

EXPORT PERFORMANCE OF INDONESIAN MANUFACTURED GOODS IN AUSTRALIA^(*)

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Abstract

The exports of Indonesian manufactured products to Australia are performing poorly, even if compared to those of Malaysia and Thailand. The objectives of this study is to investigate the factors behind the poor export performance of Indonesian manufactured products in Australia.

Two types of research techniques were conducted. Firstly a literature review, which includes the study of the theoretical framework of international trade, previous related research results and collecting secondary data from various sources. These techniques were used to investigate the causal factors from a macro or general point of view. Secondly, mail survey. Two types of questionnaire were designed, one was forwarded to seventy eight Australian importers, and the other was sent to seventy eight Indonesian exporters. These were aimed at investigating the factors behind the problems from a micro or specific point of view. In addition, two interviews were conducted, first with the Indonesian Commercial Attache' in Canberra, and second with the Director of Indonesian Commercial Office in Sydney.

Descriptive and qualitative analysis was applied to major parts of the data obtained, with statistical manipulations applied to the remainder. T-statistic or student test as well as analysis of variance (ANOVA), F-test and orthogonal contrast test were applied to test the significances.

The information collected indicates that macro aspects, such as communication problems, Indonesian banking practices, lack of information and shipment seem to play a more significant role in the poor export performance of Indonesian manufactured products to Australia than did the micro or specific aspects like the price and the quality of products.

Keywords: Export; Indonesia; Manufactured Goods; Australia.

()This article is based on the research of an MBA thesis (1990-1991) at The University of Wollongong, Australia.*

Introduction

Australia is one of the closest and most promising markets for Indonesian export products. Geographically, it is located next to the Indonesian archipelago, giving Indonesia basically a comparative advantage, such as in shipping cost factors and thus price, compared to many other competitor countries. Economically, Australian people have high purchasing power, as indicated by the high GNP per capita. For example, in 1987 the Australian GNP per capita of was US \$11,100, compared to Indonesian GNP per capita of only US \$450. (World Bank Report, 1989, pp. 164-5). But ironically, the total value of Indonesian export to Australia grows slowly, and it is much slower compared to the growth in the value of Malaysia and Thai exports, or even the Australian exports to Indonesia itself. This fact can be seen clearly from Table 1 and Table 2.

Table 1 indicates that the total value of Indonesian exports to Australia (at both the actual and constant price values) in 1988-1989 is lower than Malaysia and Thailand, although 10 years ago, the total value of Indonesian export was much higher than them. This also means that the growth rate of the total value of Indonesian exports is lower than Malaysian and Thai growth rates. The total value of Indonesian exports declined (in comparison to Malaysia and Thailand) by 15.44% during the past decade, or minus 1.54% annually, whereas the total value of Malaysian and Thai exports grew 80.42% and 283.45% respectively, or 8.04% and 28.35% annually. Hence, in ten years, both Malaysia and Thailand have successfully overtaken Indonesia in the growth of exports to Australia.

Table 1:

The Export Value of Indonesia, Malaysia and Thailand to Australia
During 1979-1980 to 1988-1989 in Thousand Aud.
In Actual and Constant Price (1980-1981=100.0)

Periode	ACTUAL PRICE			C P I	CONSTANT PRICE		
	INDONESIA	MALAYSIA	THAILAND		INDONESIA	MALAYSIA	THAILAND
1979-1980	241,779	185,848	53,453	91.40	264,528	203,335	58,482
1980-1981	416,947	168,725	64,852	100.00	416,947	168,725	64,852
1981-1982	515,885	187,718	72,215	110.40	467,287	170,034	65,412
1982-1983	561,376	214,502	89,399	123.10	456,032	174,250	72,623
1984-1985	299,590	257,044	122,071	131.60	227,652	195,322	92,759
1984-1985	363,540	318,944	155,816	137.20	264,971	232,466	113,569
1985-1986	209,310	325,432	200,874	148.70	140,760	218,851	135,087
1986-1987	310,556	409,671	284,384	162.60	190,994	251,950	174,898
1987-1988	587,674	590,732	331,077	174.50	336,776	338,528	189,729
1988-1989	418,948	687,138	420,026	187.30	223,678	366,865	224,253
10 Yrs Grw.	73.28%	269.73%	685.79%		-15.44%	80.42%	283.45%
Ave. Grwth	7.33%	26.97%	68.58%		-1.54%	8.04%	28.35%

Sources:

- Australian Bureau of Statistics, Foreign Trade
- Australia Bureau of Statistics, Year Book Australia, 1990.
- Calculation (actual price times Consumer Price Index or CPI) done by author.

