THE ANALYSIS OF INDONESIA’S INTERNATIONAL BUSINESS

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Abstract

International Business is a business whose activities pass the borders of the country. This definition includes not only international trade and overseas manufacturing, but also a thriving service industry in areas such as transportation, tourism, banking, advertising, construction, retail trade, large trade and mass communications. International marketing is different from International Business, International Trade is an inter-state transaction usually done by traditional way that is by way of export and import. With the export and import transactions, there will be a balance of tread, while international marketing which is the state of a company can be involved in a business transaction with other countries, other companies or the general public abroad. This international business transaction is generally an attempt to market overseas production.

Stages in entering into international business: Incidental exports, Active Exports, License Sales, Franchising, Marketing outside the country, Production and Marketing Abroad. The obstacles in conducting international business are: Different Foreign Currencies, Low Resource Quality, Difficult State Payments and Great Risks, The existence of Import Policy of a State, The War, The existence of Regional Economic Organizations.

Keywords: Indonesia, international business, trade

INTRODUCTION

Economic transactions carried out by residents of one country with other countries, both individually, and the government. The occurrence of international trade cannot be avoided by any country, because each region has advantages and disadvantages in one of its natural resources. Excess natural resources are anticipated by importing them abroad. Similarly, shortages of natural resources can be addressed with international trade in exports and imports. Since ancient times, humans always interact with others including in terms of meeting daily needs. History proves that centuries ago residents in various parts of the world have conducted economic transactions with residents in other countries, such as the silk road and Amber Road. A few centuries later economists formulated theories related to the economic activity of the population across countries. For now, the international business of import exports is no longer a matter of overcoming the shortage of natural resources and human resources in a country.

International trade has become a mutualist symbiotic relationship between several countries. How not, through export and import activities, new jobs become open, encouraging industrialization, transportation progress, and the presence of international companies. International trade activity is inseparable from exporters and importers. The following will be fully presented about export trade and import on an international scale. Indonesia’s export products are tempestuous. Especially, postworld summit expo day in China. Indonesian product stands are visited. Apparently, they are interested in Indonesia. Indonesian products have originality. For example, batik, angklung, and so on. Indonesia is now ranked 16th in the world economy. This is a great achievement because the Indonesian economy is appreciated internationally.

International Business
International business is a business whose activities cross national borders. This definition includes not only international trade and manufacturing abroad, but also a growing service industry in fields such as transportation, tourism, banking, advertising, construction, retail trade, large trade and mass communication. International business is a business activity conducted between one state and another. Businesses are of different types, and, as a result, businesses can be grouped in different ways. That for reasons of meeting daily needs, humans cannot be separated from trading activities. The person who plays an important role in these activities is the trader. They are the ones in charge of delivering goods to consumers. Buying and selling activities today are not only limited between residents in one country. Trade activities have begun to penetrate into the international or interstate world.

The exchange of goods and services between one country and another is what is then referred to as international business. As mentioned above, that international business is a business activity carried out across national borders. Business transactions like this are international business transactions (International Trade). A business transaction is conducted by a company within a country with another company or individual in another country called International Marketing. International marketing is different from International Business.

**International Trade**

In international trade which is a transaction between countries it is usually done in the traditional way, namely by export and import. With the export and import transactions, there is a balance of trade between countries (balance of trade). A country can have a trade surplus or deviation of its trade balance. The surplus trade balance indicates the circumstances in which the country has a greater export value than the value of imports made from its trading partner countries. With the balance of trade that has a surplus, if the other circumstances are constant then the cash flow into the Country will be greater with the cash outflow to the trading partner country. The large flow of cash in and out between countries is called the balance of payments (balance of payments). If the balance of payments is in surplus, it is said that the country is experiencing an increase in foreign exchange. Conversely, if the country experiences a deviation of its trade balance, it means that the value of its imports exceeds the value of exports that can be done with other countries. So, the country is experiencing a balance of payments deviation and facing a reduction in state foreign exchange.

**International Marketing (International Marketing)**

International marketing which is the state of a company can be involved in a business transaction with another country, other companies or the general public abroad.

