

Credit For Export Bow Penetration: Catalyzing A Breakthrough In The International Trade Sector

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ABSTRACT

International trade, especially through exports, can certainly be an alternative to overcome the various uncertainties that arise due to the Covid-19 pandemic. Unfortunately, in boosting Indonesia's export performance, Indonesia is still faced with the main problem, the narrowness of the export destination market is also a problem that makes Indonesia very dependent on the economic conditions of the main trading partner countries. Credit for Export Penetration is mainly a loan provided to finance export activities to non-traditional markets. Credit for Export Penetration also utilizes collaboration across stakeholders including the Ministry of Trade, Ministry of Industry, trade attache, and ITPC.

Keyword: International Trade, Credit Export, Penetration, Catalyzing



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1. Introduction

Compared to ASEAN founding countries, Indonesia's export performance during the Pandemic is still lagging behind. Based on Appendix 1, Indonesia is only one rank better than the Philippines. In addition, the difference in the total value of Indonesia's exports with the three countries above it is quite significant during this difficult period. Although Indonesia's export performance in 2020 has decreased compared to 2019, the current account posted a surplus in 2020 due to export growth being greater than imports. However, this is more due to the increase in commodity prices so instability will always occur. For this reason, Indonesia needs a strategy that can boost export growth. The classic problems faced by Indonesia in terms of export performance are mainly due to the structure of exports, which are dominated by natural resource-based products that have low added value and are vulnerable to fluctuations in world commodity prices. In addition, the narrowness of Indonesia's export destination markets is also a problem considering that Indonesia's export performance will be highly dependent on the economic conditions of the main trading partner countries.

During the Pandemic, Indonesia has a number of major trading partners, namely China, the United States and Japan as traditional markets. In addition to the three traditional countries, the seven export destination countries of Indonesia that have occurred for more than 5 years are the European Union, India, Singapore, Malaysia, South Korea, Thailand and Taiwan. The proportion of exports to these countries exceeds 65% of total exports to all Indonesian trading partners. The slowdown in economic growth due to the pandemic in these countries and the tension of the trade war that has not subsided may threaten Indonesia's export performance. Therefore, diversification and penetration of export destinations to non-traditional markets are needed. The non-traditional countries that are considered to have great potential are countries that are members of several major organizations according to the direction of the Ministry of Trade.

In an effort to diversify and penetrate non-traditional markets, Indonesia also has a number of obstacles, such as the lack of international trade agreements that can open market access. In addition, there are also technical issues such as limited financing and guarantee facilities for businesses that want to export to new destination countries. Other problems include limited information on demand from destination countries due to the Covid-19 Pandemic and the lack of synergy between related institutions to boost export growth to non-traditional markets.

Export diversification can be defined as the distribution of export destination countries from one sub-sector to another ([Hadiyanto, 2015](#)). In other words, export diversification is a country's policy in expanding its export destinations which will potentially increase economic growth. In [Cadot et al. \(2011\)](#), there are several factors driving export diversification of a country including cross-country differences, product specialization patterns and labor productivity. Meanwhile, in the classic Ricardian framework, export diversification is driven primarily by technological differences between countries ([Cieslik and Parteka, 2021](#)).

Geographic export diversification can also contribute to output growth in developing countries. Studies conducted by [Hesse \(2008\)](#) and [Kadyrova \(2011\)](#) found that there is a positive relationship between export diversification and economic growth. The need for a country to diversify its export market becomes absolute given the current context, where the uncertainty caused by Covid-19 that has caused recession in several of Indonesia's trading partner countries as well as the sentiment of a trade war that continues to be echoed by US President Joe Biden is feared to reduce export demand from major destination countries, especially the United States and China. This has already been felt by Indonesia, where the value of Indonesian exports to the United States, Japan, India, Malaysia, Thailand and South Korea shrank in February 2018.

The concentration of a country's exports in only a few destination countries poses various risks. Things that are normal in international markets such as export price volatility, export market closures due to regulatory changes, entry of new competitors, and domestic supply volatility become more threatening when a country's exports are concentrated ([Cadot et al., 2011](#)). In addition, in 2021 domestic trade activities still dominate over exports. This is because exports are still constrained by lockdown policies in several countries. Therefore, reducing the concentration of a country's export market, especially during the Pandemic, can certainly reduce a country's vulnerability to international market turmoil.

World Bank Managing Director Mari Elka Pangestu advocates that export market diversification needs to be done as soon as possible in a world full of uncertainty. However, this is certainly not easy as turning the palm of the hand. Diversification to be carried out in a crisis requires very careful planning because this is not only related to the present but also the future. Before the Pandemic, Minister of Finance Sri Mulyani recommended that all parties involved must be careful and careful in the process of diversifying the export market ([Setiawan and Setiawina, 2019](#)). This is certainly done while still taking into account the optimal added value for the country's foreign exchange position. In addition, the main obstacles experienced by Indonesia in diversifying export markets include the lack of international trade agreements with non-traditional countries. As is known, agreements made certainly need to be studied properly by both parties so that they will avoid various undesirable things. This process will certainly make the cooperation more intensive and sustainable.

