

V. CONCLUSION AND IMPLICATION

A. Conclusion

Based on hypothesis test and the discussion that has been done in this research, it can be concluded that:

1. Partially, there is significant influence of import, exchange rate, foreign income, and lag of foreign income to Indonesian export
 - 1) Import has positive and significant influence to the export; It also answers the simultaneous link between export and import in Indonesia. Export is influenced by import so the variables correlate each other.
 - 2) The exchange rate has positive and significant influence to the export;
 - 3) The foreign income has positive and significant influence to the export;
 - 4) The lag of foreign income has negative and significant influence to the export.

So, the research result can accept the hypothesis 1: import, foreign income, and lag of foreign income; but not accept exchange rate hypothesis.

2. Partially, there is significant influence of national domestic income and lag of national domestic income to Indonesian import;
 - 1) The exchange rate has insignificant influence to the import;
 - 2) The Indonesian national domestic income has positive and significant influence to the import;

3) Lag of national domestic income has positive and significant influence to the import.

So, the research result can accept the hypothesis 2: national domestic income; but not accept lag of national domestic income hypothesis. Meanwhile the exchange rate is insignificant.

B. Implication

Based on discussion and conclusion, there are some suggestion and recommendation to improve Indonesian trade:

1. The good cooperation between government and international institution is important. For example, with WTO, World Bank, or economic integration like ASEAN Economic Community. Good cooperation with international institution can wider market and trading partners in Indonesia;
2. As the result shows that import has positive and significant influence to export, in government side, the restrictions on the import of raw materials to the industries should be implemented in the flexible way through fiscal and monetary policy; government has to maximize more trade openness in both export and import. The research shows that trade restriction is bad for the economy because it is hard for companies to get production inputs in terms of availability, lower prices, and choices from import. So, it is better if the government gives easiness for companies to import products if the company is able to increase the value added of

product to become higher value products. Government needs to implement policy framework in the export and import sector development because sectors are correlated with each other;

3. As the result shows that the exchange rate has positive and significant influence to export, the policy for Indonesian trade has to adjust to the condition. Currently, when Indonesia has deficit net export, Indonesia has to keep rupiah value to be appreciated to stabilize imported product prices in Indonesia. The exchange rate can be maintained in sustainable cooperation of central bank, government, and society. In the central bank side, central bank has to create the stable rupiah by maintaining inflation monetary policy, for example by intervening rupiah in money market. On the government side, government has to create stable and low depreciation by minimizing the deficit of budget in fiscal policy. In the society side, society has to minimize the dependency to the import products because it will really depend to the exchange rate fluctuation. So, if society can maximize domestic economy and improve export it will be better as Indonesia will less dependency to the volatility of exchange rate. In company side, it is better for the company to produce high value added product and optimizes production process in domestic economy. So, the product can compete in international trade and contribute to net export for the country. Besides that, the small medium enterprises should be motivated towards export orientation and maximize

the innovation product quality, so Indonesia can increase the competitiveness;

4. Government needs to implement supply side policies to improve competitiveness. Supply side policies could include both interventionist supply side policies (such as education and training) and market oriented supply side policies (e.g. reducing the power of trade unions, reducing government regulation, reduce tariff barriers). This can enable increased productivity, so Indonesia can gain more from trade;
5. Indonesia has to improve private sector innovation. To develop trade, government can promote private sector productivity. Competitiveness depends on new technology and management techniques as much as any government policies. Innovation, the improvement or creation of products, processes, services, and business or organizational models, more than the accumulation of savings or capital that has become the central driver of economic growth and the key to improving the trade. So domestic economy can be built better to face international trade.