

Regional Competitiveness Analysis in Province of Gorontalo

Abdul Latif¹, Chairil Anwar², Eko Jokolelono³, Haerul Anam⁴, Edhi Taqwa⁵

¹Postgraduate Students Univeritas Tadulako, Palu & Lecturer at IAIN Sultan Amai, Gorontalo, Indonesia

²Lecturer at Postgraduate Universitas Tadulako Palu, Indonesia

³Lecturer at Postgraduate Universitas Tadulako Palu, Indonesia

⁴Lecturer at Postgraduate Universitas Tadulako Palu, Indonesia

⁵Lecturer at Postgraduate Universitas Tadulako Palu, Indonesia

doi: 10.51505/ijebmr.2022.6517

URL: <http://dx.doi.org/10.51505/ijebmr.2022.6517>

Abstract

The increased power is important based on the ability of the region to increase it. Regional ability to increase competitiveness depends on the ability of regions to find and determine the driving factors of competitiveness and provide economic policies that focus on transforming the acceleration of regional economic growth. This study aims to analyze the competitiveness of the macroeconomic stability of Gorontalo Province. The research is intended to find out how competitive macroeconomic stability of each district and city in Gorontalo Province. The districts/cities analyzed consisted of Gorontalo Regency, North Gorontalo Regency, Boalemo Regency, Pohuwato Regency, Bone Bolango Regency, and Gorontalo City. The research method applied in this study is descriptive analysis which provides an overview and geographic distribution of Gorontalo Province followed by quantitative calculation. The analytical tool engaged in this competitiveness study is the indicators and scope utilized by the Asian Competitiveness Institute (ACI). The results indicated that two of the six regencies and cities in Gorontalo Province were more competitive than the provincial average, specifically regency of Gorontalo and regency of Boalemo.

Keywords: Competitiveness, Macroeconomic Stability, Regional Economic Dynamic, Trade in Goods and Services

1. Introduction

Economic growth is one of the benchmarks by which a country competes with other countries. Economic growth is a process of changing economic conditions of a region or country within a certain period of time. Rapid economic growth can create prosperity for the society. Economic growth and development have a close relationship. In a study of 141 countries, Indonesia was ranked 50th. Based on research, Indonesia is ranked 54th in the competitiveness of macroeconomic stability. (Schwab, 2019).

Indonesia's was initially at 45th rank, but in 2018 it downgrades to 50th. One of them is caused by low labor market efficiency due to labor policies and low utilization of information and communication technology. This failure in competitiveness has direct and indirect impacts on various aspects of Indonesian society, especially the economic aspect.

A systemic procedure must be prepared in order to increase competitiveness. The development of an area must be in accordance with the conditions of the potential and aspirations of the community to grow and develop. If the implementation of regional development priorities is not in accordance with the potential possessed by each region, then the utilization of existing resources will be less than optimal.

The survey was conducted in 25 provinces in Indonesia, there are 8 provinces that have high competitiveness with a competitiveness index above 8.01 (Ministry of Research and Technology, 2019). Based on this data, the competitiveness index of Gorontalo Province is 5.61 and is a province with moderate competitiveness in the range between 3.01 – 6. In 2019, Gorontalo Province lags behind several other provinces that have a higher competitiveness index such as Riau, South Sumatra, Lampung, Bangka Belitung Islands, Central Java, West Java, Yogyakarta, East Java, Central Kalimantan, North Kalimantan, South Sulawesi and Southeast Sulawesi (Ministry of Research and Technology, 2019).

The increase in competitiveness level is important based on the ability of the region to grow. The ability of the region to increase competitiveness depends on the ability to find and determine the factors driving competitiveness and formulate economic policies that focus on the transformation of regional economic growth acceleration.

Today there has been a growing integration of regional or international scale economies. Regional economic integration is a process by which several economies within a region agree to remove barriers and facilitate the flow of goods, services, capital, and labor traffic. Trade liberalization, both international and regional, trade barriers can be reduced and even eliminated. The reduction and elimination of tariffs and non-tariff barriers will accelerate regional economic integration as the traffic of goods, services, capital and labor flows.