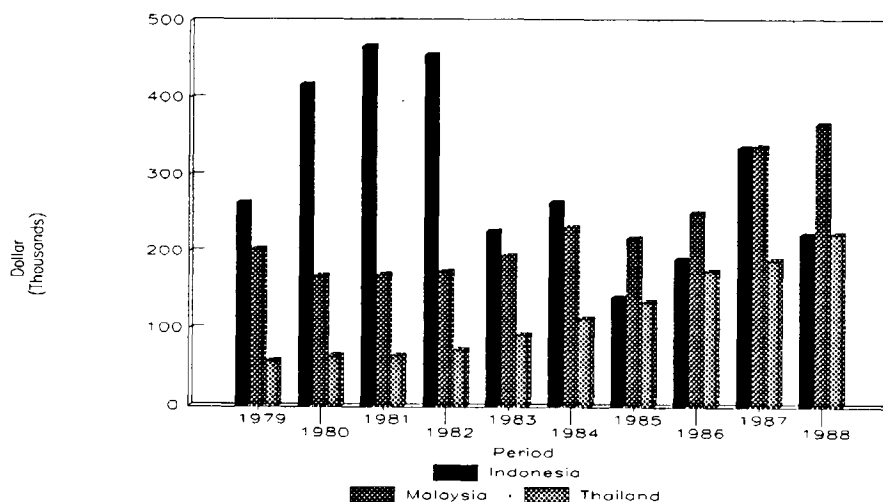


Figure 1: The Growth of Total Value of the Indonesian, Malaysian and Thai exports to Australia during 1979-80 - 1988-89 at constant price 1980-81= 100.

Source: Australian Bureau of Statistics, Foreign Trade, 1988-89.

Table 2:

Export and Import Values of Australia to Indonesia, Malaysia and Thailand during 1986-87 to 1988-89 (at actual price) in million Australian dollar.

	1986-87	1987-88	1988-89
Export to Indonesia	528,3	595,3	748,3
Import from Indonesia	310,6	587,7	418,9
Export to Malaysia	591,6	655,9	742,4
Import from Malaysia	409,7	590,7	687,1
Export to Thailand	223,8	316,8	474,8
Import from Thailand	284,4	331,1	420,0

Source: Australian Bureau of Statistics, Foreign Trade Australia, 1988-1989.

The data in Table 2 also shows that the bilateral balance of trade between Australia and Malaysia and Thailand is better than that between Australia and Indonesia. As seen from the data the value of exports and imports between Australia and both Malaysia and Thailand is relatively balanced compared to Indonesia. The exports and imports value of Malaysia and Thailand have grown similarly, while the Indonesian values have declined.

Questions need to be addressed to the performance of Indonesian exports, especially exports to Australia. Why is Indonesian export performance worse than those of Malaysia and Thailand ?; Why did the value of Indonesian exports to Australia decline ?; What are the factors behind it ?.

Scope Limitation

The data shown above comprise the total value of exports including all the commodities which were exported from Indonesia, Malaysia and Thailand to Australia. A problem of poor performance of Indonesian exports can be perceived from these total values. However, this study will not investigate the determinant factors for all export commodities, simply because each commodity has it's own characteristics, and investigation of a large number of characteristics can not be covered by this short study. This study therefore will be limited to an investigation of the performance of the export values of manufactured goods only.

Export of Indonesian Manufactured Goods

Table 1 above can be broken down into tables 3, 3 (a), 4, 4 (a), 5 and 5(a). These are exhibited respectively in the following pages.

Tables 3 to 5(a) show in the same way as Table 1 and 2, that the value of Indonesian exports of manufactured products are still below both the Malaysian and Thai values. In 1988-1989 for example, the total value of Indonesian manufactured exports to Australia (totalled from the Standard International Trade Classification or SITC number 5, 6, 7 and 8) was \$69,851 whilst the value for the same category items of Malaysia and Thailand were \$133,593 and \$140,731 respectively [at constant price (1980-1981)=100].

This comparison can be seen in the following figure.

Table 3:

Indonesia Export Value To Australia and
Consumer Price Index (1981-1982=100.0)
('000 Aud.)

