The Role of International Trade in Increasing The Rate of Economic Growth in Indonesia: A Literature Review

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ABSTRACT

In the increasingly fast current of world globalization, there are currently no restrictions between one country and another. Cooperation and alliances can be established in all corners of the world, one of which is through international trade activities. This research aims to find out what the actual correlation is between international trade and the pace of the economy in Indonesia. The research method used in this research is literature study. Studies from substantial sources confirm that international trade is closely related to economic growth. Through international trade activities, it helps a country to minimize resource, technological and market constraints. In essence, international trade is a connecting point for the countries concerned to increase productivity and efficiency for economic sustainability in their countries.

INTRODUCTION

Trade has been a part of human life for quite a long time. Trade occurs when humans experience obstacles to meeting their daily needs. History records that the first exchange of goods for human needs did not use money as a means of exchange, but instead exchanged goods that were mutually needed by both parties. In fact, goods are often exchanged with an unequal estimated value, such as exchanging a packet of salt for a chicken. This exchange is known as bartering. However, as time goes by and with the times, trade begins to change and even occurs across countries with different currencies or is called international trade.

International trade is a cross-border trade or sales relationship between one country and another, whether related to sales or trade relations related to services and goods. (Wahab, 2015). International trade can be interpreted as a commercial relationship between two different countries carried out through
export and import links in a market with the aim of achieving the maximum possible profit for both parties (Rinaldy, 2018). International trade also means economic cooperation activities carried out by more than one country including transactions in the fields of goods, services and investment between countries so that it becomes a bridge that brings prosperity to a country. (Wau, 2021). International trade is a transaction characterized by the process of exporting (selling goods and services to other countries) and importing (entering goods and services into the country concerned) to meet the needs of the countries involved and obtain benefits from each activity (Tresnawati Kusuma et al., 2021).

International trade is the exchange of goods and services between economic entities from one country and economic entities from other countries. This exchange occurs because of disparities in potential natural resources, capital, labor and technological progress between countries (Ibrahim, 2021). International trade has become one of the key pillars in advancing the global economy, including in Indonesia. Through abundant and high-quality natural resources, Indonesia has a good opportunity to utilize international trade as a way to stimulate economic growth. In this era of globalization, trade relations between countries are becoming increasingly important not only to optimize resource utilization, but also to create new opportunities for sustainable economic growth.

International trade policy has existed for centuries and has a significant impact on the economic, social and political aspects of countries, providing benefits and regulating their sustainability. Currently, international trade flows tend towards free trade, but also involve cooperation agreements both bilaterally and multilaterally. Before international cooperation is established, there must be an agreement that has been agreed upon by the parties involved. The driving reason for this agreement is to minimize barriers to trade transactions. It is estimated that increasing international trade can accelerate global economic growth (Suryanto & Kurniati, 2022).

Economic growth is a general picture that defines the condition of a country whether it leads to an increase or decrease from the previous period to the current period (Manik, 2023). Economic growth is a crucial element that refers to measuring the prosperity of society, the stability of income distribution, and the effectiveness of a country’s productivity which is closely correlated with the direction of economic development. Economic growth is a development of activities within the economic sphere that encourages increased production of goods and services thereby contributing to increasing the level of prosperity of society (Mukamad Rofii & Sarda Ardyan, 2017). Economic growth
is a series of stages of increasing output over time which contributes to the development of a country (Falah, 2023). Economic growth is a journey of continuous change for the better from time to time which influences the progress and prosperity of the country (Martadinata, 2022). Economic growth is a process of growth and increase in the scale of population income which goes hand in hand with increasing prosperity and prosperity in the lives of the people within it (Fajri & Iriani, 2022).

In this article, we will analyze the role of international trade for Indonesia, including its history and impact on economic growth. The focus is on how international trade has become the main driving force of the Indonesian economy by opening up opportunities for market expansion, foreign investment and technology transfer. Apart from that, the article will also identify the challenges faced by Indonesia in optimizing international trade potential, such as environmental protection issues, trade imbalances and global geopolitical uncertainty. Through a good understanding of the role of international trade for Indonesia, this article aims to provide a comprehensive overview of the strategies that this country can use to take advantage of global opportunities to encourage economic growth, create jobs and improve people's welfare.

