

## DOES INTERNATIONAL TRADE AFFECT WELFARE? ECONOMIC FIQH ANALYSIS OF UMAR BIN KHATTAB

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<i>Info article</i>	<i>Abstract</i>
<p><i>Article history:</i> Received November 30, 2019 Revised December 14, 2019 Accepted December 30, 2019 Available online January 18, 2020</p>	<p><i>International trade in the era of globalization is essential. With international trade, the world economy becomes interconnected (Sharing economic) and interdependent. This study aims to find out and analyze how much influence international trade has on improving domestic welfare. The method used in this study is the PLS method, which is a type of multivariate research. International trade as an independent variable and welfare variable as the dependent variable is a construct of the overall model. Trade variables are indicated by FDI and Net export variables, while welfare variables are indicated by variables of income, consumption and wealth. From the results of this research, it was found that the construct variable namely international trade as an independent variable had a significant effect on the dependent variable, welfare. While the indicators for each variable, namely the value of FDI and Net exports, has a significant impact on international trade variables. Likewise with welfare indicators, namely the level of income, consumption and wealth also affect welfare.</i></p>
<p><b>Keyword:</b> <i>Foreign Direct Investment, Income, International Trade, Net Export, Wealth, Welfare</i></p>	
<p>JEL Classification : E22; F02; E21; H75</p>	

### INTRODUCTION

The beginning of the twentieth century becomes a euphoria of international trade relations. The world economy is interconnected; it is often referred to globalization as the movement to a global economy. "Globalisation is described as a process of integration into the world economy. (Siddiqui, 2016) International economic relations through the era of globalization also leads to interdependence condition. The boom period, recession, economic policy and the pattern of political activities will influence other countries.(Dornbush, Fischer, & Startz, 2014)

Globalization followed by the development of the economic sector has become mutually integrated among nations, both the ASEAN regions and outside Asia. (Suliswanto, 2016). Mercantilist and Classical schools view that foreign trade is a source of wealth for a country (Sukirno, 2010) and (Dornbush et al., 2014) There are so many advantages that a state can gain if it engages in bilateral or multilateral relations. The benefits include obtaining goods that are not produced domestically, specialized, maximum market invasion, and utilization of technology. Trade relations should bring benefits to the Indonesian state. These benefits can be seen from economic activities that tend to be positive. Positive benefits are also indicated from the increasing value of welfare, because the ultimate goal of economic activity is the achievement of welfare for the community. The level of welfare can be seen based on several

instruments, including: Human Development Index (HDI), Human Development Index (HDI), and Per capita income. (Sen et al., 2011)

(Siddiqui, 2016) states that international trade becomes a very important part, because international institutions strongly encourage the existence of international trade and finance, especially developing countries. Although negative impacts will also arise due to trade, such as domestic welfare caused by foreign direct investment variables that affect the consumption consumption pattern. (Cao & Mukherjee, 2018). In addition, international trade also influences the monetary sector by depreciating the exchange rate, while a high level of productivity increases the average exchange rate of the country's currency. (Gantman & Dabos, 2016). One of the countries that has experienced the effects of international trade is China. Export and import activities in China are very significant in the foreign direct investment sector. (Abeliansky & Martínez-Zarzoso, 2018).

In Umar bin Khattab's economic fiqh rules, International trade is not always about profit. (Sari, 2015) However, it is how the sustainability of all the resources in it and problems of lifestyle and ideology. In fiqh economy of Umar view, a country that engages in international economic relations with other countries besides taking the advantages but it must also avoid *Madharat*. (Firdaus, 2013) If international cooperation only brings *Madharat* so that international industrial relations need to be reviewed. In the *Muamalah* or transaction activities, some rules must be fulfilled to guard against prohibited things and violate shariah provisions. Therefore, a country will intervene to prevent the issuance of some commodities and allow other commodities, and intervene in the business of *kafir Harbi* and *Mu'ahid*. (An-Nabhani, 1996), (Firdaus, 2013) and (Rizqi, 2016).

