ANALYSIS OF IMPORT EXPORT ACTIVITIES BETWEEN INDONESIA-CHINA

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ABSTRACT

This study is aimed to know and analyze the effect of Tariff Trade Barrier and Anti-Dumping toward Export and Import in Indonesia. This study uses the secondary data of 1998-2013 gained from the Trade ministry of Indonesia, Bank Indonesia, and BPS Indonesia. The model that used in this study is multiple linear regression with OLS method. The result of this study shows that the Anti-Dumping has positive and significant effect on export and import of Indonesia. Meanwhile, the regression result of tariff has negative and not significant effect on export and import of Indonesia. The impact of this study implied that the effect of Anti-Dumping toward Indonesia and China increase the national trading and increase the output production if both of countries gives a wise respond. While the increase of tariff will decrease the Export Import in Indonesia and China, but this effect is not too strength.

Keywords: Tariff, Anti-Dumping, Export-import, OLS

INTRODUCTION

Indonesia is one of the countries located in the tropical area, because there are many spices that are not found in other countries, this is a great opportunity for Indonesia to export spices out and get benefits that can increase Indonesia's income. To meet the needs of primary and secondary goods of the world, because not all countries can meet the needs of goods/services in their country, then in this case exports are needed. In the export process there are several trade barriers, these obstacles can be caused by domestic and foreign factors.

Some obstacles caused by domestic barriers among others are because in general as the government changes often the state regulations change resulting in the emergence of trade barriers, and barriers caused by foreign countries refer to the exchange rate, exchange rate changes also cause trade barriers to exports because the rupiah adheres to flexible exchange rates/non fixed exchange rate. Goods entry tariffs in each country affect the price of goods to be exported, so tariff is also trade barriers.

Taxes and excise also include trade barriers because taxes and excise in each country are generally different. Indonesia's economic development is an economic activity that has increasingly good prospects, especially in increasing the country's foreign exchange earnings through exports. Indonesia, implemented with reality in the field in the international trade system, is not in harmony. This happens because of limitations, both in terms of policies and application, facilities and infrastructure, and other various aspects.

This condition is in line with the thinking of economists with the flow of history such as Friedrich List which argues that industry in a developed country greatly benefited from the existence of free trade. The advantages possessed by developed countries in free trade competition are that they can produce various kinds of products efficiently. This fact certainly shows that the policies applied in international trade can be an obstacle to Indonesian exports, both in terms of tariffs and non-tariffs.

However, because each country has differences in the oversight of resources, there are efforts to protect the production of domestic and other goods from international market pressures through the implementation of tariff and non-tariff barriers for imported products in various forms of trade barriers which is one of the reasons for increasing export activities in Indonesia in other countries.

Indonesia's Trade Balance with Trade Partner Country (China)
Data in Thousands of USD for the 2012-2016 Period

Year	Export	Import
2012	21.659.502,70	29.385.794,50
2013	22.601.487,20	29.849.464,80
2014	17.605.944,50	30.624.335,50
2015	15.046.433,80	29.410.887,10
2016	16.790.801,30	30.800.493,10

Source: BPS
Processed by: The Ministry of Trade

Based on the table above it is clear that the Indonesia-China balance payment (import-export), over the past five years (2012-2016) shows that Indonesia tends to import goods from China more than exporting goods to China. This also indirectly indicates that China exports more goods than importing goods from Indonesia. This condition is certainly an advantage for China. In 2016 Indonesia imported from China in the amount of USD 30,800 million and in fact there were many Chinese products in the Indonesian market and even controlled the Indonesian market share, and from what we know the products from China already controlled the global market share, and in this case from the trade barriers themselves to protect the products in the country itself and the people love their own domestic products rather than imported goods.

Seeing this condition, indirectly shows that the Indonesian local market will be threatened because of the presence of Chinese products that have seen a high number of Indonesian imports. Even though Indonesia is a member of the ACFTA (Asean China Free Trade Area), there are still many trade barriers, namely from the community, laborers, traders and businessmen who still regard the ACFTA as a threat to the Indonesian economy. Based on the description of the background stated above, the problems that will be examined are: What is the influence of the tariff trade barriers and anti-dumping on export imports between Indonesia and China?

LITERATURE REVIEW

International Trade

International trade is a problem that arises because it is caused by the existence of commodity exchanges between countries in a narrow sense. The causes that become the factors in the existence of international trade are the differences in demand between countries. This mismatch is caused by; (i) all countries do not necessarily own and produce the commodity goods needed to be traded because of differences in geographical location that do not allow the availability of raw materials needed and (ii) differences in a country's ability to absorb and apply technology to produce certain commodities at an efficient level (Salvatore, 2014)

Tariff barriers

Tariff is a tax or excise imposed on a commodity traded between territorial borders. Tariff is a long-standing trade policy and has traditionally been used as a source of state revenue for government revenues long ago (Salvatore, 2014).