**International Business Transactions**

This international business transaction is generally an attempt to market the results of production abroad. In this case, entrepreneurs will be free from trade barriers and import duties because there are no import export transactions. By carrying out production and marketing activities in foreign countries, there are no import export activities. The products marketed can be goods and/or services. This transaction can be reached by: 1) Licencing; 2) Franchising; 3) Management Contracting; 4) Marketing in Home Country by Host Country; 5) Joint Venturing; and 6) Multinational Corporation (MNC).
All forms of international transactions require payment transactions that are often called fees. The country (Home Country) must pay, while the sender (Host Country) gets the fee. Understanding international trade with international companies is often considered the same, whereas different. The main difference lies in its treatment where international trade is conducted by the state while international marketing is the activity carried out by the company that determines the more active, more progressive business activities than international trade.

METHOD
Qualitative research method according to Sugiyono (2005), qualitative research method is a research method used to examine the condition of natural objects. Qualitative descriptive research seeks to dig up information that fits the picture of conditions, objects, or social phenomena when research is conducted.

This research uses a qualitative approach with a method of descriptive analysis, this method is considered relevant and in accordance with the research to be conducted, namely to gain an actual understanding of International Business in Indonesia, and by using this method can comprehensively reveal how incidental export processes; active export; sale of licenses; franchising.; marketing abroad; production and marketing abroad, so researchers believe that qualitative research methods are considered relevant.

RESULTS AND DISCUSSION
A country or a company conducts international business transactions either in the form of international trade generally has some consideration or reason. These considerations include several reasons or considerations. The development includes economic, political or socio-cultural considerations and not even rarely on the basis of military consideration. International business is inevitable because there is not a single country in the world that can meet all the needs of its country from goods or products produced by the State itself. No country can meet 100% self-sufficiency. This is due to the uneven spread of resources from both natural resources and human resources. The inequality of these resources will result in the existence of a certain advantage of a particular country that has certain resources as well.

For example, The State of Australia which has a very large landmass that has a very small number of people, whereas Hong Kong has a very narrow landmass but a very dense population. The fertility of the soil will also not be the same between one state with another there is a country suitable for certain plants while the other state can be said to be impossible to grow plants that are needed by humans. This situation determines the implementation of business or international trade. Therefore, we can see some of the reasons for carrying out international business mentioned as follows.

International Specialization
In relation to certain advantages or strengths and their weaknesses, a State must make strategic choices to produce a strategic commodity, namely:
1) Make the most of the power that turns out to be really superior so that it can produce it more efficiently and the cheapest among other countries.
2) Focus on commodities that have the least weakness among other countries.
3) Concentrate his attention on producing or mastering commodities that have the
highest weaknesses for his country

**Absolute Advantage**

A country can be said to have an absolute advantage if it holds a monopoly in producing and trading the product. This will be achieved if no other country can produce the product so that the country becomes the only producing country that is generally due to the natural conditions it has, such as mining, plantations, forestry, agriculture and so on. In addition to natural conditions, absolute advantage can also be obtained from a country that is able to produce the cheapest commodity among other countries. This kind of advantage in general will not be able to last long because technological advances will quickly overcome more efficient ways of production and cheaper costs.

**Comparative Advantage**

This concept of comparative advantage is a more realistic concept and is widely found in international business. It is a situation in which a country has a higher ability to offer the product compared to other countries. Higher ability to offer a product can be realized in various forms, namely:

1. Lower fare or offer price
2. Superior quality even though it costs more
3. Better continuity of supply
4. Stability of good business and political relations
5. The availability of better supporting facilities such as training and transportation facilities
6. A country will generally concentrate on producing and exporting commodities for which it has the best comparative advantage and then import commodities for which they have the ugliest comparative advantage or greatest weakness. The concept will be seen clearly and clearly if we try to examine the trade balance of our country (Indonesia) for example. From that trade balance we can see what commodities we export are commodities that have a comparative advantage for Indonesia and those we import are the ones whose comparative advantage is weakest.

**Business Development Considerations**

Companies that have been engaged in a particular field in a business in the country often try to develop their market abroad. This will give rise to several considerations that encourage why a company implements or goes into the international business:

1. Utilizing the capacity of idle machines owned by a company
2. The product in the country has experienced a level of saturation and may even have experienced a stage of decline (decline phase) while abroad is actually developing (growth).
3. Competition that occurs in the country is sometimes sharper because competition for these products abroad
4. Developing a new market (abroad) is an easier action than developing a new product (domestically).
5. The potential of the international market in general is much wider than the domestic
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market.