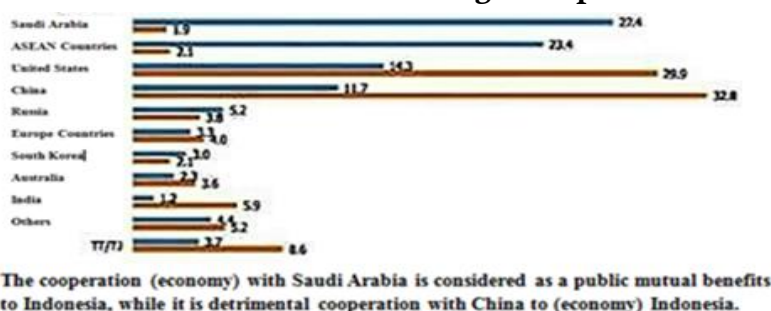
According to the description above, it is interesting to analyze the effect of international trade on welfare where temporary FDI and Net Export values represent global trade variables, and welfare variables are indicated by the amount of income, consumption, and wealth. Economic activities such as international trade, have an impact. It is not only for the country concerned but also has a direct effect on other countries, including Indonesia. The indicators of the advantages from international trade can be seen from the value of Foreign Direct Investment (FDI) and the amount of Net Export (Export-Import) As is well known, Indonesia's trading partners, United States, and China, are Indonesia's leading export destination countries. According to the Central Bureau of Statistics (BPS), the United States and China are the leading export destination countries besides Japan and other countries. Non-oil and gas exports to the United States until September 2016 was US\$ 13.6 billion. (BPS, 2018) A significant export value will influence the level of domestic economic growth. Besides, higher economic growth is expected to increase people welfare. (Keane, 2008)

Following the balance of trade between Indonesia and the United States, the value of Indonesian goods exports, both oil and gas or non-oil and gas, has a surplus from the United States, and vice versa. In other words, the United States is one of the leading destination countries for Indonesian exports besides

China. The trade specialization index (ISP) value for both oil and gas exports or non-oil and gas is positive above 0 to 1. Therefore, oil and gas or non-oil and gas commodities have strong competitiveness. It means that Indonesia tends to be an exporter of these commodities. However, following ten types of Indonesia's primary export commodities to America as the most significant contributor of foreign exchange such as textiles and textile products (TPT), the footwear industry, electronic products, furniture, and horticultural commodities are threatened lethargy. It occurred since the policy of shutdown decision on government services is feared to reduce consumption of the product that the United States imported.

In contrast, to the balance of trade conditions between Indonesia and the United States, the international trade positions between Indonesia and China which can be assessed following the balance of trade. It shows the position of balance of trade surplus for China since a year of the enactment of ACFTA. Through these two conditions, Indonesia still has the opportunity to surplus as long as there are real efforts from the government to boost exports of finished products. (CSIS, 2017). The Center for Strategic and International Studies (CSIS) conducted a study of beneficial and detrimental foreign cooperation of international trade carried out by Indonesia and several countries in the world. The result and CSIS study reveal that Saudi Arabia is Indonesia's most profitable trading partner, while China is the most detrimental trading partner to Indonesia (CSIS, 2017). The result of the study on beneficial and harmful foreign cooperation to Indonesia in the following figure:

**Figure 1: Beneficial and Detrimental Foreign Cooperation To Indonesia**



Source: CSIS, 2017

Appropriate government policies in deciding the value of exports and imports of goods from abroad and also to overseas can reduce dependence on the consumption of foreign products. Reducing the value of dependence will increase domestic production. Therefore, it is expected that higher productivity can maximize the use of domestic resources and end up with improvement in people welfare. (Ilyas, 2016)

## RESEARCH METHODS

This study is a study that analyzes the influence of international trade on welfare. Hence, this study is an inferential quantitative study using *partial least square* (PLS) analysis. In the find out the effect of international trade variables on the level of well-being, an analysis tool called Partial Least Square (PLS) is

used. Partial Least Square (PLS) is an alternative approach to developing a causal model of predictive linear relationships between latent predictive variables and bound latent variables. The PLS method is a powerful analytical method because it can be used on every type of data scale and the terms of a more flexible assumption. PLS does not assume data must follow a specific distribution, as does a multivariate normal distribution.