Dumping

Dumping is a way to increase exports by selling one commodity below the market price, for example a commodity exported abroad is sold at a price far cheaper than the price of domestic sales (Salvatore, 2014: 328)

RESEARCH METHODS

Data Analysis Model

In analyzing the effect of independent variables on the dependent variable, the analysis model used in this study is OLS (Ordinary Least Square) or the least squares method. OLS (Ordinary Least Square) method is one of the methods in multiple regression analysis to determine the effect of independent variables on dependent variables. Therefore, equations are formulated to see the effect of tariffs and anti-dumping on exports in the form of the model as follows:

$$\textbf{Ex} = \beta_0 + \beta_1 T + \beta_2 AD + \mu_i$$

Information:

Ex : Export
: Constant
: Coefficient of Regression
T : Tariff
AD : Anti-dumping
: Error Term

The equation is also formulated to see the effect of tariffs and anti-dumping on imports in the form of models as follows:

$$\textbf{Im} = \beta_0 + \beta_1 T + \beta_2 AD + \mu_i$$

Information:

Im : Import
: Constant
: Coefficient of Regression
T : Tariff
AD : Anti-dumping
: Error term

DISCUSSION RESULT

Regression Estimation Results

To find out the influence of Tariff and Anti-Dumping on Export and Import, it can be investigated using the least squares analysis model that is processed using Eviews 9. Based on the analysis model, the calculation results are shown in the following tables:

Results of Regression Effect of Tariffs and Anti-Dumping on Exports

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.162728	0.128197	-1.269361	0.2266
X2	0.931164	0.142662	6.527067	0.0000
C	10.71884	0.120141	89.21907	0.0000
R-squared	0.839312	Mean dependent var		11.44976
Adjusted R-squared	0.814591	S.D. dependent var		0.506192
S.E. of regression	0.217962	Akaike info criterion		-0.041634
Sum squared resid	0.617595	Schwarz criterion		0.103227
Log likelihood	3.333071	Hannan-Quinn criter.		-0.034216
F-statistic	33.95113	Durbin-Watson stat		0.520649
Prob(F-statistic)	0.000007			

Source: Results of Eviews 9 data output (2017)

Based on the results in the table, regression coefficient values are:

$\beta 1$ = -0.162728
$\beta 2$ = 0.931164

Then the linear equation of the regression results above are:

Export = 10.71884-0.162728 (Tariff) + 0.931164 (Anti-Dumping)

Based on the regression coefficient above, the effect of the tariff and anti-dumping on export are as follows:

1. R square (R2) of 0.814591 means that 81.4 percent of export can be explained by changes in the tariff and anti-dumping variables. While the remaining 18.6 percent is explained by other factors outside the model.
2. The constant (β0) is 10.71884 meaning that if the variable Tariff and Anti-Dumping are considered constant (fixed) or zero (0), then the Export is 10.71884.
3. The coefficient (β1) is -0.162728 explaining if there is a rate increase of 1%, then the export will decrease. With a p-value greater than 0.05, the Tariff variable does not significantly influence Export.
4. The coefficient (β2) is 0.931164 explaining that if there is an increase in anti-dumping by 1%, then Exports will increase. With a p-value of less than 0.05, the anti-dumping variable has a significant effect on exports positively.

Regression Result of the Effect of Tariff and Anti-Dumping on Import

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.265081	0.203113	-1.305089	0.2145
X2	1.371915	0.226031	6.069577	0.0000
C	10.02771	0.190349	52.68060	0.0000
R-squared	0.814434	Mean dependent var		11.07544
Adjusted R-squared	0.785885	S.D. dependent var		0.746308
S.E. of regression	0.345335	Akaike info criterion		0.878760
Sum squared resid	1.550336	Schwarz criterion		1.023620
Log likelihood	-4.030078	Hannan-Quinn criter.		0.886178
F-statistic	28.52796	Durbin-Watson stat		0.613867
Prob(F-statistic)	0.000018			

Source: Results of Eviews 9 data output (2017)

Based on the results table regression coefficient values are:

$\beta 1$ = -0.265081
$\beta 2$ = 1.371915

Then the linear equation of the regression results above are:

Import = 10.02771-0.265081 (Tariff) + 1.371915 (Anti-Dumping)

Based on the regression coefficient above, the effect of Tariff and Anti-Dumping on the Import variable includes the following:

1. R square (R2) of 0.785885 means 78.5 percent of imports can be explained by changes in the tariff and anti-dumping variables. While the remaining 21.5 percent is explained by other factors outside the model.
2. A constant (β0) of 10.02771 means if the variables X1 and X2 are considered constant (zero) or zero (0), then the Import is 10.02771.

3. The coefficient (β1) of -0.265081 explains that if there is an increase in tariffs, then imports will decrease. With a p-value of 0.2 greater than 0.05, then
4. Tariff variable does not have a significant effect on imports.
5. The coefficient (β2) of 1.371915 explains if there is an increase in Anti-Dumping, then imports will also increase. With the p-value smaller than 0.05, the Anti-Dumping variable has a significant effect on Import.

From the results of the regression analysis above, it is explained that the change in the Anti-Dumping movement has a significant influence on the Import Export variable while the Tariff does not significantly affect it. When the government issues an Anti-Dumping policy, it will provide benefits to the country's export-import performance. While with the anti-dumping policy the aim is nothing but focusing on actions that can harm the domestic market. This result is in line with previous research which explained that the policy was able to improve the performance of the country's export and import.

Analysis of Estimated Results

Based on the objectives in this study, the estimation is to see the influence of trade barriers, namely Tariff and Anti-Dumping on Import-Export. The regression results are carried out in the Ordinary Least Squares method using Eviews. The test results show that Anti-Dumping variables have a positive and significant effect on import and export.

Whereas the results of the Tariff variable regression have a negative but not significant effect. The negative sign found means that increased tariffs will reduce the performance of export and import but not too strong.

CONCLUSION AND RECOMMENDATION

Conclusion

Anti-dumping has a positive and significant effect on export and import. Tariff has a negative but not significant effect. The negative sign means that rising tariff will reduce export-import performance but the effect is not too strong.

Recommendation

The government is expected to be able to maintain anti-dumping so that the government can maintain the balance of export-import at a reasonable level. The government must also control export-import both domestic and abroad.

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