



# THE IMPACT OF THE COVID 19 PANDEMIC ON THE INDONESIAN TRADE SECTOR

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## Abstract

*The purpose of this study is to see the impact of the Covid-19 pandemic on the Indonesian trade sector. This study uses a qualitative descriptive method with observation and documentation methods. The results showed that the rate of economic growth in Indonesia could be influenced by China's economic growth. If the Chinese economy experiences a 1-2% slowdown, it will have an impact on the Indonesian economy by 0.1-0.3% to the Indonesian economy. Therefore, the Government of Indonesia needs to diversify the export markets of the main destination countries, such as countries in Africa or South America. It is time for Indonesia to reduce its dependence on imported goods from China.*

**Keywords:** Pandemic, Covid-19, Trade Sector

## 1. INTRODUCTION

Corona virus has infected more than three million people in the world and killed more than two hundred thousand people as of April 28, 2020. This virus was first discovered in Wuhan, China at the end of 2019. Currently the virus has spread to many countries including Indonesia, which is getting worse as the number of victims increases. In just three months, the COVID-19 virus pandemic has had a widespread impact on many countries. Not only infecting or killing millions of people, but causing humans and all kinds of goods to no longer be free to pass in and out of the country.

Some time ago it was boisterous trading free that's been pumping the economy world, suddenly quiet and devoid of enthusiasts. The global supply chain is chaotic in several countries, of course it will disrupt people's production and consumption. In general, production theory explains the relationship between the level of input used in the production process and the level of output produced.

The expected production output could potentially not be achieved if one of the input factors is disrupted, in which case the workforce can no longer produce production due to the Corona pandemic. However, on the other hand, consumption needs during a pandemic and daily needs must be fulfilled, but the results of production cannot meet the demand for these goods.

So if the chaos in trade increases, it will cause prices to rise and then it can trigger inflation, which of course will affect income and needs in society. Panic swept over the world as if in a second could kill them. Life before was very different from today, especially with trade within our own country.

Several countries exported the goods they produced before the onset of this pandemic so that they were able to achieve the income and tax value received, but entering 2020 is now starting to fade over the achievement and smoothness in exporting and import due to the arrival of an uninvited virus.

The country which is the main market destination export Indonesia, like China, the US, India, Singapore, and others, experienced an economic contraction, resulting in a contraction in demand for Indonesian products that have been exported.



Sumber: Badan Pusat Statistik



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Considering that China is the second largest economy in the world and Indonesia's main trading partner, the disruption of China's economy will affect the world economy, including Indonesia. If the Chinese economy experiences a slowdown by 12%, it will have an impact on the decline of the Indonesian economy by 0.1-0.3% of the Indonesian economy (katadata.co.id, 7 February 2020).

The World Health Organization has established a global emergency status for the corona virus outbreak. The world is becoming aware of this virus outbreak. Not only be aware of the spread of the disease but also be aware of the possible impact on the world economy. According to IMF Managing Director, Kristalina Georgieva, with the corona virus outbreak, it is estimated that in the short term there will be a global economic slowdown (katadata.co.id, February 5, 2020). The purpose of this paper is to see what the impact of the corona virus is on the Indonesian economy, especially in the trade sector and how the government's efforts to anticipate or overcome it.

## 2. RESEARCH METHODS

Based on the problem under study, the method used in this research is a descriptive study through a qualitative approach. Descriptive research method is a method used to analyze events that occurred during the research. What is meant by descriptive research is a method of research carried out to obtain a picture of the situation that is happening in the present or is ongoing.

According to Sugiono (Naharoh, 2008: 50) the research method is a scientific method used to obtain data for a specific purpose. The purpose of this study is to find a general description of the impact of the Covid-19 pandemic on the Indonesian Trade Sector, the research method that will be applied to this research is descriptive method with a qualitative approach, while data collection is carried out by observation and documentation study.



### 3. RESULTS AND DISCUSSION

China is Indonesia's main trading partner and the country of origin for imports and destinations for Indonesia's largest non-oil and gas exports. Meanwhile, Indonesia's trade balance experienced a deficit of US \$ 860 million as of January 2020.

The deficit was due to the export balance position of US \$ 13.41 billion, lower than the import balance which reached US \$ 14.28 billion. Based on the import value, the total value of non-oil and gas imports from thirteen countries during January 2020 was US \$ 9.67 billion. This figure is down 3.14% compared to December 2019.

The Ministry of Trade needs to relax the import policy for raw materials for industrial needs. The spread of the Corona virus outbreak has disrupted the operations of many companies due to a shortage of both imported and domestic raw materials.

If there is no immediate response, it will ultimately hamper the production sector. This has implications for rising prices which will later raise the inflation rate.

The increasingly prevalent COVID-19, of course, some countries and companies take several opportunities to take advantage, for example they produce several masks and antiseptics that will be needed by the community, but in the circular letter of the Minister of Trade Regulation Number 23 of 2020.

This prohibition must be issued to maintain domestic supplies. This is to ensure the needs of domestic consumers. The ban on exporting masks in the midst of the COVID-19 virus pandemic was issued following a report from the Central Statistics Agency (BPS) which noted that Indonesia had exported masks or surgical masks worth US \$ 74.7 million during February 2020. This value increased significantly from the position in January 2020 which is only around 2.1 million US dollars month to month (mtom).

The increase reached 3,385.43 percent. On a year-on-year basis (yoy) the value has increased more drastically from February 2019, which was only around 0.1 million US dollars. Thus, yoy increased by 60,973 percent.

Profits for Indonesia will increase if it exports to several countries, but on the other hand, domestic consumers are more important.