Using of PLS analysis tools in this study is more of a reason to be able to uncover more complicated the relationship between several independent variables on some of the dependent variables. In this study, the dependent variable which consists of multivariate variables has analyzed the effect on the dependent variable which generally has one variable, while in this study the dependent variable has three indicators, each of which is used as an analysis tool. These three variables have a level of income, consumption, and level of wealth. PLS testing in this study uses the help of SmartPLS 3 for Windows software.

### Definition of Variable Operational

This study using Inferential quantitative research study with *partial least square* (PLS) analysis, by entering several variables as analysis objects, there are:

1. Independent Variable (X) namely the International Trade variable with the analytical instrument is :

$X_1$  (FDI) : FDI or *Foreign Direct Investment* is a type of expenditure on foreign investment in domestically produced goods and services.

$X_2$  (NX) : *Net Export* or net exports (export value minus imports) are expenditures of other countries for goods and services produced or produced by the private sector or companies.

2. Dependent Variable (Y) namely welfare is the achievement of material living standards which according to Sen the instrument following :

$Y_1$  (Income) : Several values for goods and services produced by a country in a certain period. Income in the other sense is a flow or purchasing power generated from the use of resources, but also human resources even natural resources.

$Y_2$  (Consumption): A total amount of expenditure to obtain goods and services in an economy for a specified period.

$Y_3$  (Wealth) : Wealth as everything useful and used by humans. While according to Sloan and Zurcher wealth is all material things that have beneficial properties and can be achieved by numbers.

### Evaluation of the Measurement Model

Evaluation of the measurement model (outer model) is an evaluation of the relationship between the construct and the indicator. It can be said that the measurement model (outer model) defines how each indicator relates to other latent variables. The evaluation has two kinds of stages, namely evaluation of convergent validity and Discriminant validity.

$$\chi = \Lambda_X \xi + \epsilon_X \dots\dots\dots(1)$$

$$Y = \Lambda_Y \eta + \epsilon_Y \dots\dots\dots(2)$$

From the formulation, it is known that  $x$  and  $y$  are variable indicators for exogen and endogen latent variables  $\xi$  and  $\eta$ , while  $\Lambda X$  and  $\Lambda Y$  are loading matrices which describe simple regression coefficients that connect latent variables to their indicators. Residuals measured by  $\epsilon X$  and  $\epsilon Y$  can be interpreted as measurement errors.

**Convergent validity**

Convergent evaluation validity is done in three stages, namely indicators of the validity, the reliability of the construct, and the value of average variance extracted (AVE). The indicator stage of validity can be seen from the factor loading value. If the factor loading value of an indicator is more than 0.5, it is said to be valid. Conversely, if the factor loading value is less than 0.5, then it is removed from the model.

The average variance extracted formula can be formulated as a formula :

$$AVE = \frac{\sum_i^n + 1\lambda_i}{n} \dots \dots \dots (3)$$

AVE = The average percentage variance value derived from latent variables estimated through standard loading is indicated in the algorithm iteration process in PLS.

$\lambda$  = Symbolizes standardized loading factor and it is the number of indicators.

The next step is to calculate the reliability value by calculating the value of Cronbach's alphabet and the composite reliability value ( $\rho c$ ). The reliability can be formulated as a formula:

$$\rho c = \frac{(\sum \lambda)^2}{(\sum \lambda_i)^2 + \lambda_i Var(\epsilon_i)} \dots \dots \dots (4)$$

Furthermore, measuring the structural model (inner model), this measurement aims to predict the causality relationship between latent variables. The structural model (inner model) is evaluated by looking at the percentage of variance explained by the  $R^2$  value for the dependent variable using the size of the Stone-Geisser Q-square test. The formulation is :

$$\eta = \beta_0 + \beta \eta | + \Gamma \xi + \zeta \dots \dots \dots (5)$$

Where:  $\eta$ =Endogenous factor (Dependent)latent variable; $\xi$ =Exogenous factor (independent)  $\xi$ = Residual factor.

