

The Role of the East Java Provincial Government on Export Import in Industry in East Java During the Covid-19 Pandemic

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Abstract

Exports and imports have a very large role in various industries. At this time, the performance of exports and imports in Indonesia is getting better and continues to increase even during a pandemic. East Java is the second largest economic contributor in Java with a contribution of 25.01 percent after Jakarta. This study aims to examine how export and import in the industry in East Java can support national defense. The type of research that will be used by the author in this study is qualitative research presented descriptively. The results of this study indicate that the Provincial Government of East Java has made efforts to maintain export and import in East Java. The East Java government must continue to pay attention to future obstacles so that the industry in East Java is still able to compete in the global market.

Keywords: Export, Import, Economy, East Java, Government.



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INTRODUCTION

Exports and imports have a very large role in various industries. At this time, the performance of exports and imports in Indonesia is getting better and continues to increase even during a pandemic. Indonesia's export performance in December 2021 was recorded at USD 22.38 billion. This figure shows high growth compared to December 2020 of 35.3 percent. Throughout 2021, exports increased sharply by 41.8 percent driven by high growth in both non-oil and gas exports and oil and gas exports. Meanwhile, Indonesia's imports were recorded at USD 21.36 billion in January. This figure also shows a sharp increase compared to the previous month and grew quite high 47.9 percent compared to the same month the previous year. Throughout 2021, imports grew by 38.6 percent to record a value of USD 196.20 billion and are expected to strengthen even more in 2022 in order to support domestic activities which are getting stronger (Ministry of Finance, 2022). Export and import performance in 2021 has indeed shown good results and needs to be continuously improved.

The industrial sector still makes a dominant contribution to exports, including the province of East Java. The industrial sector contributed 84.80 percent in the June 2021 period followed by the oil and gas sector at 9.08 percent, the agricultural sector at 6.97 percent, and the mining sector at 0.17 percent (East Java Province Industry and Trade Office, 2021). East Java Province is currently intensively increasing foreign transactions by exporting. This aims to increase the country's foreign exchange. The development of the industrial sector is expected to support national defense and improve the quality of the East Java economy. Increased growth in strategic industries supported by a more effective role of security stability, taking into account the linkages between the two, has the ability to increase macroeconomic stability (Saputro, Guntur Eko, 2019).

The East Java government identified the economic sector during the pandemic and anticipated post-covid 19 changes. Even though the current pandemic era brought many challenges, East Java Province continues to strive to improve the quality of its economy, by

optimizing exports and imports to support national defense. Drawn from this background, the researcher is interested in examining how the import and export industry in East Java can support national defense.

RESEARCH METHODS

The type of research that will be used by the author in this study is qualitative research presented descriptively. The qualitative research method is a method that places more emphasis on observing phenomena and examines more the substance of the meaning of these phenomena (Wibisono, Anton 2019). Qualitative methods focus on in-depth observations.

RESEARCH RESULTS AND DISCUSSION

Research Result

During the Covid-19 Pandemic, The Regional Government of East Java Province has taken several steps which are expected to be able to encourage exports and imports in the region. Based on data from Bappeda of East Java Province 2021, in supporting export and import efforts in the province of East Java, the government is trying to anticipate increased demand from abroad as the international community's activities relax and reactivate East Java trade representative offices in several provinces to encourage increased export-import between regions.

1. Increasing the Competitiveness of Export-Oriented Small and Medium Industry Products through Standardization facilities. Goods or services produced by small and medium industries will have legitimate quality, procedures and quality if the goods or services produced meet the eligibility standards. Confidence in these goods or services will add value to potential consumers that these goods and services will not have a negative impact in the future. The value of these goods and services will be able to increase the price value of goods and services and make it easier to permit goods or services to enter export destination countries.
2. Facilitate Smooth Export Process Through Coordination with Sectoral Agencies Related to Export Activities. To create a good economic climate, the government needs to support the synergy of industry and trade from upstream to downstream so that the flow of goods in an area or area can be fulfilled (East Java Industry and Trade Office, 2022). The synergy of increasing industrial competitiveness needs to be supported through the existing Regional Apparatus Organizations. These Regional Apparatuses must be able to respond to industry needs such as making policies that are able to support the supply of raw materials, Curation of Small and Medium Industry products, standardization facilitation, Inter-Provincial Trade Missions through Trade Representative offices, Export assistance for Small and Medium Industries. The Regional Government of East Java can also bridge business actors through the Industry and Trade Service to export support associations and HIMBARA so that they can channel funds to prospective entrepreneurs and existing industrial players to develop in the hope of being able to drive the East Java economy and be able to strengthen the market in and overseas.
3. Optimization of the Export Center Function to encourage Exports. To be able to achieve this, the regional government of East Java through the Surabaya Export Center (ECS) which was formed in February 2021 which can assist business actors in opening and penetrating new markets access to a wider country abroad, providing information on export opportunities that can be carried out by prospective exporters, providing assistance and consulting facilities in complying with the rules and standards applicable in export destination countries and supporting business actors to be able to enter export markets more easily (Ministry of Trade, 2021).