	1984-85	C.P.I.	1985-86	C.P.I.	1986-87	C.P.I.	1987-88	C.P.I.	1988-89	C.P.I.
0 Food & Live Animal	51,501	137.20	33,976	148.70	41,520	162.60	39,280	174.50	37,928	187,30
1 Beverage and Tobacco	141	137.20	56	148.70	148	162.60	201	174.50	329	187,30
2 Crude Material (exc.fue	10,240	137.20	12,594	148.70	9,976	162.60	7,898	174.50	24,956	187,30
3 Mineral Fuels, lubrican related materials	272,366	137.20	109,636	148.70	181,804	162.60	422,374	174.50	207,045	187,30
4 Animal, vegetable oils, fats and waxes	1,086	137.20	285	148.70	0	162.60	660	174.50	5,220	187,30
5 Chemical and related products, NES.	1,503	137.20	3,645	148.70	9,345	162.60	8,693	174.50	9,508	187,30
6 Manufactured goods clas sified chiefly by material.	16,822	137.20	21,494	148.70	38,305	162.60	69,312	174.50	91,924	187,30
7 Machinery and transport equipment.	1,006	137.20	3,142	148.70	2,214	162.60	3,930	174.50	5,911	187,30
8 Miscellaneous Manufactu articles.	6,321	137.20	7,037	148.70	10,497	162.60	12,980	174.50	23,487	187,30
9 Commodities & transacti not classified elsewhere in the SITC	1,554	137.20	17,445	148.70	16,745	162.60	22,344	174.50	12,639	187,30
Total	363,540		209,310		310,554		587,672		418,947	

Sources:

- ABS, Foreign Trade Australia
- ABS, Year Book Australia 1990 (Consumer Price Index)

Table 3a:

Indonesian Export Value to Australia

During 1984-85 to 1988-89 at Constant Price (1980-81=100.0)

in Thousand Australian dollars.

	1984-85	1985-86	1986-87	1987-88	1988-89	5 Yrs Grwth
0 Food & Live Animal	37,537	22,849	25,535	22,510	20,250	-46.05%
1 Beverage and Tobacco	103	38	91	115	176	70.92%
2 Crude Material (exc.fuel)	7,464	8,469	6,135	4,526	13,324	78.52%
3 Mineral Fuels, lubricant & related materials	199,246	73,730	111,811	242,048	110,542	-44.52%
4 Animal, vegetable oils, fats and waxes	792	192	0	378	2,787	252.09%
5 Chemical and related products, NES.	1,095	2,451	5,747	4,982	5,076	363.39%
6 Manufactured goods classified chiefly by material.	12,261	14,455	23,558	39,720	49,078	300.28%
7 Machinery and transport equipment.	733	2,113	1,362	2,252	3,156	330.41%
8 Miscellaneous Manufactured articles.	4,607	4,732	6,456	7,438	12,540	172.18%
9 Commodities & transaction not classified elsewhere in the SITC	1,133	11,732	10,298	12,805	6,748	495.77%
Total	264,971	140,760	190,993	336,775	223,677	-15.58%
Summary						
- Agriculture (0,1,2,4)	45,895	31,547	31,761	27,530	36,537	-20.39%
- Fuels (3)	199,246	73,730	111,811	242,048	110,542	-44.52%
- Manufactured (5,6,7,8)	18,697	23,751	37,122	54,393	69,851	273.60%
- N.E.S. (9)	1,133	11,732	10,298	12,805	6,748	495.77%

Sources:

- ABS, Foreign Trade Australia
- ABS, Year Book Australia 1990 (Consumer Price Index)
- Growth calculation is done by author

Table 4:

Malaysian Export Value to Australia and
Consumer Price Index (1981-1982=100.0)
(000) Aud

	1984-85	C.P.I.	1985-86	C.P.I.	1986-87	C.P.I.	1987-88	C.P.I.	1988-89	C.P.I.
0 Food & Live Animal	44,614	137.20	35,939	148.70	43,426	162.60	53,329	174.50	50,049	187.30
1 Beverage and Tobacco	12	137.20	8	148.70	39	162.60	93	174.50	135	187.30
2 Crude Material (exc.fue	97,044	137.20	83,454	148.70	104,084	162.60	139,412	174.50	190,283	187.30
3 Mineral Fuels, lubrican related materials	23,309	137.20	27,592	148.70	53,254	162.60	145,063	174.50	142,903	187.30
4 Animal, vegetable oils, fats and waxes	43,886	137.20	39,099	148.70	33,109	162.60	42,833	174.50	44,028	187.30
5 Chemical and related products, NES.	4,439	137.20	8,987	148.70	9,652	162.60	16,655	174.50	27,001	187.30
6 Manufactured goods clas fied chiefly by material.	60,941	137.20	63,597	148.70	98,877	162.60	91,525	174.50	113,874	187.30
7 Machinery and transport equipment.	19,247	137.20	22,047	148.70	27,296	162.60	48,879	174.50	71,175	187.30
8 Miscellaneous Manufactu articles.	19,383	137.20	20,701	148.70	25,457	162.60	31,440	174.50	38,844	187.30
9 Commodities & transacti not classified elsewhere in the SITC	6,071	137.20	24,008	148.70	14,477	162.60	21,503	174.50	8,846	187.30
Total	318,946		325,432		409,671		590,732		687,138	

Sources:

-ABS, Foreign Trade Australia

-ABS, Year Book Australia 1990 (Consumer Price Index)

Table 4a:

Malaysian Export Value to Australia

During 1984-85 to 1988-89 at Constant Price (1980-81 = 100.0)