The relationship between latent variables, each latent dependent variable, is defined as a causal system from latent variables which are formulated as :

$$\eta = \sum_i \beta_{ji} \eta_i + \sum_i \gamma_{jb} \xi_b + \zeta_j \dots \dots \dots (6)$$

Where  $\beta_{ji}$  and  $\gamma_{jb}$  are path coefficients that connect endogenous predictors and exogen latent variables  $\xi$  and  $\eta$  along the range of indexes  $i$  and  $b$ ,  $\zeta$  and are inner residual variables. If the results produce  $R^2$  values greater than 0.2, then it can be interpreted that latent predictors have a significant influence on the structural level.

The R-square PLS model can be evaluated by looking at Q-square predictive relevance for the variable model. Q-squares measure how the observation values produced by the model and also the parameter estimates. Next, form the R-square calculation.

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_p^2) \dots \dots \dots (7)$$

## RESULT AND DISCUS

In the find out the effect of international trade variables on the level of well-being, an analysis tool called Partial Least Square (PLS) is used. Partial Least Square (PLS) is an alternative approach to developing a causal model of predictive linear relationships between latent predictive variables and bound latent variables. The PLS method is a powerful analytical method because it can be used on every type of data scale and the terms of a more flexible assumption. PLS does not assume data must follow a specific distribution, as does a multivariate normal distribution.

Using of PLS analysis tools in this study is more of a reason to be able to uncover more complicated the relationship between several independent variables on some of the dependent variables. In this study, the dependent variable which consists of multivariate variables has analyzed the effect on the dependent variable which generally has one variable, while in this study the dependent variable has three indicators, each of which is used as an analysis tool. These three variables have a level of income, consumption, and level of wealth. PLS testing in this study uses the help of SmartPLS 3 for Windows software.

The data of this study used is annual data taken from the World Bank, Global Wealth Report and BPS (Badan Pusat Statistik) which began in 1999 until 2016. The data is calculated using SmartPLS 3 for Windows software, using an algorithm and bootstrapping calculations. The test results are reflected in the following picture:

**Picture 1. Results of Calculation of Algorithms**



Source: Data Processed, 2018

Information:

X1: Foreign Direct Investment (FDI)

X2: Net Export Value (Net Export)

X: International Trade

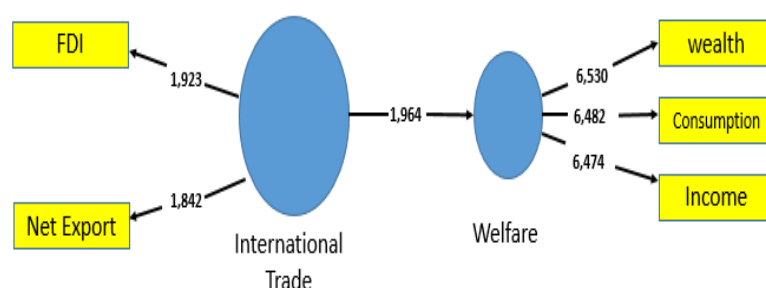
Y1: Wealth (Wheal)

Y2: Consumption

Y3: Income

Y: Welfare

Picture 2. Bootstrapping Calculation Results



Source: Data Processed, 2018

### Evaluation of the Measurement Model

Evaluation of the measurement model (outer model) is an evaluation of the relationship between the construct and the indicator. It can be said that the measurement model (outer model) defines how each indicator relates to other latent variables. The evaluation has two kinds of stages, namely evaluation of convergent validity and Discriminant validity.

Table 1. An indicator of Validity (*Factor Loading*)

Indicator	International trade	Welfare
FDI	0,939	
Net Export	-0,885	
Wealth		0,969
Consumption		0,990
Income		0,992

Source: Data Processed, 2018

### Convergent validity

Convergent evaluation validity is done in three stages, namely indicators of the validity, the reliability of the construct, and the value of average variance extracted (AVE). The indicator stage of validity can be seen from the factor loading value. If the factor loading value of an indicator is more than 0.5, it is said to be valid. Conversely, if the factor loading value is less than 0.5, then it is removed from the model. The results of Factor Loading in this study are as follows:

- Foreign Direct Investment (FDI) has a relationship level of 0.939 for International Trade.
- Net Exports have a relationship level of -0,885 to International Trade.
- Wealth has a relationship level of 0.969 to Welfare.
- Consumption has a relationship level of 0.990 towards Welfare.
- Income has a relationship level of 0.992 to Welfare.