**Stages in Entering International Business**

**Incidental Export**

In order to enter the world of international business a company generally starts from an early involvement, namely by conducting incidental exports.

**Active Export**

This stage the country company itself began to be active to carry out management of the transaction.

**Licensing**

This stage the entrant country sells the license or brand of its product to the receiving country.

**Franchising**

The next stage is to see a more active stage, namely the company in a country selling not only its license or merchandise brand but complete with all its attributes including equipment, production process, recipes mixed production process. And others. Franchise form that is currently popular in our country and also in other countries is a proven system management, has a well-known and popular name, and an established performance record for assessment tools. Conversely, this form also has the disadvantage of high costs to acquire a franchise, business decisions will be limited by franchitor, and greatly influenced by the failure of other forms of franchise.

**Marketing di Overseas**

This form requires a higher intensity of management and involvement because the host country company must be really active and independent to do marketing management for the product in a foreign country (Home Country).

**Total International Business**

The latter stage is the most intensive stage in involving yourself in international business, namely the overseas production and marketing stage. This stage is also referred to as "Total International Business." This form is what gives rise to MNC or Multi National Corporation which is a multinational company. In this stage foreign companies come and set up companies in the foreign country complete with all their capital and then carry out production processes in the country, then sell the production in the country as well. This form has a positive element for developing countries because in this form the receiving state does not need to provide very much capital to set up the factory which in general the developing country is still poor in funds for the development of its nation.

**International Business Barriers**

**Barriers to entering International Business**
Implementing international business has far greater barriers than in the domestic market. Other countries must have their own interests to inhibit the implementation of international business transactions. In addition, the customs or culture of other countries will of course be different from their own country. Therefore, there are several obstacles in entering international business, namely:

1) Quota limits and import duties: The quota limit in international business is if there is a country that does not allow the transfer of large quantities of goods. While the import duty tariff is a tax imposed on goods traded both imported and exported goods.

2) Differences in language, socio-cultural: Differences in language are often an obstacle to the smooth running of international business, this is because language is a vital communication tool both spoken and written. Socio-cultural influence in international business for example: Indonesia as a Muslim-majority country, must reject the presence of international companies that sell haram food, such as pork. In addition, in terms of fashion. Fashion companies will not market bikini products and other open clothes because they do not fit the culture of Indonesian people who dress modestly with the characteristics of closed clothing.

3) Political and legal/statutory conditions: Poor political relations between one country and another will also result in limited business relations between the two countries. The provisions of laws or regulations that apply in a country sometimes also limit the ongoing international business. Example: When democracy is guided, Indonesia tends to side with the eastern bloc, so Indonesia's proximity to China and Russia leads to a strained relationship between Indonesia and the western bloc in various ways including trade in goods to and from western bloc countries.

4) Other barriers to trade or international business are operational issues, including:
   a) Transportation or transportation of goods traded from one country to another. The state of large waves that interfere with ship travel or weather conditions that affect freight traffic by air is one example of transportation problems hampering freight forwarding activities temporarily. The situation can be more serious if the goods sent are goods that quickly are in an unfit condition such as fish. The delivery time of inappropriate goods sometimes makes the intended country directly cancels the purchase.
   b) Rules or policies. Other countries, in the form of protection, namely: efforts to protect industries in the country so as not to be rivaled by industries from abroad that enter the country. For example: there is protection of Chinese goods in the form of stationery industries not to enter the Indonesian market, so that Indonesian-made stationery companies can be better-selling in the local market, besides that the government usually lends for business development to the company so that it can one day compete in the international market.
   c) Difference in wage levels: It can be exemplified if there are multinational companies that in the expansion of their business to a country, giving wages to their employees are too small due to various things such as currency exchange rates.
International Trade Barriers

Every country always wants trade conducted between countries to run smoothly. However, sometimes trade activities between countries also experience some obstacles. These barriers can harm countries that conduct international trade. Here are some of the frequent barriers to international trade.