According to a study by BP2KP (2017) also stated that non-traditional markets such as Saudi Arabia, Pakistan and Egypt need to be utilized to achieve export targets. In addition, the gravity model shows that the distance factor, the rupiah exchange rate and transportation costs have a negative effect on rubber commodity exports to major export destinations so that Indonesia needs to capture other market opportunities. and transportation costs have a negative effect on exports of rubber commodities in the main export destination countries so that Indonesia needs to capture other market opportunities. In addition, to strengthen this, based on the Analysis of the Impact of Covid-19 on Indonesia's Foreign Trade by the Ministry of Trade's BPPP, the main way to overcome trade disruption is by promoting exports to potential alternative market destinations.

2. Method

The data used in this scientific paper is secondary data obtained from journals and the internet. The data is collected through the process of searching for information through books, journals, economic data pages and all other forms of information available on the internet. The information includes information on the Indonesian economy at a macro level, the condition of Indonesia's traditional and non-traditional export markets, as well as information on banking products related to a country's export and import activities. The

data taken in this paper is valid data because it is taken from reliable sources that are responsible by not forgetting scientific principles. All data taken is also the latest based on the latest developments, namely when the Covid-19 Pandemic hit the global world and Indonesia.

This research uses descriptive literature analysis and critical review methods. The definition of this method is a scientific activity that has certain practical and theoretical objectives that are arranged in a planned, structured, and systematic manner (Raco, 2018). Therefore, this research investigates efforts to encourage export market diversification by using benchmarks from other countries, especially during the Pandemic. It also analyzes the information to identify the problems of non-traditional market export penetration in Indonesia and proposes solutions in the form of schemes and products to solve these problems. This research not only compares but also localizes and innovates strategies to make them more suitable when implemented with the aim of getting maximum results. Thus, the output of this research can be tested in its implementation by various parties.

3. Result and Discussion

Providing credit is absolutely necessary during this Pandemic. All credit provided by the government has the main objective of achieving economic stability. In the midst of uncertainty, of course, the government must rack its brains by utilizing various existing potentials, one of which is fiscal policy. Minister of Finance Sri Mulyani said that fiscal policy in this difficult time in the international trade sector aims to maintain export performance that will support long-term growth, especially after the Pandemic, product diversification, and expansion of the export market (Kemenkeu.go.id, 2020). Moving on from this, it is appropriate for the mission of economic stability, the government pays more attention to exporters, especially those who will carry out activities to non-traditional market shares, especially in the midst of the Covid-19 Pandemic. For this reason, the author proposes the product Credit for Export Penetration or Tap Export Opportunities.

Loans for Export Penetration (Tap Export Opportunities) are primarily loans granted to finance export activities to non-traditional markets, where the use includes non-traditional market research, procurement of working capital (raw materials, supporting materials, other production components), investment (machinery, plant, projects), and promotional activities in non-traditional markets. Business entities applying for a Tap on Export Opportunities loan must include evidence that the loan will be used for exports to non-traditional markets, such as the product to be financed and the intended market. In addition, there are also criteria for countries included in the non-traditional market category, namely countries whose non-oil and gas import value from Indonesia is equal to or less than 1 percent of Indonesia's total non-oil and gas exports in the last 5 years. In addition, these non-traditional markets must also be countries that are members of economic organizations as directed by the Ministry of Trade. These organizations include the Eurasian Economic Union (EAEU), East African Community (EAC), Economic Community of West African States (ECOWAS), Gulf Cooperation Council (GCC) and Mercosur.

If this product is assessed in terms of ceiling, tenor, and loan interest. The interest rate of this special loan will be subsidized by the government so that it becomes smaller than the general loan. During a pandemic, of course, subsidizing interest rates is one of the actions of fiscal policy aimed at driving the economy. The Tap on Export Opportunities product will follow the financing products already provided but with adjustments, the interest rate of this product should be lower to incentivize many businesses to take this financing.

Another important feature of the Tap on Export Opportunities product is its integration with various additional facilities relevant to the conditions of the Covid-19 Pandemic. Additional facilities offered with the loan are promotion, payment, and consultation facilities. For promotional facilities, businesses that take out this special credit will have their products directly included in promotions run by relevant trade promotion agencies, such as consulates or trade attachés in destination countries or through trade promotion programs from the Ministry of Trade. For payment facilities, borrowers can get export credit insurance and alternative payment methods that are in accordance with the destination country will support export activities to non-traditional markets. Meanwhile, exporters who are still unsure whether they can use the product can take advantage of consulting services that specialize in non-traditional markets. Access to information such as new regulations during the pandemic and changes in consumer tastes in non-traditional markets can also be regularly updated in this facility. in this facility. These three types of facilities are provided in an integrated package that fulfills all the needs of businesses exporting to non-traditional markets with just one product, namely Tap Export Opportunities.