The FDI and Net Export variables are very influential in international trade activities because the relationship is almost close to 100%. The indicators of positive foreign direct investment indicate a unidirectional link, which is the

more foreign investment coming into the country, the higher the international trade activity. Conversely, the negative net export variable indicates a balance of payments position that is highly dependent on the export and import variables, whenever the export value is higher than the import value the net exports, the better. The better the value of net exports, it can be said that international trade is getting better, whether good or not is seen in the value of the current account; *balance of payment*, if the export value decreases against imports, then international trade is getting worse which is indicated by the existence of a balance of payments deficit.

Meanwhile, the variable of consumption, wealth, and income are very influential on welfare because the relationship is close to 100%. The high consumption of a household, corporate, and government spending will increase national income. If national income increase, the people's welfare correspondingly increase. In addition to that, property ownership is also an indicator of increasing public welfare. The more wealth is circulating in the community, the better the welfare value. Likewise, the increase in income. The increase in the level of people's purchasing power was very decisive the increase in income. Increasing purchasing power is an indicator of rising levels of welfare.

The next step of *convergent validity* is constructing reliability by looking at the output on *composite reliability* and *Cronbach's alpha*. Criteria can be told of reliable by looking at the *composite reliability* value and *Cronbach's alpha* more than 0,70.

**Table 2. Construct Reliability**

Construct	Composite reliability	Cronbach's alpha
Welfare	0,989	0,983
International Trade	0,009	-4,071

Source: data processed, 2018

The result of the following output present that the construct has a composite validity value and Cronbach's alpha is more than 0,70. Except for constructing international trade. The next step is to evaluate convergent validity by looking at the value of AVE. Construct has good convergent validity although the value of AVE is more than 0,5. Based on the table below all the constructs are worth more than 0,5.

**Table 3. AVE Value**

Construct	AVE
Welfare	0,967
International Trade	0,832

Source: data processed, 2018

### Discriminant validity

*Discriminant validity* evaluation has two steps, first by looking at the *cross loading* value and comparing between the square of the correlation between the construct and the AVE value or the correlation between the construct and root AVE. Next is the result of the *cross loading* value.



**Table 4. Cross loading Value**

Indicator	International Trade	Welfare
FDI	0,939	0,810
Net Export	-0,885	-0,597
Wealth	0,691	0,969
Consumption	0,799	0,990
Income	0,817	0,992

Source : data processed, 2018

The criteria in the measuring of discriminant validity are each indicator that measures its construct must be correlated higher with its construct compared to other constructs. Based on the table above, it is known that the correlation between FDI and net export with international trade constructs is 0,939 and -0,885. The correlation of indicator value is higher by the conception of international trade construct than the construct of welfare. Besides, the indicator of wealth, consumption, and income have a higher correlation with welfare construct, and it has compared to international trade constructions so it can be concluded that discriminant validity has a good value.

The next step in discriminant validity is by comparing the correlation value and the construct root AVE. The result of SmartPLS are as follow:

**Table 5. Latent Variable Correlation**

Construct	Welfare	International Trade
Welfare	1	
International Trade	0,785	1

Source: data processed, 2018

Based on the correlation data of latent above, it is known that international trade variables have an influence on the welfare variable by 0,79% and it is close to 100%. The correlation value states that latent variables have a significant value in this study. This value has appropriate with the analysis model made in this study. The high influence of latent variable is the impact of the high influence of each variable, both from indicators of international trade and from indicators welfare variables.

**Table 6. Root AVE**

Construct	AVE	Square Root AVE
Welfare	0,967	0,983
International Trade	0,832	0,912

Source: data processed, 2018

Discriminant Validity test is done by comparing the value of the square root of average variance extracted (AVE) along with each construct and construct correlation that contained in the model. While the value of construct AVE is higher than the correlation with other constructs, it can be said that the value of discriminant validity has good value. The result of AVE value must be higher than 0,50.

