

CHAPTER 1

INTRODUCTION

A. Background

Exports are an important part of international trade, the influence of exports on international trade and the economic development of a country is very large (Nopirin, 2011). Because there are still some countries that do not have the same natural or energy resource potential, there are countries that are rich with certain resources but do not have other resources for society.

In a country, by carrying out export activities to expand market penetration, will make the country improves in terms of production, the country's economy, employment and economic growth in a country. In addition, exports are a source of national income in every country. Export is one of the sources of national income that can be exploited optimally by each country. For developing countries, including countries in the ASEAN region, exports have a very important role as an economic driver in a country. Because if export growth is high, it can generate foreign exchange for the country, so it can increase national income and can increase sector development in the country (Abu Bakar, 2014).

Table 1.1 below shows the movement of export developments described by the total exports of goods and services in ASEAN countries,

namely; Philippines, Vietnam, Malaysia, Singapore, Thailand, Laos, Cambodia, Indonesia, Brunei Darussalam and Myanmar.

Table 1.1 Exports of Ten ASEAN Countries in 2015-2019 (Billion US\$)

Country	Year				
	2015	2016	2017	2018	2019
Philippines	833.780	849.873	970.736	104.793	106.953
Vietnam	173.490	192.187	227.345	259.514	279.720
Malaysia	209.287	201.164	223.415	245.969	237.847
Singapore	549.431	525.145	587.413	665.717	658.516
Thailand	271.423	277.248	304.266	328.570	323.768
Laos	488.587	524.897	578.743	581.480	580.934
Cambodia	111.401	122.665	134.575	151.351	165.492
Indonesia	182.158	177.886	204.924	218.905	206.430
Brunei	675.103	565.219	601.229	704.583	780.499
Myanmar	138.521	159.416	190.420	208.770	223.895

Source: The World Bank

Based on the above data obtained from The World Bank, in 2015-2019 the country with the lowest average was Cambodia at \$111.401 billion US while the highest average was in the Philippines at \$970.736 billion US. All ASEAN countries have increased more and more every year.

It can be seen that the Philippines has increased from year to year. The highest increase in the Philippines from 2015-2019 occurred in 2019 which was an increase of \$106.953 billion US dollars, while the lowest increase occurred in 2015 which was 833.780 billion US dollars. So, it can be concluded that the country is the Philippines. On Vietnam also experienced an increase year on year, the highest increase in Vietnam occurred in 2019 which increased by \$279.720 billionUS, while the lowest increase occurred in 2015 namely an increase of \$173.490 billionUS.

In Malaysia from 2015 to 2019 there was an increase in 2015 amounting to \$209.287 billion US, and the lowest increase in 2016 was 201.164 billion US. The country of Singapore also experienced an increase year on year, the country of Singapore in 2015 to 2019 experienced the highest increase in 2019, which was as much as \$658.516 billion US, while the lowest increase in 2015 was \$549.431 billion US. Next, the country of Thailand from 2015 to 2019 experienced the highest increase in 2017 which experienced an increase of \$304.266 billion US, and the lowest increase in 2015 which amounted to \$271.423 billion US. The country of Laos experienced the highest increase in 2018 of \$581.480 billion US, and the lowest increase in 2015 of \$488.5879

billion US. In Cambodia, there has been an increase year on year such as the Philippines and Vietnam, the highest increase in the country of Cambodia in 2019 increased by \$ 165.492 billion US, and the lowest increase occurred in 2015 amounted to \$ 111.401 billion US. Furthermore, the state of Indonesia experienced the highest increase of US\$ 218.905 billion in 2018, and the lowest increase occurred in 2016 of US\$ 177.886 billion. In Brunnei Darussalam, the highest increase was in 2019, which was \$780.499 billion US, and the lowest increase was in 2016 of \$565.219 billion US. And the last one is Myanmar, which experienced the highest increase in 2019, which was an increase of \$223.895 billion US, and the lowest increase of \$138.521 billion US occurred in 2015.

One of the factors that most influence the demand for exports is the exchange rate (exchange rate). According to Hady (2001), the exchange rate is defined as a means of payment used to conduct international economic and financial transactions and usually has an official exchange rate at the Central Bank or Bank Indonesia. The exchange rate is also used as a determinant of the purchasing power of the goods traded. Changes in exchange rates affect the price of goods traded. If there is an appreciation of the exchange rate of a country, the price for the export goods of that country will decrease and on the contrary the price of imported goods will increase.

The second factor is inflation, according to Djohanputro (2006:147) Inflation is defined as a general trend of continuous price increases. Inflation

can be calculated based on the calculation of a group of goods and services consumed by most people. Therefore, inflation is a problem that is very concerned in every country. Because inflation can affect the decline in the value of exports and imports. This can cause difficulties for producers, because changes can change at any time causing uncertainty to these producers. The occurrence of inflation that continues to rise will result in very unprofitable productive activities, and economic activity will decline. The increase in prices causes the country's goods to be unable to compete in the international market so that exports will decline (Sadono Sukirno, 2006).