Free trade or regional cooperation is expected to cause efficiency and improve prosperity, but trade cooperation will also increase competition between members. But if this is addressed wisely, the benefits that can be reaped include increased specialization and increased trade itself. Each country can focus on the production of goods that have a comparative advantage so that there will be a reallocation of production factors. In the long run, there will be a balance of cheaper prices and more production, creating greater prosperity for the countries involved (Ekananda, 2015:19).

The competitiveness of an area will be seen through the process of inter-regional and international trade, which in the long run sectors that have competitiveness will become regional specialties (Suharto, 2002: 33). Even in general, all countries tend to prioritize the industrial sector is seen as a sector that has a high level of productivity, and the advantages of the industrial sector will get high added value, among others, the development of existing economic potential to be processed into productive goods, the creation of new jobs to create a form of income distribution evenly and finally can overcome the growth of unemployment in the area, and the goal of creating the welfare of the community is economically faster to realize.

The development of superior sectors must take place effectively and efficiently, in addition to seeing the relationship with the supporting elements, well-developed chain management or network structure so that the development process that starts from the provision of raw materials, processing, warehousing, distribution, and until the achievement of the target market can be done

more efficiently (lower production costs), especially production values with labor costs (Nusantoro, 2011).

Macroeconomic stability is a fundamental factor in ensuring sustainable economic growth. Efforts to maintain macroeconomic stability are carried out through steps that strengthen the resilience of the domestic economy against various types of turmoil that arise both from within and from abroad (Bappenas, 2020). Increased economic stability is supported by strengthening measures in the financial sector that support faster economic growth (Bappenas, 2020). Gorontalo's financial stability was still quite strong in the second quarter of 2020, within the condition of weakening economic that is reflected in the performance of banking third-party assets, lending, and fundraising supported by performance of NPL (Non-Performing Loan) of banking sector. (Bank Indonesia, 2020).

The macroeconomic stability of Gorontalo Province is determined from various indicators such as the Gross Regional Domestic Product (GRDP). GRDP data can be applied as a basis for defining economic growth targets and for evaluating the accomplishment level of development. The GRDP level (according to constant prices) of the Province of Gorontalo from 2015-2019 has increased from 2015-2018 and in 2019 the growth rate has declined.

The trade balance of Gorontalo Province fluctuated from year to year. In the period 2012-2019, the export performance of Gorontalo Province experienced several times of fluctuation. During this period, the export performance of Gorontalo Province reached its peak in 2018 with an export value of US\$33,434,568. However, in 2019 export performance declined again with an export value of US\$5,134,615 (BPS Gorontalo Province, 2020). Based on destination country, the Philippines is the largest export destination for Gorontalo Province. Total exports to the Philippines during 2019 reached US\$ 3,139,533, or around 61.14 percent of the total exports of Gorontalo Province. Another export destination country is Vietnam with an export value of US \$ 1,995,082 or reaching 38.86 percent of the total exports of Gorontalo Province in 2019 (BPS Gorontalo Province, 2020).

Furthermore, the growth of the import rate of Gorontalo Province throughout 2019 was reversed compared to the development of the export rate. In 2019, the import rate increased from US\$ 3.88 million to US\$ 42.85 million. The largest import rate comes from China. In 2019, the import rate reached US\$36,346,570 and increased from 2018. Besides China, Gorontalo Province also imported several commodities from the Republic of Korea, Singapore, and Malaysia (BPS Gorontalo Province, 2020).

Regional competitiveness is an important indicator in the development of an area, mapping regional competitiveness can be used to understand the problems faced by the region, with the ranking of the competitiveness of each region will be able to know the strengths and weaknesses so that the direction of development policy can be shown to see the shortcomings and continue to develop all potentials in accordance with the authority they have to be able to support the development process area.

Based on the background above, this study will elaborate the competitiveness of Gorontalo Province in terms of macroeconomic stability.