Based on the table above the maximum correlation of welfare construct with other constructs is 0,785, while the value of root AVE is 0,983, it has higher value more than 0,50. Therefore, the root value of AVE construct has a

higher value than the correlation between the construct. It can be concluded that the test result has good discriminant validity.

### Structural Model Evaluation

The examination of the measurement modal has been done, and the next step is the evaluation of the structural model or inner model. Evaluation of structural models can be done by looking at the significance of the path relationship and the value of R<sup>2</sup>. First, by looking at the significance of the relationship between the constructs. It can be seen from the path coefficient which describes the strength of the relationship between the constructs. It can be seen from the value t-test (t statistic). The test results are listed in the table below:

**Table 7. Path coefficient**

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistik	P Values
PI > KSJ	0,785	0,736	0,335	2,346	0,019

Source: data processed, 2018

Based on the path coefficient table, it is known that the statistical T value is  $2,346 > 2,0$ . It shows, significant relationship path between constructs of international trade and welfare. The next step in evaluating structural modal is by looking at the value of R<sup>2</sup>. The value of R<sup>2</sup> is the same as the explanation on linear regression, which is the amount of the value of endogenous variables capable of being explained by exogenous variables. The result of R<sup>2</sup> are shown in the table below:

**Table 8. R Square**

	R Square	F Square
Kesejahteraan	0,617	1,609

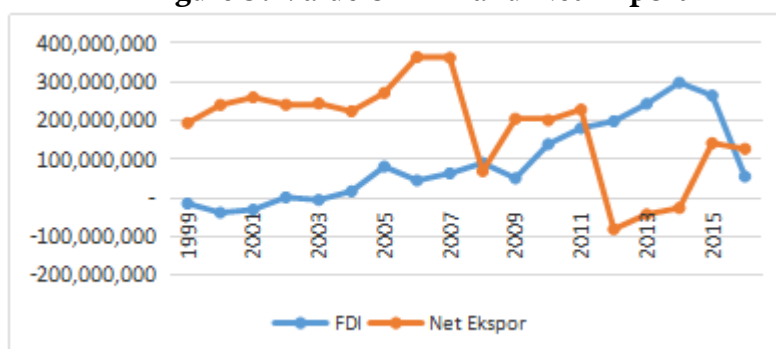
Source: data processed, 2018

The table above shows that the value of R<sup>2</sup> of welfare constructs is 0,617. It means that international trade construct can explain the diversity of welfare construct by 61,7%, while other variables outside the model explain the rest 39,3%.

### Effects of International Trade on Welfare

Based on the results of the study that have been explained before, it can be seen how much influence between construct variables and model variables (outer model). The construct variable is to see the effect of international trade variable on welfare variables. The results of data processing can be seen that the effect of international trade variables has a significant effect of 0.79%. This finding supports the research conducted by (Abeliansky & Martínez-Zarzoso, 2018), which states that international trade has an effect on the increase in productivity in foreign direct investment that was seen from the export and import variables carried out in China. The fluctuations FDI and Net Export which are the effect of international trade:

**Figure 3. Value of FDI and Net Export**

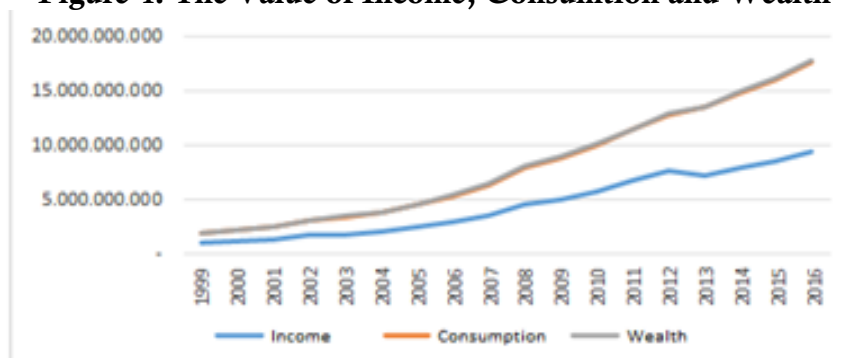


Source: Processed Data, 2018

Meanwhile, from the indicators of each variable, the value of FDI has a significant effect of 0.93% on international trade. While the net export value had a significant negative effect of -0.89. The negative value of the coefficient explains the relationship inversely between international trade and the level of net exports. The higher the international trade variable, the lower the value of net exports (seen from the import value).