In Thousand Australian dollars

	1984-85	1985-86	1986-87	1987-88	1988-89	5 Yrs Grwth
0 Food & Live Animal	32,517	24,169	26,707	30,561	26,721	-17.82%
1 Beverage and Tobacco	9	5	24	53	72	700.00%
2 Crude Material (exc.fuel)	70,732	56,122	64,012	79,892	101,593	43.63%
3 Mineral Fuels, lubricant & related materials	16,989	18,555	32,752	83,131	76,296	349.09%
4 Animal, vegetable oils, fats and waxes	31,987	26,294	20,362	24,546	23,507	-26.51%
5 Chemical and related products, NES.	3,235	6,044	5,936	9,544	14,416	345.63%
6 Manufactured goods classified chiefly by material.	44,418	42,769	60,810	52,450	60,798	36.88%
7 Machinery and transport equipment.	14,028	14,826	16,787	28,011	38,001	170.89%
8 Miscellaneous Manufactured articles.	14,128	13,921	15,656	18,017	20,739	46.79%
9 Commodities & transaction not classified elsewhere in the SITC	4,425	16,145	8,903	12,323	4,723	6.73%
Total	232,468	218,850	251,949	338,528	366,866	57.81%
Summary						
- Agriculture (0,1,2,4)	135,245	106,590	111,106	135,053	151,893	12.31%
- Fuels (3)	16,989	18,555	32,752	83,131	76,296	349.09%
- Manufactured (5,6,7,8)	75,809	77,560	99,189	108,022	133,953	76.70%
- N.E.S. (9)	4,425	16,145	8,903	12,323	4,723	6.73%

Sources:

-ABS, Foreign Trade Australia

-ABS, Year Book Australia 1990 (Consumer Price Index)

-Growth calculation is done by author.

Table 5:

Thailand Export Value to Australia and
Consumer Price Index (1981-1982=100.0)
(000 Aud.)

	1984-85	C.P.I.	1985-86	C.P.I.	1986-87	C.P.I.	1987-88	C.P.I.	1988-89	C.P.I.
0 Food & Live Animal	63,003	137.20	68,611	148.70	101,491	162.60	112,574	174.50	133,296	187.30
1 Beverage and Tobacco	1,079	137.20	3,702	148.70	4,111	162.60	2,609	174.50	3,412	187.30
2 Crude Material (exc.fuel)	6,015	137.20	9,237	148.70	11,202	162.60	10,942	174.50	12,387	187.30
3 Mineral Fuels, lubricant related materials	0	137.20	25	148.70	260	162.60	383	174.50	504	187.30
4 Animal, vegetable oils, fats and waxes	771	137.20	425	148.70	662	162.60	770	174.50	1,025	187.30
5 Chemical and related products, NES.	3,802	137.20	5,604	148.70	5,611	162.60	8,963	174.50	13,062	187.30
6 Manufactured goods classi- fied chiefly by material.	48,379	137.20	69,018	148.70	100,656	162.60	108,195	174.50	124,518	187.30
7 Machinery and transport equipment.	3,864	137.20	7,935	148.70	12,018	162.60	20,370	174.50	26,535	187.30
8 Miscellaneous Manufac- tured articles.	22,104	137.20	28,378	148.70	42,654	162.60	61,344	174.50	99,474	187.30
9 Commodities & transaction not classified elsewhere in the SITC	6,797	137.20	7,940	148.70	5,719	162.60	4,942	174.50	5,813	187.30
Total	155,814		200,875		284,384		331,092		420,026	

Sources:

-ABS, Foreign Trade Australia

-ABS, Year Book Australia 1988, 1989, 1990 (Import Index Price)

Table 5a:

Thailand Export Value to Australia
 During 1984-85 to 1988-89 at Constant Price (1980-81=100.0)
 in Thousand Australian dollars

	1984-85	1985-86	1986-87	1987-88	1988-89	5 Yrs Grwth
0 Food & Live Animal	45,921	46,141	62,418	64,512	71,167	54.98%
1 Beverage and Tobacco	786	2,490	2,528	1,495	1,822	131.63%
2 Crude Material (exc.fuel)	4,384	6,212	6,889	6,270	6,613	50.85%
3 Mineral Fuels, lubricant & related materials	0	17	160	219	269	unlimited
4 Animal, vegetable oils, fats and waxes	562	287	407	441	547	-2.62%
5 Chemical and related products, NES.	2,771	3,769	3,451	5,136	6,974	151.66%
6 Manufactured goods classified chiefly by material.	35,262	46,414	61,904	62,003	66,481	88.53%
7 Machinery and transport equipment.	2,816	5,336	7,391	11,673	14,167	403.04%
8 Miscellaneous Manufactured articles.	16,111	19,084	26,232	35,154	53,109	229.65%
9 Commodities & transaction not classified elsewhere in the SITC	4,954	5,340	3,517	2,832	3,104	-37.35%
Total	113,567	135,087	174,898	189,738	224,253	97.46%
Summary						
- Agriculture (0,1,2,4	51,653	55,128	72,242	72,719	80,149	55.17%
- Fuels (3)	0	17	160	219	269	unlimited
- Manufactured (5,6,7,8)	56,960	74,603	98,978	113,967	140,731	147.07%
- N.E.S. (9)	4,954	5,340	3,517	2,832	3,104	-37.35%