RESEARCH METHODE

References and related reading sources in this article were collected using the literature review research method. Where, this research was carried out by collecting and reviewing every source obtained (Snyder, 2019) related to the topic of discussion, namely international trade and Indonesia's economic growth rate. The related sources were obtained through a trusted indexation site in Indonesia, namely Sinta. Through the sources that have been collected, the author deepens and sharpens the discussion so that it can be used as a source for new studies.

RESULT AND DISCUSSION

Benefits of International Trade

International trade has many benefits which can be seen in the following explanation (Suryanto & Kurniati, 2022):

1. Factors such as geography, climate, level of technology, etc. can influence the sourcing of products that are not produced locally. In global trade, each country can meet needs by importing products that are not produced internally. Especially in international business, a focus on specialization
can result in profits, even if a country is able to produce the same goods as other countries, sometimes it is more profitable to import from abroad.

2. One of the main reasons for international trade is to achieve comparative advantage. Even though a country has the ability to produce the same types of goods as other countries, sometimes it is more profitable for that country to import these goods from abroad.

3. Market growth and profits are driving factors for entrepreneurs in maximizing the use of their machines. In the context of international trade, entrepreneurs can make maximum use of their machines and sell excess production to international markets.

4. International trade provides opportunities for countries to adopt more efficient production technologies and more modern management practices.

The benefits of international trade include several significant aspects. First, trade allows a country to obtain goods that it cannot produce locally, fulfills needs that it cannot produce itself or limits production. Second, through specialization, countries can produce goods at lower prices and export them, while importing goods produced at higher costs domestically. Lastly, the growth of a country's commodity markets can increase national income, support production and economic growth, create jobs, increase wages, generate foreign currency, and obtain advanced technology from abroad. (Manik, 2023).

**International Trade Goals**

International trade is a step taken to break the efficiency of countries that establish trade relations with each other in order to mutually gain profits and help the process of fulfilling resource factors that they are unable to fulfill themselves. Other objectives include:

1. Strengthen friendly relations between countries. Cross-border trade brings awareness of mutual needs among the countries involved, reinforcing the urgency of the importance of friendship. Thus, international trade is able to strengthen ties of friendship between the countries involved.

2. Increase the wealth of a country. International trade can boost the national income of each country because it allows countries with comparative advantages in the production of certain goods to sell them to other countries. This encourages exporting countries to continue to improve their knowledge and technology so that their products remain competitive.

3. Increase sources of income for the government. International trade can also be a significant source of foreign exchange for a country. This fact is
reflected in the dependence of many countries on revenues from import and export taxes to fill state coffers.

Apart from that, there are also several other benefits that can be obtained from international trade, such as: (1) strengthening friendly relations between countries, (2) meeting different needs in each country, (3) promoting the production of goods, (4) supporting the development of science, knowledge and technology, (5) encourage specialization of production across countries, (6) bring employment opportunities.

Salvatore believes that international trade brings benefits in the form of: (1) Facilitating the fulfillment of needs for all goods and services; (2) encouraging the development of specialization in each country; and (3) expanding the product market in each country. According to (Suryanto & Kurniati, 2022) The benefits of international trade include: (1) Enables the fulfillment of all needs for goods and services; (2) Encourage the formation of specialization in each country; and (3) Expanding the market for products produced by each country.

Factors Affecting Economic Growth

Economic growth is the process of developing economic activities that encourage increased production of goods and services in society, thereby encouraging community prosperity over a long period of time. (Regina, 2022). Economic growth is influenced by various complex and interrelated factors. Here are some main factors to pay attention to:

1. Education

Education and economic growth are two concepts that are closely related. The concept of growth from an economic perspective is determined by its targets. Education has contributed to economic growth after taking into account the relationship between education and other forms of physical investment (Marini, 2016). Education also has an impact on economic growth by increasing productivity both individually and as a whole which correlates with qualified work and increased income.

2. Investment

Investment or capital investment is a series of activities to allocate funds owned by a person, group or business entity to obtain long-term profits and benefits in the future. Capital investment provides various good impacts, especially in economic growth because of the good impacts that are distributed, such as saving production costs, improving people’s welfare, increasing economic added value, and accelerating labor absorption. (Erdkhadifa, 2022).
3. Technology
Technological advances provide great opportunities to increase productivity, efficiency and innovation in various economic sectors. Applying the right technology can help improve product quality, expand market reach, and reduce production costs. The government needs to encourage technological development and research, as well as increase people's digital literacy to support optimal adaptation and use of technology (Putri & Idris, 2020).

