 pandemic conditions on Indonesia's export performance even though the export structure is dominated by the non-oil and gas sector which is relatively sensitive to uncondusive fluctuations in supply and demand.
2. The insignificant influence of the Covid-19 pandemic on Indonesia's export performance is actually due to the accuracy of the Government's policies and strategies in anticipating the short-term impact of the pandemic on exports even though these policies and strategies actually only channel flows along the supply and demand axes which are getting smaller.
3. The policies and strategies implemented by the Indonesian Government place greater emphasis on accelerating export flows in conditions of declining supply and demand. Countries that implement this policy are actually very vulnerable if the pandemic lasts a long time because it will erode the country's economic and financial resilience until supply and demand flows open again simultaneously.

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