Sources:

- ABS, Foreign Trade Australia
- ABS, Year Book Australia 1988,1989,1990 (Import Price Index)
- Growth calculation is done by author.

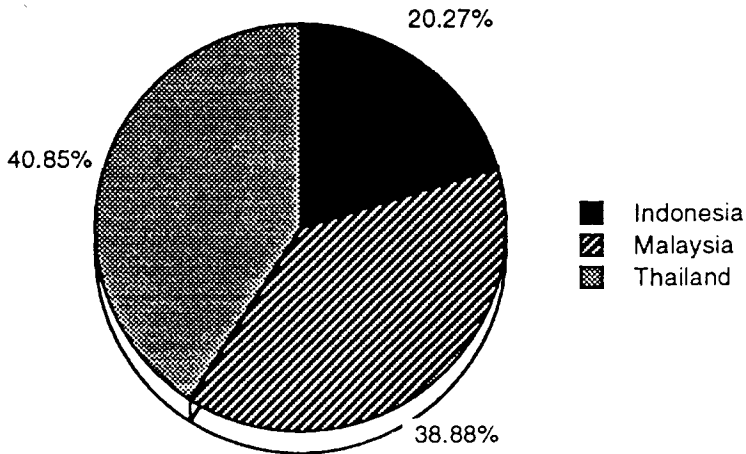


Figure 2: The comparison of total export value of manufactured products from Indonesia, Malaysia and Thailand to Australian in 1988-1989 at constant price (1980-1981) = 100.

Figure 2 shows the comparisons for the year 1988-1989. The comparisons of export values of manufactured products of Indonesia, Malaysia and Thailand to Australia for the last five years period (1984-85-1988-89) are shown in Figure 3.

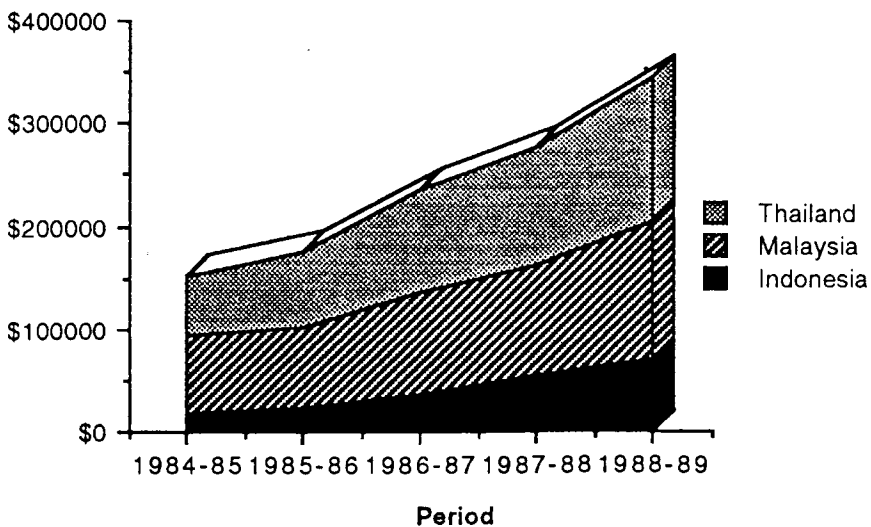


Figure 3: Growth of export value of Indonesia, Malaysian and Thailand's manufactured product to Australia during 1984-85 - 1988-89 at constant price 1980-81=100.

Since the 1980s, the Indonesia Government has been encouraging non-oil export, especially manufactured goods. The Indonesian Government effort to reorientate the export from oil to non-oil, has been assessed as successful by many parties (Hill, 1989, pp. 1-3). This rapid growth can be depicted as follows:

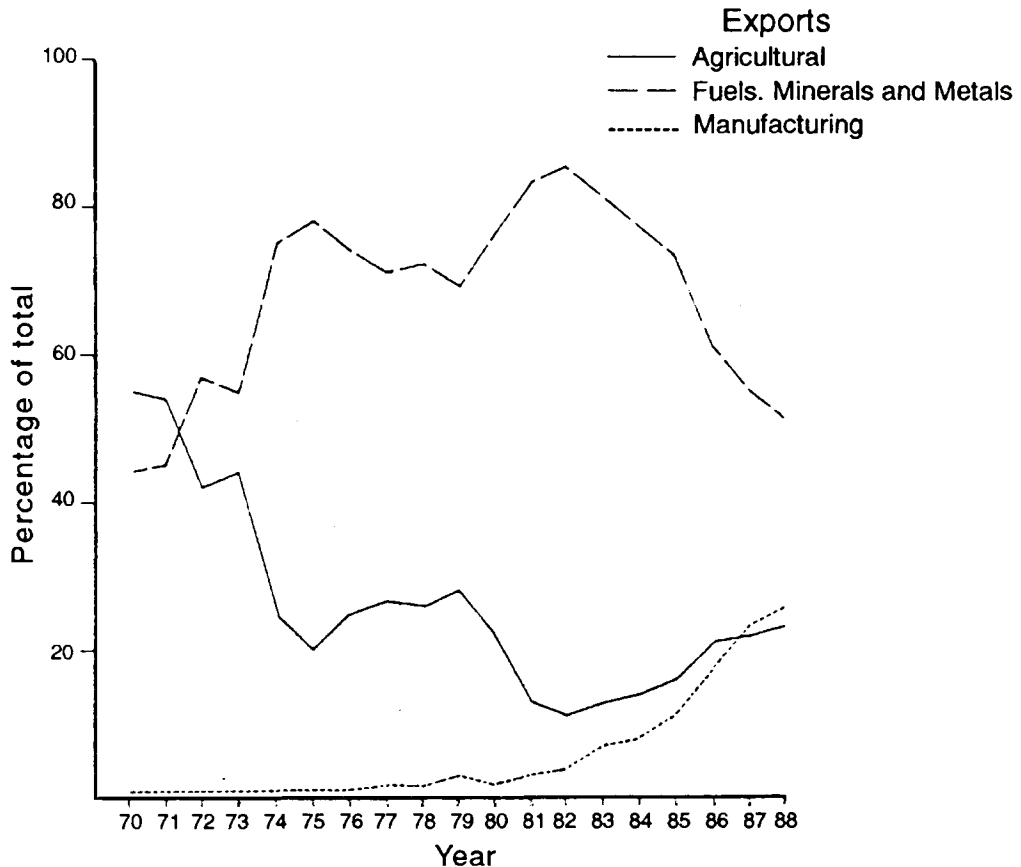


Figure 4: Composition of Indonesian Exports, 1970-88 (Adopted from Hill, 1989, p. 8.).

Note: Defined as follows: Agriculture - SITC 0,1,2 (excl. 27 & 28), 4; Fuels, Minerals & Metal - 27, 28, 3, 68; Manufacturing - SITC 5-8 (excl. 68).

Source: BPS, Ekspor [Exports], Jakarta, various issues.

Indonesia has a rapid growth in export of manufactured commodities, but this growth has not penetrated the Australian market successfully. The above data clearly indicate this fact.

The following questions should therefore be addressed to this phenomena: Why is Indonesia export value of manufactured products to Australia much lower than her two closest neighbours? Why is the Indonesian manufactured export to Australia performing poorly? What are the key factor(s) behind this? In the other words, the problem can be stated as follows: What are the key factors that induce the poor performance of Indonesian manufactured export to Australia?

Research Objectives

The purpose of this study or research is to attempt to investigate broadly the factors which result in the poor performance of export manufactured goods of Indonesia to Australia. This included factors at both the macro level or general aspects, and the micro level or specific aspects. Micro aspects include everything directly related to the products such as price, quality, delivery and promotion, and macro aspects include all aspects which indirectly related to export activity such as bureaucracy, banking practices, telecommunication system and so on. The study was oriented to both these aspects, i.e. (1) what are the factors or determinants that influence the performance of Indonesian manufactured export to Australia at the macro level, and (2) what are the factors or determinants that influence the performance of Indonesian manufactured export to Australia at the micro level.

Research Methodology

To answer the problem addressed in this study, inductive method, as well as deductive method were applied. The following techniques of data collecting are utilised.

o Literature Review.

This review was conducted for two things. Firstly, to objectively identify the problem that was observed or perceived. The basic idea of this study is

only a rough observation of the availability of Indonesian manufactured products in some Australian markets. The low availability of Indonesian products indicated that they have not yet succeeded in penetrating Australian market as well as they have the European Economy Community (EEC), United States of America (U.S.A.) and others [Hill, 1989, pp. 29]. When compared to Malaysia and Thailand, Indonesian exports to Australia are apparently lower. (Table 3 to 5).

Problem identification is based on data gathered from several publication issued by Australian Bureau of Statistics, relating to Australian Imports and Exports with its trading partners

Secondly, to search theoretically the determinants which are probably involved or have significantly influenced the problem being researched. This search is done by reading some textbooks, journal articles, and previous related thesis and dissertations.

o Experience Survey.