4. Infrastructure
Adequate transportation, communication and energy networks are important prerequisites for supporting economic activities. Good infrastructure can facilitate the flow of goods and services, improve connectivity, and reduce logistics costs (Maryaningsih et al., 2014).

5. Political stability and security
Political stability and security are the keys to creating a conducive investment climate. Political and security uncertainty can disrupt economic activities and reduce investor confidence. The government needs to maintain political stability and security to encourage sustainable economic growth. Appropriate and sustainable government policies can provide direction and support for economic growth. Stable fiscal and monetary policies, clear and conducive regulations, and fair law enforcement can encourage investment, increase competitiveness, and create jobs (Setiawan, 2018).

**Driving Factors of International Trade**

1. The variety of natural
The variety of natural resources between countries is very diverse. Indonesia itself has a wealth of natural resources such as wood, petroleum, coal, tin and rubber. However, even though it has abundant natural resources, Indonesia is not yet competent in managing them. As a result, Indonesia is more likely to export raw materials and materials to other countries for further processing.

2. The urge to earn additional income
One of the reasons that encourages trade between countries is the desire to improve and reduce government income levels. Many countries implement national policies in importing and exporting goods to increase income. The desire to earn more income.

3. Expand the market
The concept of producing products in large quantities and selling them to global markets can provide significant profits. Because of this, many
countries are trying to expand their markets and reach consumers in various parts of the world through international trade.

4. There are climate variations
Climate differences in various countries can result in differences in natural resources. Factors such as temperature, weather, and season can affect the availability of natural resources. So, not all goods and services can be produced in one country. International trade becomes important to meet the need for goods that are not available in the country.

5. Improving the quality of the workforce
Improving the quality of the workforce is also a factor that encourages trade between countries. By increasing the quality of the workforce, local communities will be able to compete effectively in international trade.

6. Cross-country transportation
With the advancement of increasingly sophisticated transportation technology, we can now reach every country via transportation. The existence of this means of transportation makes distribution easier and faster between countries. Apart from that, transportation also plays an important role in the exchange of information and technology and is a major driver of international trade.

7. Improve the quality of local products
By creating competition in the market and preparing domestic small entrepreneurs to export, a country can improve the quality of its products and compete at the international level.

8. There are mutual needs
The dependence of humans on each other creates needs that influence each other between nations. International trade has a major urgency in improving people's quality of life and economic growth.

9. Diplomatic relations between countries
These relationships are very important to strengthen cooperation and advance international trade relations.

10. The era of globalization or global markets
In the era of globalization and global markets, countries are unable to meet all their important needs on their own. Therefore, countries must engage in international trade to meet their needs.

11. People's tastes
People's tastes vary depending on the region. International trade is a major force in meeting people's diverse tastes. In this case, both countries benefit by increasing overall food consumption (Amelia, 2018).
Factors Inhibiting International Trade

International trade often faces challenges due to a number of factors both at home and abroad. Internal factors that influence international trade include: (1) inflation. Inflation can result in a decrease in production of goods which ultimately results in a decrease in the value of exports. Inflation occurs when the value of money weakens or decreases, causing an increase in the prices of goods and services. (2) exchange rate. The exchange rate is a comparison of the value of one country's currency with another country's currency. Changes in exchange rates can have a negative impact on business. A stronger currency can affect imports, while a weaker currency can affect exports.

Apart from internal factors, there are external factors that hinder international trade through tariff and non-tariff policies. Tariff barriers include payment of customs duties and import taxes on imported goods, while non-tariff barriers include import quota restrictions, technical regulations, sanitary regulations, and other administrative restrictions. Both types of barriers can increase the costs and complexity of international trade (Gaol, 2018).

The Relationship of Exports to Indonesian Economic Growth

One of the highlights in international trade is exports, where exports act as one of the main drivers of economic growth. Where, in fact, it has been shown that exports have a significant role in spurring economic growth in developing countries. Increased exports and investment in developing countries can stimulate production and overall economic growth (Ginting, 2017).

Exports refer to sales transactions of goods and services produced in one country to buyers in other countries. This practice is key in the modern economy because it opens up new markets for producers and entrepreneurs, which in turn increases incomes and strengthens international connections. In addition, exports can contribute to a country's economic growth by increasing income and reducing trade deficits. Intergovernmental diplomacy also plays an important role in facilitating economic trade by encouraging both exports and imports for the benefit of all parties involved. Exports have a positive impact on a country's economy by triggering economic growth through its profits, as stated by Todaro and Stephen. Meanwhile, according to Rahmaddi, exports play an important role in Indonesia's economic growth because they provide a significant contribution to foreign exchange. To increase the role of exports as a source of foreign exchange, cooperation between the government and exporters is the main key (Hanifah, 2022).