1) Difference in currency between countries. In general, the currency of each country is different. This difference is what can hinder trade between countries. Countries that carry out export activities, usually ask the importing country to pay using the currency of the exporting country. The payment will certainly have to do with the value of the money itself. The value of money in each country is different. If the value of the exporting country's currency is higher than the currency value of the importing country, it can increase spending for the importing country. Thus, in order for both countries to benefit and more easily the trade process needs to establish the currency as an international standard.

2) Low Quality of Resources. Low quality of labor can hinder international trade. Because if human resources are low, then the quality of production will be low as well. A country that has low quality goods, it will be difficult to compete with goods produced by other countries of better quality. This is certainly an obstacle for the country concerned to conduct international trade.

3) International Payments Are Difficult and The Risks Are Great When conducting international trade activities, importing countries will have difficulty in terms of payments. If paying for it directly will have difficulty. In addition, it also has a great risk. Therefore, the exporting country does not want to accept payments by cash, but through international or telegraphic transfer or using L/C.

4) The existence of import policy from a country. Each country will always protect its own manufactured goods. They don't want their manufactured goods to be overtaken by goods from abroad. Therefore, each country will enact policies to protect domestic goods. One of them is by setting import tariffs. If import tariffs are high then the imported goods will become more expensive than domestic goods, resulting in people becoming less interested in buying imported goods. This will be an obstacle for other countries to trade.

5) There's a war. War can cause relations between countries to be cut off. In addition, the country's economic condition will also experience sluggishness. So this can cause trade between countries will be hampered.

6) There are regional economic organizations. Usually in one regional area there are economic organizations. The purpose of these organizations is to advance the economies of its member states. The policies and regulations issued are only for the benefit of member states. A regional economic organization will issue export and import regulations specific to its member countries. As a result, if any country outside the member of the organization trades with a member state, it will have difficulty.

International Business Challenges Coming to Indonesia

The challenges facing Indonesia are huge which include:
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1) Lack of national capacity
2) Weak physical infrastructure
3) Less conducive to social-political-legal conditions
4) Low foreign investment.
5) High economic costs
6) A less competitive workforce that all makes Indonesian products less competitive in the international market

Obstacles made by Indonesia

The policy, imposed on international trade, aims to protect domestic industries. Policies to protect domestic goods from the competition of imported goods are called protection. Protection in international trade consists of tariff policies, quotas, import bans, subsidies, and dumping.

1) Fare. Tariffs are trade barriers in the form of taxing imported goods. If an imported item is subject to tariffs, then the selling price of the goods in the country becomes expensive. This causes people to be reluctant to buy these goods, so that domestically produced goods are more enjoyed by the community. Quota. Quotas are a form of trade barrier that determines the maximum amount of a type of goods that can be imported in a given period. Similar to tariffs, the effect of the enactment of quotas resulted in the prices of imported goods being high because the number of goods was limited. This can happen because of restrictions on the number of imported goods, causing the average cost for each item to increase. Thus, the enactment of quotas can protect domestic goods from competition of foreign goods.

2) Import Ban. The import ban is a government policy that prohibits the entry of certain goods into the country. The import ban policy is carried out to avoid goods that can harm the community. For example, prohibiting the import of beef containing anthrax disease.

3) Subsidies. Subsidies are government policies by providing assistance to domestic products. Subsidies made by the government can be in the form of tax relief, providing facilities, giving cheap bank credit or giving gifts or incentives from the government. The existence of subsidies, the price of domestic goods becomes cheap, so that domestically produced goods are able to compete with imported goods.

4) Dumping. Dumping is a policy carried out by a country by selling goods abroad cheaper than sold domestically.

CONCLUSION

International business is a business whose activities cross national borders. International Trade is a transaction between countries that is usually done in the traditional way, namely by export and import. With the export and import transactions, there is a balance of trade between countries (balance of trade), while the international gold that is the state of a company can be involved in a business transaction with another country, other companies or the general public abroad. This international business transaction is generally an attempt to market the results of production abroad. Reasons to conduct international business include positions between nations, comparative advantage, and business development considerations.
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The stages in entering international business include incidental exports, active exports, licensing, franchising, marketing abroad, and production and marketing abroad. The barriers to doing international business are differences in currency between countries, low quality of resources, difficult interstate payments and great risks, the wisdom of imports from a country, the occurrence of wars, and the existence of regional economic organizations.

REFERENCES