The term is never written explicitly in the Qur'an or Hadith. Inflation, which is a problem in modern society, arises for several reasons, including people's desire to consume in excess. From this side, long before the inflation problem arose, the arguments in the Qur'an and Hadith had provided instructions. In order to explain that basically humans really love material things, it is shown in Surah Ali Imran: 14

لِلنَّاسِ الشَّهَوَاتِ التِّسَاءِ الْبَيْنِ الْقَطَائِرِ الْمُعْتَطِرَةِ الذَّهَبِ الْفِضَّةِ الْخَيْلِ الْمُسَوَّمَةِ الْأَنْعَامِ الْحَرْثِ
لِكَ اغ الْحَيَوَةِ الدُّنْيَا اللهُ حُسْنُ الْمَأْبِ

which means: Made beautiful in the eyes of man the love of what he wants, namely women, children, wealth of many kinds of gold, silver, horses of choice, livestock and fields....

In order to limit human consumptive desires, several verses of the Qur'an have given explicit warnings, such as: Boasting has neglected you, until

you enter the grave. Don't be like that, later you will know..." (Surah At Takaatur: 1-8),

And it is in another verse, "Woe to every slanderer and slanderer, who accumulates wealth and counts it..." (Surah Al Humaza 1-9).

The third factor is the interest rate, Interest rate is dependent on borrowed money, which is usually expressed as a percentage of the money lent. Interest rate is the interest rate expressed in percent, for a certain period of time (monthly or annually). Interest is a measure of the price of resources used by debtors that must be paid to creditors. The interest rate also means the income earned by people who give their excess money or surplus spending units to be used temporarily by people who need it and use the money to cover the shortfall or deficit spending units (Judisseno, 2005: 80). The interest rate is the cost of borrowing or the price paid for the borrowed funds (usually expressed as a percentage per year) (Mishkin, 2008:4).

The fourth factor is imports, imports is goods produced abroad and sold domestically (Mankiw, 2006: 424). In other words, import activities are economic activities carried out both abroad and domestically. Producers of imported products are economic actors abroad, while imported consumers are domestic economic actors, so that producers need competitive products and consumers need a certain amount of money to bring in these imported goods.

Various kinds of empirical studies have been carried out by academics and practitioners to explain the influence of Exchange Rate, Inflation, Interest Rates and Imports, both at home and abroad. Empirical studies that have been carried out show varying results due to differences in the research period, research objects and analytical methods used.

The first variable is the exchange rate, research conducted by Ratna Mutia in 2015 with data that obtained from worldbank in 1985-2012. The results of his research explain that partially depreciation of the exchange rate had a significant positive effect on the exports of the countries of Indonesia, Malaysia, and Singapore.

The second variable is the exchange rate. A research conducted by Muhammad Fuad Ansharia, Adib El Khillab, Intan Rissa Permata in 2017 using data from 2012-2016 period. Their research results show that the inflation variable has a significant positive effect in the Philippines.

The third variable is interest rate, research conducted by Yoga and Wita with data for the period 1992-2012, the results of this research significant positive effect on exports.

The fourth variable, the research conducted by Fitria Tisna Kumalasari in 2010 explained that imports had an effect on positive and significant to exports. The results of this study indicate that imports, especially in the form of raw materials and capital goods, encourage an increase in exports.

From referring to the previous research data presented by the research previously described above, the authors are interested in conducting further research. Therefore, it is necessary to carry out further studies with different objects of study, research periods, and analytical methods to prove the effect of exchange rates, inflation, interest rates and imports on exports. Based on the description above and referring to previous research. Therefore, the author is entitled, "The Effect of Exchange Rates, Inflation, Interest Rates and Imports on Exports in ASEAN Countries (2015-2019)" This research is expected to provide benefits for the government in making policies to increase exports in Indonesia.

B. Research Questions

Based on the description above, the main problems in this research are:

1. How is the effect of the exchange rate variable on exports in ASEAN countries?
2. How is the effect of inflation variable on exports in ASEAN countries?
3. How is the effect of interest rate variables on exports in ASEAN countries?
4. How is the effect of import variable on exports in ASEAN countries?

C. Research Objectives

Based on these problems, the objectives of this research are:

1. To analyze the effect of exchange rate on exports in ASEAN countries in the 2015-2019 period.
2. To analyze the effect of inflation on export in ASEAN countries in the 2015-2019 period.
3. To analyze the effect of interest rate on export in ASEAN countries in the 2015-2019 period.
4. To analyze the effect of import on export in ASEAN countries in the 2015-2019 period.

D. Research Benefits

1. Theoretical Benefits

This research is expected to be able to provide valid information in understanding and contributing ideas in deepening insight and theory about the theory of the Effect of Exchange, Inflation, Interest Rates and Imports on exports in ten ASEAN countries.

2. Practical benefits

- a. For the author, this research is expected to be a useful tool in implementing the author's knowledge.
- b. For further researchers, this research is expected to contribute to the development of theories regarding to Effect of Exchange, Inflation, Interest Rates and Imports on exports in ten ASEAN countries.