2. Literature Review

2.1. Theory of International Trade

International trade is country to country exchange on the basis of mutual trust and mutual benefit. International trade is not only implemented by developed countries, but also developing countries. International trade is performed through export-import activities, (Ekananda, 2018:18). According to Ibrahim, et. al., (2010), Trade has at least five benefits. The first is the replacement benefit. Some countries can produce products that exceed domestic demand and export surpluses (oversupply) to international markets. This will expand the market and increase the profit rate. On the other hand, excess demand for products can be provided by importing from other countries, allowing consumers to choose their consumption preferences that offer greater utility. The second advantage is due to specialization. In terms of trade, countries can focus more on the types of products that can be produced with relatively high efficiency. On the other hand, the need for products that cannot be efficiently produced domestically can be met by importing these products from other countries. The third, concerns the diversity of personal tastes due to the increased variety of products. The existence of commerce gives consumers more choices of products that can better support fulfillment and further increase their utility. The fourth advantage comes from the diversity of national foundations. With trade, countries that have little or no access to certain products before trade will meet the needs of these types of products through trade. The fifth, the transfer of the latest technology. International trade opens up opportunities for a country to learn a more efficient and modern production technique.

Export-import activities occur in international trade. From this activity, developed countries will obtain the raw materials needed by their industries as well as being able to sell their products to developing countries. Meanwhile, developing countries can export domestically products to earn foreign exchange. Developing countries also need investment through loans that can be obtained from developed countries. Foreign exchange and loans in the form of investment and capital can be used by developing countries to improve their economy.

Nowadays, economic integration is developing at the regional or international level. Regional economic integration is the process by which several economies within a region agree to remove barriers and promote the flow of goods, services, capital and labor. International and regional trade liberalization can reduce or even eliminate trade barriers. Reducing and eliminating tariff and non-tariff barriers will accelerate regional economic integration along with the smooth flow of goods, services, capital and labor.

Free trade and regional cooperation are expected to lead to greater efficiency and prosperity. However, trade cooperation also intensifies competition among member countries. However, the benefits that can be earned include increasing specialization and increasing trade itself. Each country can focus on the production of goods that have a comparative advantage so that there will be a reallocation of production factors. In the long run, there will be a balance of cheaper prices and more production, thus creating greater prosperity for the countries involved. (Ekananda, 2015:19).

2.2. Stability of Macroeconomics

Macro is something related to large quantities or large sizes, while economics is a branch of science that studies human life in meeting the needs of life, the aspects studied include the

production system, distribution system and its use or how to consume it, both goods and services. Bappenas, 2020). Macroeconomic theory is a part of economics that studies economic units as a whole. Analysis in macroeconomics concerned in the aggregate consumption, the activities of entrepreneurs, and changes in overall economic activity. The purpose of macroeconomics is to comprehend economic events or phenomena and to improve economic policies (Putong, 2013: 273). Further stated that the scope and focus of the Macroeconomics:

1. How the supply and demand sides determine the level of activity in the economy.
2. The main problems in economy.
3. The role of government policy and intervention to overcome the existing economic problems.

The main macroeconomic problems experienced by countries are the problem of economic growth, the problem of economic stability, unemployment, inflation, the trade balance and balance payment. (Sukirno, 2013: 4-9).

Stabilization policy in macroeconomics is a government job encouraged by Keynesians and the followers. An economic system that relies on individual economic policies that completely frees people for economic implementation does not rely on the help of "invincible hands".

It completely depends on individual preference, because each individual only maximizes his needs, to maintain individual economic conditions, to weaken the enemy's economic conditions, or financially do not care about the environment. The government that acts as a regulator is expected to be able to meet the needs and solve problems of society that arise in the economy.

2.3. Adam Smith Theory of Absolute Advantage

The theory of absolute advantage (Absolute Advantage) was first introduced by Adam Smith (1976) in his book *The Wealth of Nations*. Adam Smith encouraged free trade as a policy that would boost a nation to prosper. Adam Smith highlighted a theory of international trade called the theory of absolute advantage. According to him, in free trade, each country can specialize in producing commodities with absolute advantages and importing commodities with absolute losses. He argued that if a country wanted to compete, trade freely and specialize domestically, it was the same as wanting to trade internationally. It is best for each country to focus on goods that have an absolute advantage, and only import other goods.