In addition to library research, two interviews with competent persons in relation to the Indonesian export performance to Australia have been conducted. They were first, the Indonesian Trade Attaché in Canberra, A.C.T. and second, the Director of the Indonesian Commercial Office or ICO (formerly The Indonesian Trade Promotion Centre or ITPC) in Sydney, New South Wales.

o Sample Survey.

In order to investigate the problem empirically, a sample survey has been conducted as well. Mail survey was selected instead of telephone or personal interview, due to cost and time restraints. Mail survey in this case, is less expensive than both telephone or personnel interview, because the respondents are living in wide range of areas throughout Australia, and Indonesia.

Two types of questionnaire were designed and respectively mailed to Australian importers as well as to Indonesian exporters.

Population and Sample

There is no accurate data available dealing with the fixed number of Australian importers who import from Indonesia, and the Indonesian exporters who export to Australia (research population). However, there is a list of Australian companies which have contacted The Indonesia Commercial Office (ICO) in Sydney. This list consists of the companies which have imported from Indonesia, or they are interested in to do so. Among the companies listed, seventy eight were chosen to be the respondents, they represented the following category of products:

- furnitures
- foods
- fabrics
- cement
- stationery

Of the Indonesian exporters, seventy eight were also chosen to be respondents. Those respondents are located in three Provinces, namely: West Java, Special Territory of Yogyakarta, and Bali. The selection of those provinces was influenced by the fact that there are many exporters who exported to Australia (in comparison to others), or companies whose products could potentially be exported to Australia. The respondents represented the following category of products:

- furnitures
- foods
- fabrics
- stationery
- handicraft

Survey Instruments

As stated earlier two kinds of questionnaire were designed and sent to respondents. One questionnaire was forwarded to Australian importers and the other sent to Indonesian exporters.

Data Analysis Method

Simple Univariate analysis has been conducted to the data collected. Data tabulation and statistical calculation was done using "Statwork" program of Macintosh Computer. Descriptive and qualitative analysis was done for major parts of data obtained, but to some others statistical manipulation was also done. T-statistic or student test were applied to test statistical manipulation of question number 3, and analysis of variance (ANOVA), F-Test and orthogonal test were applied to answers of questions number 5a,5b and 5c of questionnaire.

Research Findings

The conclusions of the study are summarised in the following section. In addition to these, the implication of the study, the limitations and further research suggestion are also discussed, they are written respectively after the conclusion section.

Conclusion

Because two points of view were used as a basis of analysis, the conclusions drawn can also be grouped into two, i.e. conclusions relating to macro or general aspects, and conclusions relating to micro or specific aspects. These conclusions are as follows:

o Macro or General Aspects

From a macro or general aspects analysis, the factors that appear to impact on Indonesian export performance are as follows:

1. Indonesian's new or short experience in exporting manufactured products. Indonesia recently began to encourage the export of manufactured products in the mid 1980s, after the collapse of oil prices. Before the mid 1980s, the economy of Indonesia was heavily depended upon the export of gas and oil. This condition seems represents the role of government determinant as described by Porter's diamond [1990, pp. 125-128]

2. Poor Infrastructures. The Infrastructures that are needed to support export activities such as communication system (telephone, facsimiles, telex), clear and unambiguous regulations, simple bureaucracy, banking practices and so on, have not been arranged as well as they could be. Many examples can be seen illustrating this factor, including the delays in transferring of money, poor telephone connections, and so forth.
3. The readiness of Indonesian Exporters. Because of lack of experience, Indonesian exporters are not yet be fully prepared to trade internationally. They seem not yet to be familiar with international trade habits and practices.
4. The information concerning Indonesia's capability to be a competitive supplier in manufactured products is not well recognised by many Australian importers. Ironically, the efforts to promote Indonesian products have not been effective, due to small funds provided by Indonesian Government.
5. Shipment costs seem to contribute significantly. Shipment cost from Indonesia is around 30 - 40 % higher than that of Malaysia and Thailand. This cost will add to the other costs which eventually influence the final price. That delivery is late and often wrong delivery is an important factor to be noted, as it is clearly depicted in Table 6, where delivery is placed in the first rank in the 'main problems' when importing from Indonesia.

Table 6: The main problems in importing from Indonesia.