The welfare indicator seen from the coefficient of the income variable has a significant influence on the construct, which is equal to 0.99%. It means that the existence of international trade gives a positive advantage to the increase in per capita income. The increase in income can also be categorized as an increase in welfare. This is supported by Siddiqui's study (Siddiqui, 2016) which states that international trade is an essential part. The same results are also seen from the increase in income, wealth and consumption, where the increase in consumption intersects or coincides with the increase in wealth, as shown below:

**Figure 4. The Value of Income, Consumption and Wealth**



Source: BPS, 2018

The next welfare indicator, namely the value of wealth has a significant effect as big as 0.97%. From the results of data processing, international trade can improve domestic welfare. It can be seen from the increase in wealth. Meanwhile, different results were found by Cao. According to Cao and Mukherjee (2018) and Sen, Stiglitz, & Fitoussi, (2011), international trade indicated by the presence of foreign direct investment precisely decreases domestic welfare which is characterized by low consumption values.

### **Analysis of International Trade in the Fiqh Perspective of Umar bin Khattab**

One of Umar's principles of economic fiqh states that international economic relations must be able to realize the benefit of the Muslims. The benefit meant is international relations; one of them is with international trade activities providing benefits to the state in terms of meeting needs that cannot be produced domestically. Although the concept of international trade and the variety of goods traded are not as much and as complicated as international trade during the reign of Umar bin Khattab. However, the use of the Umar Jurisprudence study as a form of fiqh contribution in the field of economics is the basis and rules for Muslims who are committed to safeguarding from any Mudharat that might be caused.

Based on Umar bin Khathab's Fiqh Economic rules, international trade is used as a medium to market domestically produced goods to export destination countries and fulfill Muslim needs for goods and services that cannot be produced in Muslim countries. In addition, trade relations do not always talk about material benefits, but having to see and close things that can bring destruction in the future, including the opening of new niches, namely the opportunity to preach Islam more broadly.

In the concept of thought or study of fiqh Umar bin Khattab, it does not prohibit a country from having relations with other countries such as international trade, especially if there are benefits that can be taken by both parties. Especially if we look at international economic relations that are carried out today is economic relations which also involve political, social, cultural and other relations. So on this basis then an analysis is carried out, ideally intentional economic relations, especially international economic relations with non-Muslims not only consider economic valuation, but also take into account the negative or positive impacts of the relationship in all areas of life.

In the study of economic fiqh Umar bin Khattab, the basic principle or rule that is used in general is the existence of Maslahat. In language, Maslahat is kind, in terms of seeking Maslahat and avoiding Mudharat (harm). Maslahat intended in this study are economical and non-economical. Economically Maslahat if international trade brings material benefits, namely the fulfillment of the needs of goods and services and an increase in welfare, including increasing income, wealth and consumption. While non-economic Maslahat such as the inclusion of foreign ideologies, lifestyles, politics and culture and others.

Maslahat or profit from the economic side of international trade relations is an increase in the level of welfare obtained by the domestic community. (McCalman, 2018) From the data previously obtained, it is known that trade relations affect the level of welfare. The international trade variable explained by the variables of foreign direct investment and net exports affects the dependent variable, namely the welfare variable measured by the variables of consumption, wealth, and consumption. From these data, it can be concluded that there is an influential international trade to improve welfare. FDI and Net Export variables affect improving welfare in Indonesia. It can be seen from the FDI and Net Export variable coefficients which are indicators of

international trade towards the welfare coefficient values seen from the variables of income, consumption and wealth. (Waugh, 2010)