Adam Smith identified that trade between two countries is based on absolute advantage. If a country is more efficient and has an absolute advantage over other countries in producing other commodities, then both countries can benefit by specializing in producing a commodity. This means that a country that has an absolute advantage will exchange it with other commodities that have an absolute loss. Through this activity, the resources in these two countries can be used in the most efficient way. Commodities produced will also increase. The increase in production is a measure of the benefits of specialization in production for the two trading countries. Smith believes that all countries will gain benefit from international trade between countries. Smith advocated, a *laissez faire* policy (policy that recommends as little government intervention as possible in the economy). Through international trade, the resources can be used efficiently and can maximize the welfare of the nations.

However, Smith's view is in contrast to the reality where there are so many distortions (restrictions) in international trade. Restrictions on trade will only benefit a few and harm others. Absolute Advantage Theory is based more on real quantities/variables than money. This theory is better known as the pure theory of international trade. This theory focuses on real-world variables such as the value of an object as measured by the amount of labor used to produce the item. The more jobs used, the higher the item value (Labour Value Theory). Adam Smith's simple theory of absolute advantage uses the labor theory of value. The labor theory of value is very simple because it is based on the premise that labor is homogeneous and assumes that labor is the only factor of production. In reality, labor is not homogeneous, there is not only one factor of production and the mobility of labor is not free.

2.4. Theory of Comparative Advantage

More advanced theory of international trade was introduced by David Ricardo. His theory is known as the theory of comparative advantage. David Ricardo's theory, developed in 1817, is one of the most important import and export laws and does not face many challenges in the application and practice of international trade.

In contrast to the absolute advantage theory which prioritizes the absolute advantage of a particular product in a country over other countries, this theory allows one country not to have an absolute advantage, since country has its own uniqueness in resources. You can engage in trade even if one country is less efficient at producing two commodities than the other. David Ricardo argued that all countries should specialize in products with a comparative advantage and import products with a comparative advantage. This theory states that if a country does not have an absolute advantage (as Adam Smith put it, it has a comparative advantage), but only a comparative advantage (that is, the prices of commodities in a country are relative). mutually beneficial (if any). Different each other.

Specialization in agricultural production between one region and another causes trade to be explained simply by the theory of absolute advantage (law of absolute advantage). The legal principle of absolute advantage is that a country will specialize in the production of goods where the country has an absolute advantage. Often times there are situations where absolute advantage is in an area, then this does not mean there is no more trade because what is important is not absolute profit, but comparative advantage or relative advantage. This theory says that a country will produce and then export an item that has the greatest comparative advantage or the smallest comparative loss.

Factors that encourage specialization for a country or region include:

1. Absence of significant natural resources,
2. The existence of a high comparative advantage in a product, both in the supply of raw materials as well as in capital and human resources,
3. The existence of transportation and communication that is good with other regions so that the disadvantages of specialization do not need to arise,
4. The existence of the agricultural industry allows for a good division of labor with the surrounding areas, thus bringing national benefits.

On the other hand, there are other factors that encourage a trend towards diversification, they are:

1. The long-term outlook is less certain than one major outcome,
2. Availability of other natural resources that have good prospects and more elastic demand,
3. The existence of high transportation costs in the export-import between regions.

David Ricardo is based on several assumptions about the law of comparative advantage. They are, 1) two countries (bilateral) and two commodities, 2) free trade (paid trade), and 3) complete labor mobility. Constant production costs, no transportation costs, 4) fixed technology, and 5) application of the applied labor theory of value. This theory states that a country produces relatively unprofitable goods before exporting them. In other words, the government produces products that can be produced cheaper, and the government imports products that for themselves are expensive to produce. This theory states that the value of an item is determined by the amount of labor expended to produced goods.

2.5. Theory of Comparative Advantage and Opportunity Cost

Ricardo's theory is based on some simplified and even very simplistic assumptions. One of them is the so-called labor theory of value. The theory detailed that the value or price of a commodity is equal to (or can be calculated from that point in time) the labor expended to produce the commodity. This theory believes that the cost of a product is the quantity of the second product that must be sacrificed to obtain the factors of production (sufficient resources) to produce additional units of the first product. We do not assume that the factors of production here are not only labor, but the costs and prices of commodities can be extracted from the level of labor (in this case, uniform labor). A country with a low cost of a product (such as rice) means it has a comparative advantage in that product (rice) and a comparative advantage in other products (excluding rice). According to the theory of comparative advantage (labor efficiency), the country specializes in manufacturing (and exporting goods) where it can produce relatively efficiently, and the country produces relatively low/inefficient goods. If you import, you will get benefit from international trade. The country's comparative advantage over other countries is also reflected in labor costs. The lower the labor cost, the lower the production price. This country produces products at relatively low prices. In other words, the country gain a comparative advantage in producing the product.