4. Encouraging the Utilization of Free Trade Agreements and Optimizing the Use of Certificates of Origin. The Regional Government provides information and understanding to business actors who wish to export and import to be able to take advantage of the Free Trade Agreement (FTA) which contains freedom in trade in goods, services and investment. (Ministry of Trade, 2021) Countries that are members of the Free Trade Agreement are South Korea, China, Japan, Hong Kong, Myanmar, Vietnam, Laos, Thailand, Cambodia, Malaysia, the Philippines, Indonesia, Brunei, Singapore, Australia, New Zealand, Chile and Pakistan. With so many countries joining in this agreement, it certainly provides for the domestic industry to be able to compete in the international market.
5. Increasing Understanding of Export-Import Activities Through Outreach, FGD, Training and Other Activities. Information can be a valuable asset for industry and business actors who can make good use of it. The export-import process requires accuracy in every prerequisite so that the goods and services that want to be offered in the international market can be well received so that they can provide benefits. Sometimes the existing prerequisites can be easily found on the website of the Ministry of Trade, the FTA Center, or the infrastructure provided by the East Java Regional Government, such as the Surabaya Export Center. However, details of the prerequisites, how the competition is in the destination country, the commodity needs of the destination country's market, as well as active logistics for goods to reach their destination are not immediately available. Business actors need to take part in outreach, training and FGDs provided by the government in order to achieve success from export activities.

East Java is a region with the second largest economy in Indonesia after Jakarta. In 2020 East Java is Indonesia's second largest contributor to exports to the global market (Asikin, 2020). Even so, this achievement does not cover the existence of obstacles to export performance in East Java. The following are some of the obstacles faced by East Java industries for their export performance, namely:

1. Dependence on Imports. According to the deputy head of the All-Indonesia National Importers Association (GINSI), Medy Prakoso, the export industry in East Java still depends on imports. Nearly 90% of the imported raw materials are for export production. Based on the Central Statistics Agency (BPS), it was recorded that the amount of imports for consumption materials in June 2021 was US\$ 1.7 billion, which was 78% of the total imports (Suryowati, 2021). This shows a deeper problem, namely raw materials in Indonesia cannot meet Indonesia's production needs so that industrial players, in order to fulfill their production, import raw materials.
2. Expensive Container Prices. According to the East Java Chamber of Commerce and Industry (Kadin), there is a shortage in containers which until February 2021 is still occurring. As a result, exports in East Java have been hampered because shipping costs have increased several times (Yanti, 2021). The scarcity and high cost of these containers is not due to the absence of containers, but rather a supply shortage which has caused the freight rate to rise significantly resulting in an imbalance in export and import activities (Suminar, 2021). Covid-19 has made many countries close all or part of international access, of course this will have an impact on supply chains and international trade. With the emergence of a new variant, Omicron, there is concern that economic growth in Indonesia will decline again after increasing in the second quarter of 2021.
3. Uncompetitive Quality. Freedom in international trade makes importing countries more selective in choosing goods and services. Therefore, in order to compete, it is necessary to maintain the quality of the products and services marketed. However, Chairman of the

Standing Committee for Multilateral and Free Trade Agreements (FTA) Chambers of Commerce and Industry (Kadin), Wahyuni Bahar, stated that many of the quality of products, whether goods or services, are still far behind compared to competing countries. In addition, the product packaging also does not meet the standards. It is possible that the less competitive quality of East Java's exports is caused by reduced product competitiveness due to logistics costs and unsupportive regulations (Priambodo et al., 2019). It is hoped that efforts to foster IKM (Small and Medium Industries) carried out by the Department of Industry and Trade (Disperindag) will be able to improve product quality so that they can compete with products from other countries.

4. Lack of Banking Capital Support. The Minister of Finance of the Republic of Indonesia, Sri Mulyani, stated that one of the causes of the difficulty for Micro, Small and Medium Enterprises (MSMEs) in Indonesia to carry out exports is the difficulty of access to financing (Astutik, 2021). This was also stated by the Chairperson of the East Java Export-Import Association (GPEI), Isdamarwan Asrikan, where there was a lack of banking capital support in the development of export-oriented businesses (Priambodo et al., 2019). Low capital and collateral, as well as high interest rates are the reasons why MSMEs in Indonesia, including in East Java, find it difficult to develop.

Discussion

Economic growth in the province of East Java has increased due to, among other things, export and import activities, while this increase can be seen from the development of exports in 2021, which rose by around 16.07 percent from 2020 while exports by sector in 2021 reached USD 2,179.42. For the development of imports in 2021, it rose 12.89 percent from 2020, while imports according to the use of goods totaled 2,842.45 million USD. Meanwhile, inter-regional export performance showed improvement in line with the wider opening up of economic sectors with health protocols that stimulated increased demand for domestic trading partners. The cause of the increase in exports and imports in East Java is because the East Java Provincial government has a strategy or program in order to increase import exports, including by increasing the competitiveness of export-oriented IKM products, optimizing the Export Center Function, increasing understanding of export-import activities and innovation in trade information technology. International and Import Control Improvement Export Dashboard.

The many efforts made by the East Java government must also pay attention to the existing obstacles. The current pandemic conditions will become a momentum for industries in East Java to continue to improve the quality of their products. The industry's ability to carry out efficiency also needs to be supported by the local government considering that the cost of sending goods abroad has increased due to the pandemic. Regional independence in meeting the needs in production needs attention. And increasing access to capital by banks needs to be encouraged so that small industries can level up with access and additional capital.

CONCLUSION

The strategic role of the Office of Industry and Trade of East Java Province in East Java's economic development is to increase the competitiveness of the manufacturing industry and increase trade in order to support East Java's economic growth. In supporting export and import efforts in the province of East Java, the government is trying to anticipate increasing demand from abroad in line with the easing of international community activities and reactivating East Java trade representative offices in several provinces to encourage an increase in inter-regional exports and imports.

Apart from having advantages, the industry also has obstacles faced by East Java industries regarding their export performance, namely dependence on imports, expensive container prices, uncompetitive quality, and lack of bank capital support. Economic growth in the province of East Java has increased due to, among others, export and import activities. The Central Government allocates a number of APBN budgets to be realized in East Java and strengthens coordination with the regions so that industries in East Java are able to compete in the global market.

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