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If international trade provides an increase in welfare for the Muslims, the government can issue policies on increasing international trade activities. However, if the existence of international relations decreases welfare, the government as the owner of the government authority must regulate and re-analyze the regulations issued. (Bertoletti, Etro, & Simonovska, 2018) and (Sabaruddin, 2014)

Increasing international relations with economic activities is with high exports and imports of goods. However, an increase in import exports must also pay attention to the difference between the two variables. The higher exports to foreign countries, the higher the trade balance surplus. If the higher the number of imported goods from abroad, the higher the balance of trade balance will be. Another condition that needs to be observed is the final position of international transactions. If the balance of payments conditions is due to the high rate of imports of goods and services from abroad, it is certain that the position of foreign debt will also increase. This foreign debt variable is the focus of attention and discussion on the fiqh of Umar bin Khattab. The state or Muslims should avoid debt which also avoids buying and selling transactions that contain usury. Muslim countries or Muslims are not permitted to convert their foreign debts which in a non-economic way will weaken the condition of the Muslims. The following are government and Bank Indonesia's foreign debt data as regulatory authorities in the country. The following are the dynamics of exports and imports of Indonesian state goods during the period of 2005 - 2016:

**Table 9. Value of Indonesian Exports and Imports**

Year	Exports	Imports	Year	Exports
2005	85 660,0	57 700,9	2005	85 660,0
2006	100 798,6	61 065,5	2006	100 798,6
2007	114 100,9	74 473,4	2007	114 100,9
2008	137 020,4	129 197,3	2008	137 020,4
2009	116 510,0	96 829,2	2009	116 510,0
2010	157 779,1	135 663,3	2010	157 779,1
2011	203 496,6	177 435,6	2011	203 496,6
2012	190 020,3	191 689,5	2012	190 020,3
2013	182 551,8	186 628,7	2013	182 551,8

2014	175 980,0	178 178,8	2014	175 980,0
2015	150 366,3	142 694,8	2015	150 366,3
2016	145 186,2	135 652,8	2016	145 186,2

Source: Central Bureau of Statistics

From the data on exports - imports released by the Central Bureau of Statistics, it appears that Indonesian net exports fluctuated, especially in 2012 until 2014. The existence of a trade balance deviation will have an impact on Indonesia's foreign debt increase. The increase in Indonesia's imports of goods exports to other countries besides impacting on the trade balance position also affected the increase in Indonesia's foreign debt. The following is an increase in Indonesia's foreign debt over a period of 7 years, starting from 2010 to 2016.

**Table 10. Position of Foreign Debt of Government and Central Bank**

Tahun	Hutang Luar Negeri Indonesia	Tahun
2010	118 624	2010
2011	118 642	2011
2012	126 119	2012
2013	123 548	2013
2014	129 736	2014
2015	142 608	2015
2016	158 283	2016

Source: Central Bureau of Statistics

From the data above, it can be seen that the increase in Indonesia's foreign debt each year is seen from 2005. This increase in foreign debt will also add to the burden on the community which has an impact on decreasing the welfare of the Muslims economically and non-economically. This condition of increasing foreign debt according to Umar bin Khathab's economic fiqh must be reviewed in the hope that Maslahat or welfare of the Muslims can increase. So that improvement in welfare can be genuinely enjoyed by Muslims, both economically and non-economically.

## CONCLUSION

The independent variable namely international trade affects the dependent variable, namely the welfare variable. While the independent variable indicated by the value of direct foreign investment or FDI (Foreign Direct Investment) and Net Export value affects the constructed variable, namely the international trade variable. While the construct variables formed from the value of income, consumption and wealth affect the construct, namely the welfare variable.

The indicator value of each high construct increases the relationship between the variables or the effect of the indicator. Besides, the magnitude of the influence was also followed by other macro indicators which also increased. Analysis of influence is also done with other analytical tools so that better results can be obtained about the effect of international trade on improving welfare. Meanwhile, according to Umar Bin Khathab's Economic Fiqh, (Al-Haritsi, 2003) welfare is not always about increasing income but also related to Maslahat that will be obtained by the community.

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