Exports have significant consequences for a country's economic growth, as explained in the HO theory, which states that a country will send products that use production factors that are available at affordable prices intensively. This
activity provides benefits for the country by increasing national income and smoothing the process of development and economic growth.

In general, export activities aim to meet people's needs and increase the country's exchange rate in order to achieve prosperity. There are several main objectives in carrying out export activities, including: accessing new markets abroad, expanding distribution of domestic products, increasing profits in currency, getting competitive selling prices, maintaining exchange rate stability, and monitoring prices of domestic export products (Faqih Alamsyah Putra, 2022).

The Relationship of Imports to Indonesian Economic Growth

Imports are the activity of buying goods or services from other countries to meet domestic needs. The relationship between imports and Indonesia's economic growth is quite complex and influenced by various factors.

First, imports can have a positive impact on economic growth. For example, imports of capital goods and technology can help increase the productivity and efficiency of domestic industry. Apart from that, importing commodities that cannot be produced locally is also important to meet consumer and industrial needs.

However, imports can also have a negative impact on economic growth if the volume of imports exceeds the volume of exports. This condition can cause a balance of payments deficit, which means more money leaves the country than comes in. This deficit can trigger a depreciation of the real exchange rate, which in turn can affect economic stability.

Empirical research on the relationship between imports and economic growth in Indonesia shows that an increase in domestic output due to increased imports can trigger a balance of payments deficit. However, increasing exports and imports have also been proven to encourage domestic economic growth.

Overall, good management of imports is the key to achieving good benefits and reducing the negative risks of imports on economic growth. This includes policies that support export diversification, increasing the productivity and efficiency of domestic industry, and increasing the competitiveness of local products (Suryanto & Kurniati, 2022).

International Trade Relations on Indonesian Economic Growth

International trade is an activity that cannot be separated from export and import activities. Exports are a trade activity of goods and services from the country of origin to the destination country which aims to fulfill the lack of resources in the destination country. Meanwhile, import is an activity of distributing goods from the destination country to the country of origin in accordance with a known and mutually agreed upon agreement (Wistiasari,
International trade has a significant contribution in improving the quality of industrialization in a more capable direction, accelerating the development of transportation, information and communication.

It cannot be denied that it is true that international trade is a potential element in disrupting a country's economic progress (Auliya Ahmad Suhardi, 2023). The economic speed of a country can be observed through the level of economic growth of the country concerned. If growth is higher, the conclusion is that the economy is getting better and vice versa, if growth decreases then growth is getting smaller. Improving the economic conditions of a country greatly influences the survival of that country. In the current era of globalization, the aim of international trade is not limited to meeting the scarcity of resources in the country but also refers to obtaining benefits from an economic perspective that will accelerate the rate of economic growth. (Saragih & Aslami, 2022). This can be proven through the implementation of tariffs in international trade. Implementation of tariffs can be a source of additional revenue for the government (Widyawati, 2014). Revenue from tariffs imposed on import activities can be allocated to public programs and equitable development. In Indonesia itself, international trade determines the movement of economic growth. If Indonesia is dominant in exporting and minimizing import activities, then national income will automatically increase and will also have a positive influence on economic growth (Fitriani, 2019).

CONCLUSION

International trade is a cross-border trade or sales relationship between one country and another, whether related to sales or trade relations related to goods, services and investment between countries, becoming a bridge that brings prosperity to a country. International trade cannot be separated from export and import activities within it. Exports refer to the sale of goods and services produced in a country. Exports can contribute to a country's economic growth by increasing income and reducing trade deficits. Meanwhile, imports are transactions purchasing goods or services from other countries to meet domestic needs. However, imports can also have a negative impact on economic growth if the volume of imports exceeds the volume of exports, which will impact the trade deficit. However, if export and import activities in international trade are carried out within the correct portion limits, it will increase the income of the countries involved in these transactions and will have the potential to increase the country's economic growth rate. Indonesia itself has had a positive influence on economic growth as evidenced by the implementation of tariffs in international trade. The application of tariffs can be
a source of additional income for the government that can be allocated to public programs and equitable development.

REFERENCES


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