Problems	Percentage
Delivery ^(a)	37.93%
Communication ^(b)	20.69%
Bank/LC/Bureaucracy	17.24%
Quality	20.69%
Price	<u>3.45%</u>
T o t a l	100.00%

Note: (a) Including late, continuity and wrong delivery

(b) Including the phone, fax and language problems

6. Overall, the determinants mentioned by Porter's diamond, i.e. factor conditions, demand conditions, supporting related industries, firm's structure, strategy and rivalry, and government role are less favourable in Indonesia, the one exception being physical resources.

o Micro or Specific Aspects

Several specific factors related to international trade have been examined in relation to the export performance of Indonesia to Australia, they are: price, credit availability (representing 'price' factor in marketing mix) quality, packaging, size and feature (representing 'product' factor in marketing mix), delivery (representing 'place or distribution' factor in marketing mix) and reliability. Those factors are compared between Indonesian, Malaysian and Thai products. The results are as follows:

1. Statistically there is significant difference between the mean of price of Indonesian products and the mean of price of Malaysian products, but there is no significant difference between the mean of price of Indonesian products and the mean of price of Thai products. However, this difference is not so important, at least in the short term. This is because importers on the other side (see Table 6 which listed the main problems perceived by importers when importing from Indonesia) place the price factor at the lowest rank. Price factor was given by only 3.45% of respondents, compared to delivery problems 37.93%, communication problems 20.69%, quality 20.69%, and bank / LC / bureaucracy problem 17.24%. On the other side, while the respondents (Australian importers) being asked the reasons why they imported from Indonesia, the responses also showed that price is qualitatively dominant. In addition to these, both the Indonesian Commercial Attaché and the Director of the Indonesian Commercial Office also stated that Indonesian products prices are generally still less expensive than those of Malaysia and Thailand.

The only thing that may support the above statistical conclusion is that price is influenced by shipment cost as supported by the opinion of the Director of Indonesian Commercial Office in that Indonesian sea fleet cost is around 30 - 40 % higher than Malaysia.

2. The differences of mean in quality, packaging, size and feature, credit availability, delivery and reliability factors between Indonesian, Malaysia and Thai products, are statistically not significant. However, attention to the quality, delivery and credit availability factor are still important, because many Australian respondents listed these factors as the main problems they are perceived.

In addition, the other conclusion can be drawn from data analysis, i.e. in terms of importance level, Australian importers assumed that price and quality of the product is the most important factor to be considered when importing manufactured products from overseas.

Implications of the Study

General or macro aspects so far, seem to play a more important role rather than did specific or micro aspects of poor performance of exports of Indonesia to Australia. Applying the determinants mentioned by Porter to the case of Indonesia, shows that almost all determinants are less favourable. In contrast, micro or specific aspects are basically not so bad, at least when compared to those of Malaysia and Thailand. It can be said that in terms of specific aspects Indonesian manufactured products are still relatively competitive and thus could penetrate the Australian market.

Based on the above, the improvement policies to support the competitiveness of Indonesian manufactured products should be directed mainly to the general or macro aspects, of communication systems (telephone, facsimiles, telex), bureaucracy, banking practices and so on. However, improvements to every thing related to specific or micro aspects should always be kept going to sustain the competitiveness developed to date.

Limitations of the Study

This study uses several different ways to approach the problem and collect the data, i.e. literature review, interview and mail survey by forwarding questionnaires to Australian importers which represent the buyers and Indonesian exporters which represent the seller.

Each technique utilised, however carries its own inherent limitations. Firstly, library research. After discussion of several theories developed by scholars, the model which was recently developed by Porter in his latest research was chosen to be applied to the case of Indonesia. This model however has been built on the study of several developed countries. The implication of Porter's model has not been examined, whether for developed countries themselves or

for developing countries. Furthermore, the data collected for the study of Indonesia are from various sources. They range from different years before 1990, and are not aimed especially to the the topic discussed in this thesis.

Secondly, interview. Two interviews have been conducted with the Indonesian Commercial Attache' in Canberra and Head of Indonesian Commercial Office in Sydney. These persons are the official representatives of the Government of Indonesia in relation with trading affair with Australia. However, an interview with any person does not always avoid bias and subjective opinions. This kind of limitation may also occur in this case.

Thirdly, mail survey utilising the questionnaire. This type of technique also contains the limitations such as, whether the sample chosen was representative of all the population, the incompleteness of response of respondents, and the possibility of different interpretation by each respondent to a particular question of the questionnaire when answering. Furthermore, as it is reported in the previous chapter, that no response at all came from Indonesian Exporters which prevented the researcher from being able to analysis the problem from the 'seller' point of view. Not much can be done to rectify these shortcomings, due the the cost and time restraints.

Further Research Suggestions

This is an investigation and exploratory study. Description approach has mainly marked the analysis used, and the scope of study, is still relatively broad.

Other techniques of research such as relationship and correlation study to macro as well as to micro aspects is suggested as further study of this topic, to ensure whether the factors or determinants found by this study are meaningful or not.

A narrower scope, for example the study of specific industry, and more specifically, particular products exported by Indonesia to Australia is also suggested. Different results, therefore, may be possible.

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