If there are several countries that really need this product, then Indonesia can export it with several provisions that will become policies, such as Indonesia prioritizing domestic.

Sri Mulyani, as Minister of Finance, made non-fiscal stimuli such as increasing and accelerating services for the export and import process with supervision through the National Logistic Ecosystem (NLE) and simplifying and reducing the number of restrictions and restrictions on import activities, especially raw materials. It is intended that the supply of raw materials remains smooth and available. However, if Indonesia's export and import activities are increasingly free and there are no applicable regulations, it has the potential to have several impacts, for example, incoming goods are not tested on the test results with the condition of the cleanliness of the goods and if they arrive at consumers, it will have the potential to spread the virus. .

The Impact of the Corona Virus Outbreak on the Trade Sector According to the Coordinating Minister for Economic Affairs, Airlangga Hartarto, Indonesia's economic growth rate can be affected by China's economic growth. If the Chinese economy experiences a slowdown of 1-2%, it will have an impact on the decline of the Indonesian economy by 0.1-0.3% of the Indonesian economy (katadata.co.id, 7 February 2020).

Restrictions on the entry and entry of goods from and / or to China and the number of businesses or factories that have closed due to the corona virus outbreak have disrupted China's economy. Considering that China is a country whose economy is very influential in the world, this will certainly have an impact on the economies of other countries that are its trading partners, one of which is Indonesia. China is Indonesia's main trading partner and the country of origin for imports and destinations for Indonesia's largest non-oil and gas exports. Total exports to China in 2019 reached USD25.85 billion, while imports reached USD44.58 billion (said. Co.id, February 7, 2020).



However, based on data released by BPS, non-oil and gas exports in January 2020 experienced a decrease compared to December 2019. This decline occurred in most of the main destination countries, one of which was China, which reached USD211.9 million or decreased by 9.15%. Meanwhile, the value of non-oil and gas imports in January 2020 also decreased. The total value of non-oil and gas imports during January 2020 amounted to USD9,670 million or decreased by USD313.5 million or decreased by 3.14% compared to December 2019. This was due to the decline in the value of non-oil and gas imports from several major countries, one of which was China from USD4.07 billion to USD3.94 billion or down 3.08%.

The corona virus outbreak in China is also suspected of having an impact on Indonesia's agricultural trade. So far, palm oil exports are one of the largest export contributors to China. However, in February 2020, the realization only reached 84,000 tons. This figure is very far from the realization in the previous month, namely January 2020 amounting to 487,000 tons and in the same period in 2019 which reached 371,000 tons (finance.detik.com, 17 February 2020). In terms of food imports, Indonesia, which has a dependency on garlic from China, can only import 23,000 tons of garlic from China in February 2020. This figure has also dropped drastically when compared to imports in the previous year which reached 583,000 tons (finance.detik.com, February 17, 2020).

In February 2020, the largest decline in imports from China was also seen in fruit commodities. Imports of fruit commodities fell significantly by 78.88% from USD 160.4 million to USD 33.9 million (katadata.co.id, 17 February 2020).

Then if the Indonesian trade sector declines, there must be a policy that is carried out, if Indonesia still imports from several countries, for example in terms of food needs, Indonesia must improve the quality of agriculture and several other needs. The policy taken by the government in response to Indonesia's dependence on importing from China, for example, is by making efforts to issue a ban on importing live animals from China. This import ban was taken to anticipate the spread of the Corona virus from animals.

For trade in agricultural products, the Ministry of Agriculture is currently trying to make policy steps to anticipate the decline in agricultural exports to China.

One of the efforts taken is to coordinate with exporters in order to take advantage of alternative export markets. In terms of production, the government must also encourage local farmers to increase their production both in quantity and quality in order to meet community needs. Not only fruits, the government also needs to encourage the export of other export-oriented agricultural products.

Of course, at this time every country needs imports and exports, including Indonesia, so that domestic foreign exchange increases. Every decision taken must have a middle point or a solution that will be given so as not to cause losses. However, to meet domestic food stocks, the government must still be careful in choosing the commodities to import so that there is no transmission of the Corona virus.

In particular, staple products such as fruits and meat can reduce the spread of the Corona virus through the livestock commodity so that the Corona virus pandemic in Indonesia can be over immediately.

As a share of China's exports, Indonesia was also affected by the impact which then affected Indonesia's trade balance. Therefore, the Indonesian government needs to diversify the export markets of the main destination countries, such as countries in Africa or South America (Kompas, 19 February 2020). In addition, the government also needs to optimize the use of domestic production that can meet the demands of the domestic market (money.kompas.com, 18 February 2020).

It is time for Indonesia to reduce its dependence on imported goods from China. For trade in agricultural products, the Ministry of Agriculture is currently trying to make policy steps to anticipate the decline in agricultural exports to China.

One of the efforts made is coordinating with exporters in order to take advantage of alternative export markets (finance.detik.com, 17 February 2020). In addition, to anticipate limited availability and a higher spike in garlic prices, the Ministry of Agriculture is also trying to find other alternative countries to import garlic and encourage domestic garlic production (finance.detik.com, 17 February 2020).



The government can also diversify agricultural products for commodities that have been imported from China, for example, fruits. The government needs to encourage people to increase consumption of local fruit products compared to imported ones. In terms of production, the government must also encourage local farmers to increase their production both in quantity and quality in order to meet community needs. Not only fruits, the government also needs to encourage the export of other export-oriented agricultural products.

#### 4. CONCLUSION

Based on the research results, the trade sector has experienced a decline due to the Covid-19 pandemic. The government is expected to find alternative policies and strategies to boost the domestic economy without having to rely on imported goods from China and also seek export shares to countries other than China.

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