Table 1. SWOT Analysis.

Strength	Utilizing a synergistic role between stakeholders so that the implementation can be carried out effectively
	Integrated with existing government programs such as the National Interest Account (NIA).
	Support Export Penetration mission to non-traditional market share for economic stability
Weakness	Depends on the availability and readiness of exporters in providing quality products so as to create permanent consumers.
	Destination country policies that lockdown and protect can hinder product destinations Tap Export Opportunities
Opportunity	Exports are the leverage and hope for economic recovery during the Pandemic so that their utilization needs to be maximized.
	Meetings can be held online between potential trade partners and domestic entrepreneurs
	Indonesian products that are complementary to some non-traditional countries
Threat	The existence of hoax news about the implementation and benefits of products circulating in the community
	Lack of information about the destination country's importers can hinder the implementation of export credit

In conducting promotional facilities, business units that take out certain Tap Export Opportunities u loans have the opportunity to be included in promotional programs in the country. The added value of the Tap on Export Opportunities product is that the borrower will be directly linked to the relevant trade promotion agency so that the marketing of their products will be greatly assisted. For example, a coffee producer who took out a Tap on Export Opportunities wanted to export its products to Namibia, a country in southern Africa. The producer, along with other loan takers exporting to Namibia, will be linked to the nearest Indonesia Trade Promotion Center (ITPC) in Johannesburg, where the ITPC will then coordinate the promotion of the borrowers' products. Promotion can be through product exhibitions, advertising, or direct missions to prospective buyers (B2B). With this facility, the coffee producer does not have to go through the administrative hassle of contacting the ITPC and incur the high costs of organizing its own promotions, freeing up resources for other areas, such as quality control or other promotional activities.

On the payment front, the Tap on Export Opportunities product will be accompanied by the financial facilities needed to export to non-traditional markets. This is because many non-traditional market countries have different payment methods and risks than traditional markets. For example, if payment using the letter of credit method is not possible in a potential non-traditional market, exporters from Indonesia will have to sell using the riskier open account or credit method. To protect borrowers, the Tap on Export Opportunities product can be bundled with an export credit guarantee product so that non-payment from buyers in non-traditional markets can be compensated by the Indonesian Export Financing Agency. Specifically for Tap on Export Opportunities for borrowers exporting to riskier countries, the Export Finance Corporation may offer credit guarantees in countries with higher risk of instability. to countries that have a risk of political instability. Borrowers will pay more premium but defaults due to political situations will be guaranteed. However, LPEI also needs to pioneer partnerships with commercial banks in non-traditional markets so that Tap the Export Opportunity borrowers can use a letter of credit scheme that can even be accompanied by a guarantee.

The description of the above facilities is very important for their utilization in penetrating exports to non-traditional markets. The above facilities can provide an overview and guarantee to exporters who want to expand export products. Lack of information regarding regulations or market characteristics, especially during a pandemic, is an obstacle for exporters. Therefore, Tap on Export Opportunities products can be created and planned by related parties. Thus, the Tap on Export Opportunities product is an innovation that integrates all the facilities needed by exporters to new countries, supported by partnerships of various related institutions.

4. Conclusion

The global economic slowdown due to the Covid-19 Pandemic is inevitable for every country including Indonesia. The government has made various efforts to boost the economic recovery process after the Covid-19 Pandemic. One of the areas that should be maximized is the international trade sector, especially export activities whose regulations are regulated by the Ministry of Trade. In order to strengthen this sector, the Ministry of Trade has also begun to target diversification of export destinations, especially through penetration

of new non-traditional market shares. The classic problems still faced by Indonesia to realize this vision relate to overlapping performance across stakeholders, high risk due to uncertainty, and limited loan and financing facilities to boost export destination penetration. For this reason, this paper proposes a product called Tap on Export Opportunities, which is an incentive and facility for exporters that is also supported by synergies between stakeholders so that the mission of penetrating the export bow to non-traditional market shares can be carried out.

The existence of this product will integrate various work programs of various stakeholders such as the Ministry of Trade, Ministry of Industry, export-oriented business associations, representative offices abroad to the Indonesia Trade and Promotion Center. By utilizing an integrated digital database, exporters can get cheap, complete, and reliable data that will influence the decisions they make. In addition, this product will also make various loan facility packages provided to finance export activities to non-traditional markets optimally distributed. The advantage of this product is the integration of the facilities offered with various supporting facilities related to exports to non-traditional markets. The supporting facilities offered are loan facilities, promotion, payment, and consultation. In addition to having advantages, this product will also provide benefits for related stakeholders, such as exporters, the Ministry of Trade and the Indonesian Promotion Agency. Exporters will lower interest rates, access to an efficient platform because it has been coordinated, consulting services with perfect information, and learning-by-exporting. With Tap on Export Opportunities, the Ministry of Trade benefits from fulfilling the President's mandate for market diversification. Finally, the Indonesian Promotion Agency benefits from being more efficient in conducting promotions and gaining quality and guaranteed business partners.

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