2.6. Competitive Advantage of Nation

Classical and modern international trade theory has weaknesses, especially related to several assumptions, including labor. Labor is considered as the dominant and homogeneous element of production. But in reality, the workforce is varied and different in terms of education level and qualifications. Moreover, these theories do not explain the importance of technology. These technological factors have had the greatest impact on the pattern and growth of international trade since the 1970s. The advantage of a country in global competition is determined not only by its comparative advantage, but also by protection or government policies and its competitive advantage.

With regard to competitive advantage, Michael Porter (1990) says that the things that must be mastered by a company or country to increase its competitive advantage are mainly technology, a high level of entrepreneurship, efficiency/productivity in production, quality of goods produced, broad and aggressive promotion, good technical service, skilled/educated workforce, work ethic, creativity and high motivation, economies of scale, innovation, product differentiation, capital, facilities and infrastructure as well as good management and processes production done with Justintime. Michael Porter further emphasized that competitive advantage is determined by 4 determinants: (1) comparative advantage, (2) demand in the domestic market both qualitatively and quantitatively, (3) the strong structure of domestic industry, (4) complete free trade market structure.

The increased power is important based on the ability of the region to increase it. Regional ability to increase competitiveness depends on the ability of regions to find and determine the driving factors of competitiveness and provide economic policies that focus on transforming the acceleration of regional economic growth. This study aims to analyze the competitiveness of the macroeconomic stability of Gorontalo Province.

1. Reduction or elimination of trade barriers will promote more open trade and facilitate the flow of goods and services thereby enabling the absorption of new technologies.
2. The benefits of research and development will flow to developing countries.
3. Stimulating economies of scale that can increase profits and increase investment.
4. More efficient allocation of production factor resources in various sectors.
5. Increase specialization so that it will increase efficiency.

International trade makes the allocation and use of resources more efficient, prosperous and accelerates economic growth. The highly competitive economic environment increases the demand for labor and capital, and as demand increases, resources shift to more productive sectors.

International free trade equals to international competition. Economists believe that competition drives companies to compete in the market, thereby increasing efficiency, developing and mastering technology, and create innovations. When international free competition is realized, all enterprises can benefit from economies of scale, and free trade can expand markets, enabling enterprises to grow significantly and increase production. The benefits that a country derives from economies of scale are called dynamic gains (Krugman & Obstfeld, 1988: 206). Economic theory has proven that international free trade improves national and global economic efficiency, achieves better income distribution, promotes economic growth, and ultimately increases economic prosperity. Trade theory first emerged in the 1970s, and many economists have shown that a firm's ability to achieve a certain level of economic power has a significant impact on international trade. The new trading theory has important implications. The theory is that countries can maintain their gains if there are no differences in aid resources and technology. The

theory also states that a country can control exports of staple goods. Because it is very profitable to have one or more companies that produce the product first.

According to M. Porter (Ekananda, 2015: 71), in the current era of global competition, a nation or country that has a competitive advantage can compete in the international market if it has four determining factors as a diamond as follows:

1. Endowment Factors (supporting): conditions of production such as skilled labor or infrastructure needs to compete in the industry. Porter distinguishes between basic factors and advanced factors (a country's infrastructure). Lack of natural gifts has led nations to invest in the creation of advanced factors, such as education, labor force, free ports and advanced communication systems, to enable their industries to compete globally.
2. Demand Condition: Demand for domestic products and services. Porter emphasizes that home demand plays a role in increasing the quality of competitive advantage. Companies are most sensitive to the needs of their closest customers. Porter argues that a national company's competitive advantage if their domestic consumers are sophisticated and demanding, thus forcing the company to have high standards of product quality and produce innovative models.
3. Relating and Supporting Industries (suppliers): The presence of suppliers and similar industries that are highly competitive internationally. The national advantage in an industry is the presence of suppliers/suppliers or industrial relations that are internationally competitive. The benefits of investing in advanced factors of production by industry associates and supporters can pour out into an industry, thereby helping it to achieve a strong and competitive position internationally.
4. Firm Strategy Structure and Rivalry (Strategy, structure and competition of the company): The situation of the country that forms the formation, organization, regulation of the company and knowing how the situation of domestic competition is. Porter also said the government could influence every component of the diamond. Diamond factors can be influenced by allowances, capital market policies, education policies, etc. The government can influence domestic demand through local product standards or by regulating and influencing business competition, such as; Laws prohibiting capital market regulations, introduction of tax laws, and industrial monopolies. Internationally successful countries' industries are generally supported by good conditions of production factors, high domestic demand and quality requirements, high upstream or downstream industries, and intense domestic competition. Strict competitive advantage. These four attributes often interact actively in countries that have been able to compete, so that a competitive advantage that is only supported by one or more attributes usually does not last long. In addition to opportunities, the government's role is also an important additional variable (Halwani, 2005:36 in Ekanda, 2015: 71-72).

3. Research Methodology

The research engaged a descriptive analysis which provides an overview and geographic distribution of Gorontalo Regency and can be calculated quantitatively. The analytical tool used in this competition analysis uses the metrics and ranges used by the Asia Competitiveness Institute (ACI). *Asia Competitiveness Institute (ACI)* uses a statistical method of standardized

scores (raw numbers). Standardized scores are relative comparisons to see how a province performs against the province on average, so that unit units of calculation are no longer relevant (Giap *et al.*, 2016:6). In statistical terms, a standardized score measures the standard deviation (standard deviation) of each province's averages. *The Asia Competitiveness Institute* adopts a comprehensive understanding of economic "competitiveness", considering the various factors that affect a region's ability to achieve high and inclusive economic development, over a considerable period of time (Amri, 2018:20).

If a district/city has a standardized score of zero (0), it has an average performance for the indicator. A negative score means the province is below average, while a positive score means the province is above average. The farther the score is from zero, the farther the district is called from the national average. If a district/city has a high positive score, it is much higher than the national average score.

$$\sqrt{\text{Standardized score} = \frac{\text{Initial Score} - (\text{Average})}{\text{Standard Deviation}}}$$

Source: Amri (2018:20)

Information:

0 (Zero) = Equal to the provincial average

- (Negative) = Below the provincial average

+ (Positive) = Above the provincial average

The farther away from zero, the farther away from the provincial average. The standardization or standardization of scores for each indicator is then aggregated at the sub-scope level and aggregated again at the scope level, and finally at the overall level.

4. Result and Discussion

This study aims to determine the competitiveness of Gorontalo Province in terms of Macroeconomic Stability. Economic stability is a basic prerequisite for achieving increased people's welfare through high growth and improving the quality of growth (Bappenas, 2020). The purpose of macroeconomics is to understand economic events or phenomena and to improve economic policies (Putong, 2013: 273). Macroeconomic stability is achieved when the main macroeconomic variable relationships are in balance. Macroeconomic stability covers the overall economic conditions in the province, in this case, limited to 2 sub-environments, specifically: regional economic dynamics and openness in trade which are described as follows.

Dimension	Indicator	Unit	Source
Regional Economic Dynamic	• Gross Domestic Product	Regional Million Rupiah	BPS
	• Growth of GDRP	Percentage	BPS
	• GDRP Percapita	Million Rupiah	BPS
	• Growth of Primary Industry	Percentage	BPS
	• Growth of Secondary Industry	Percentage	BPS
	• Growth of Tertiary Industry	Percentage	BPS
	• Domestic Fixed Capital Formation	Million Rupiah	BPS
	• Consumer Price Index	Index (ratio)	BPS
Trade Openness in Goods and Services	• Export of Goods and Services	Million Rupiah	BPS
	• Imported of Goods and Services	Juta Rupiah	BPS
	• Degree of Openness in Goods and Services	Ratio	BPS

Sumber: Giap *et al*, (2016:175)

Based on the analysis conducted above, the result is elaborated as follows:

Competitiveness According to Macroeconomic Stability

Regency	Mean	Ran k	Standardize d Score	Result
Regency of Gorotalo	1,09	1	1,86	Above the Provincial Average Score
Regency of Boalemo	0,13	2	0,23	Above the Provincial Average Score
City of Gorontalo	-0,02	3	-0,03	Below the Provincial Average Score
Regency of Pohuwato	-0,32	4	-0,55	Below the Provincial Average Score
Regency of Gorontalo Utara	-0,36	5	-0,62	Below the Provincial Average Score
Regency of Bone Bolango	-0,52	6	-0,89	Below the Provincial Average Score

Source: Data Processed (2021)

Macroeconomic stability can be achieved when the main macroeconomic variable relationships are in balance. The macroeconomic stability competitiveness index of Gorontalo Province is known that out of a total of six regencies/cities, there are only two areas achieved scores above

the provincial average, they are Gorontalo Regency and Boalemo Regency. Based on the results of the research in the table above, it can be seen that the competitiveness index score in the scope of macroeconomic stability ranges from -0.89 (Bone Bolango; rank 6) to 1.86 (Gorontalo Regency, ranked 1). Where in this case, if the standardized score shows a positive value, then the district/city has higher macroeconomic stability than the province. On the other hand, if the standardized score shows a negative value, it means that the district/city has lower macroeconomic stability than the province.

Gorontalo Regency has the most competitive macroeconomic stability index than other regencies/cities, this can be seen from several indicators that are higher than the provincial average such as gross regional domestic product, per capita GRDP, primary industry growth, secondary industry growth, tertiary industry growth and growth gross domestic fixed capital, but the GRDP growth indicator is still below the provincial average. Based on data from the Central Statistics Agency (BPS), the GRDP growth of Gorontalo Regency is 6.22 percent. although if this figure is compared with the GRDP growth of other regencies/cities, the magnitude of the GRDP growth of Gorontalo Regency is indeed smaller. The highest GDP growth was recorded in Gorontalo City. But based on the amount of GRDP obtained by each district/city of Gorontalo Province, Gorontalo Regency has the largest amount of GRDP, which is 8,867 million Rupiah.

The growth of the industries, displayed in the GRDP of Gorontalo Regency (primary, secondary, and tertiary industries), has experienced large growth compared to other regencies/cities. The growth of the primary industry of Gorontalo Regency is 41.81 percent, this acquisition is the highest gain among other regions in Gorontalo Province. The secondary industry grew by 28.04 percent and the tertiary industry grew by 30.15 percent.

Furthermore, Boalemo Regency is in second position which has a macroeconomic stability competitiveness index score of 0.23. Boalemo Regency, although in terms of GRDP, is included in the three regencies that have a low GRDP, but in terms of growth, Boalemo Regency is the third region that has the highest GRDP growth. It can be said that the macroeconomic competitiveness of Boalemo Regency has a high value, this is also shown from the results of data processing that Boalemo Regency is included in an area where the competitiveness of macroeconomic stability is above the provincial average.

M. Proter emphasized that a successful country's industry on an international scale is generally supported by good conditions of production factors, high domestic demand and quality demands, advanced upstream or downstream industries, and intense domestic competition. Strict competitive advantage. Competitive advantage that is only supported by one or more attributes will not survive for long, because these four attributes often interact positively in countries that are successful in increasing competitiveness. Besides opportunity, the role of government is also a significant additional variable.

One of the foundations of macroeconomic stability is the openness of trade and services.

Ibrahim et al. (2010) found that trade has at least five benefits, specifically the first, benefit of exchange. Some countries can produce products that exceed domestic demand and export

surpluses (oversupply) to international markets. This will expand the market and increase the profit rate. On the other hand, excess demand for products can be met by importing from other countries, allowing consumers to choose consumption baskets that offer greater utility. The second advantage is due to specialization. In terms of trade, countries can focus more on the types of products that can be produced with relatively high efficiency. On the other hand, the need for products that cannot be produced efficiently in Japan can be met by importing these products from other countries. The third advantage of trade concerns the diversity of personal tastes due to the increased variety of products. The existence of commerce gives consumers more choices of products that can better support fulfillment and further increase their utility. The fourth advantage comes from the diversity of national foundations. With trade, countries that have little or no access to certain products before trade will meet the needs of these types of products through trade. The fifth advantage is due to the transfer of the latest technology. International trade opens up opportunities for countries to learn more efficient and modern production techniques.

The more exposed trade between goods and services, the greater the macroeconomic stability of the region. This increase becomes the pride of the region, which in turn creates competitiveness and, in the end, achieves people's welfare. This activity must also be accompanied by justice so it prevents inequality. Emphasized that inequality in the district and city of Gorontalo still exists, but this is reflected in the results of the competition scores for macroeconomic stability in the district and city of Gorontalo, and the national average that competes in only two regions. This is an important phenomenon for the government to be able to take steps to increase regional competitiveness, especially from the perspective of macroeconomic stability. However, macroeconomic stability is a fundamental factor in sustainable economic growth.

5. Conclusion

The results disclosed that the competitiveness of the macroeconomic stability of the Economic Province of the six regencies/cities, only two regencies that presented a standardized score above the average of the Gorontalo Province, that are Gorontalo Regency and Boalemo Regency. Gorontalo Regency has the most competitive macroeconomic stability index than other regencies/cities, this can be seen from several indicators that are higher than the provincial average, such as primary industry growth, secondary industry growth, and tertiary industry growth. The growth of the industries that make up the GRDP of Gorontalo Regency (primary, secondary, and tertiary industries) has experienced large growth compared to other regencies/cities. Meanwhile, Boalemo Regency, although in terms of GRDP, is included in the three regencies that have a low GRDP, but in terms of growth, Boalemo Regency is the third region that has the highest GRDP growth among the six regencies/cities of Gorontalo Province.

Macroeconomic stability competitiveness is created when: 1) Products have a high comparative advantage both in terms of supply of raw materials as well as capital and human skills. 2) The disadvantages of specialization are having very good transportation and communication with other regions, 3) the existence of an agricultural industry which allows for a good division of labor with the surrounding area and thus brings super-regional advantages. Those issues require

special attention from the government for the sake of the development of Gorontalo's competitiveness in formulating regional development policies.

References

- Abdullah. (2002). *Daya Saing Daerah*. Yogyakarta: BPFE.
- Arsyad, Lincoln. (2010). *Ekonomi Pembangunan*. Yogyakarta: STIE-YKPN.
- Bank Indonesia. (2020, Agustus). *Laporan Perekonomian Provinsi Gorontalo*.
- Bappenas. (2020, November). *Pemantapan Stabilitas Ekonomi Makro*. From kementerian Perencanaan Pembangunan Nasional Republik Indonesia: <https://www.bappenas.go.id/files/1213/5229/9964/bab-24-pemantapan-stabilitas-ekonomi-makro.pdf>
- BPS Provinsi Gorontalo. (2020). <https://gorontalo.bps.go.id/>
- Ekanada, Mahyus. (2015). *Ekonomi Internasional*. Jakarta: Penerbit Erlangga.
- Ibrahim, Zaini. (2013). *Pengantar Ekonomi Makro*. Banten: Lembaga Penelitian dan Pengabdian Kepada Masyarakat (LP2M) IAIN Sultan Maulana Hasanudin Banten.
- Krugman, Paul R., Obstfeld, Maurice. (1998). *International Economics, Theory and Practice*. London: Scott, Foresman & Company.
- Publikasi. (2018). *Laporan Perekonomian Provinsi Gorontalo*. Badan Pusat Statistik Provinsi Gorontalo
- Publikasi. (2019). *Produk Domestik Regional Bruto Kabupaten/Kota di Provinsi Gorontalo menurut Lapangan Usaha 2014—2018*. Badan Pusat Statistik Provinsi Gorontalo
- Publikasi. (2020). *Laporan Perekonomian Provinsi Gorontalo 2019*. Badan Pusat Statistik Provinsi Gorontalo
- Putong, Iskandar. (2013). *Economics Pengantar Mikro dan Makro*, Edisi 5. Jakarta: Salemba Empat.
- Porter, Michael E. (1990). *The Competitive Advantage of Nations*. The MacMillan Press Ltd.
- Schwab, K. (2019). *The Global Competitiveness Report 2019*. Switzerland: World Economic Forum.
- Sukirno, Sadono. (2013). *Makro Ekonomi Teori Pengantar*. Jakarta: Rajawali Press.