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STRUCTURE OF IMPORT IN INDONESIA: A CONTRIBUTION AND SHARE "PERANAN" ASSESSMENT

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Abstract

The purpose of this study was to determine the contribution of the import structure to total import in Indonesia and also to determine the share of import structures in Indonesia on economic growth during the period 1997-2018. Data collection is conducted through secondary data, obtained from the annual report of the Indonesian Central Statistics Agency (BPS). The analysis of this research is conducted by applying descriptive qualitative analysis. During the study period, it was found that the structure of imports that contributed a lot to total imports was imports of raw/auxiliary materials with an average contribution of 75.50 percent followed by imports of capital goods with an average contribution of 16.68 percent after that, import of consumer goods with an average contribution of 7.82 percent. Furthermore, the share of the import structure in Indonesia towards Gross Domestic Product (GDP), whose major role is the import of raw/auxiliary materials with an average role of 1.42 percent and imports of capital goods with an average share of 0.24 percent while imports of consumer goods are small once gave a role to Gross Domestic Product (GDP), which was an average of 0.11 percent. So it can be concluded that Indonesia's dependence on imported goods is still very high, especially imports of raw materials and capital goods.

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1. Introduction

The growth of global trade is currently quite good and in line with the increasing tension of trade among the world's largest economies and tightening monetary conditions that increase financial fragility in some developing countries. The performance of global trade peaked in 2017, growing by 5.3 percent in terms of volume, which is based on the average growth, observed in the last half decade. But growth is tapering throughout 2018, with an estimated 3.8 percent expansion for the year as a whole. The slowdown was mainly driven by rising demand for weaker merchandise imports in most developed countries.

However, in Asia, trade growth remained more resilient. East Asia has benefited from strong global demand for electronics, increasing intraregional trade, given the region's deep integration into the global industrial production network. Meanwhile, global trade in services continues to grow faster than trade in goods, up more than 10 percent in value in the first half of 2018 (United Nations, 2019).

The most obvious reason for countries trade with one another is because each country cannot produce all the goods needed. For example, developed countries need natural rubber but these goods can't be produced in their own country. So developed countries are forced to import these goods from countries in Southeast Asia, especially from Indonesia, Thailand and Malaysia. By carrying out trade, the state will benefit, among others: (1) Obtain goods that cannot be produced domestically; (2) Benefiting from specialization; (3) Expanding the market of domestic industries; (4) Using modern technology and increasing productivity.

Exporting and importing is an important activity in every country. There is no country in the world that does not conduct foreign trade. However the interests of the foreign sector in an economy differ from one country to another. In some countries, exports and imports constitute a sizable portion of national income, whereas in some other countries exports and imports constitute only a small part of national income (Sukirno, 2004).

A report from the World Trade Organization, 2019 stated that world trade faced a new headwind in 2018 because trade and economic policy uncertainty increased sharply. Year-on-year growth in the volume of world merchandise trade fell from 3.9 percent in the first half of 2018 to 2.7 percent in the second half of this year. The slowdown became clearer towards the end of the year, due to the relatively strong quarter-to-quarter growth of 1.2 percent in the third quarter followed by a decline of 0.3 percent in the fourth quarter.

Slower trade growth is accompanied by weaker output growth in large countries. For example, G20 countries see their collective GDP increasing at an average year-on-year rate of 3.5 percent in the second half of 2018, down from 3.9 percent in the first half.

Based on the Foreign Trade Statistics Bulletin (Subdirektorat, 2020) published by the Indonesian Central Statistics Agency, it is stated that during the January 2016-2020 period, the average import value of consumer goods was USD1,244.8 million and contributed 9.38 percent, while imports of raw / auxiliary materials USD10,007.7 million with a given role of 74.52 percent, and capital goods USD2,149.5 million with a higher role than imports of consumer goods at 16:11 percent. If compared to January 2019 it is known that the import value of raw / auxiliary materials decreased by 7.41 percent or decreased by USD846.2 million and capital goods decreased by 5.26 percent or decreased by USD123.8 million, but imports of consumption goods actually increased by 20.27 percent or USD247.3 million.

The definition of import according to (Sukirno, 2004) is that expenditure is affected, which means that the higher the national income, the higher the import. High and low-income countries have conducted research that analyzes the causal relationship between international trade and economic growth. International trade has an optimal influence on a country's economic growth (Javed, Qaiser, Mushtaq, Saif-ullaha, & Iqbal, 2012); (Caleb, Mazanai, & Netsai L, 2014); (Mogoe & Mongale, 2014) (TAPŞIN, 2015); (Abdullahi, Safiyanu, & Soja, 2016).

In line with the development of exports, specifically imports are also useful to increase GDP or economic growth, because it means increasing the import component, because not all investment needs can be generated efficiently in the country, if you look at the types of imported products can be distinguished:

1. Import of capital goods
2. Imported goods for consumption
3. Imported raw / semi-finished materials

Increased imports of capital goods, raw / intermediate goods have a positive effect on increasing GDP, but the foreign exchange that is widely used to import consumer goods has no effect on economic growth (Tan, 2004). Therefore, specific policies must be directed to certain import categories depending on how they are related to economic growth (Moyo & Mapfumo, 2015). International trade is crucial for advancement of a country as there will be no situation where a country can maintain the latest trend in production of goods and services in all sector adequately and thus this situation will leads to international trade activity to occur among other countries. (Ahamad, 2018), because there is no autarchy country, that is, an isolated country that does not conduct trading activities (Krugman, Obstfeld, & Melitz, 2012).

Various studies have been carried out in analyzing the relationship between imports and economic growth (Çevik, Atukeren, & Korkmaz, 2019); (Syzdykova, D., A., & G., 2019); (Ali, Ali, & Dalmar, 2018); (Ebrahimi, 2017); (Bakari & Mabrouki, 2017); (Uddin & Khanam, 2017). These studies conclude that foreign trade is a source of economic growth in a country. Where imports directly have a negative influence on national income. Which means, an increase in imports can reduce the amount of national income. What about the conditions of imports in Indonesia?

In Indonesia, imported products have a structure which is divided into 3 (three) types of imported products, including Imports of Raw / Auxiliary Materials, Imports of Consumption Goods and Imports of Capital Goods. Based on the import structure, it can be said that Indonesia still has a large dependency on imported goods, especially for the import of raw / auxiliary materials and imports of capital goods, because both types of imports support economic activity in Indonesia. According to (Mahdi & Suharno, 2019), import policy in Indonesia is an alternative step taken by the Government in dealing with domestic production activities. (Suharjon, Marwanti, & Irianto, 2017) states that GDP growth needs to be maintained so that the value of exports, imports and investment can increase and the Government of Indonesia is expected to continue for increasing exports, imports and investment because it has the opportunity to provide high contribution to GDP growth.

There is not many studies have been found directly assess the contribution and share of the import structure to economic growth in Indonesia. With the result that there is no empirical reason yet why Indonesia is still dependent on imported goods. For this reason, this study intends to analyze the contribution of each type of imported product to total imports in Indonesia and the extent of the role of each type of imported product on economic growth in Indonesia. Thus, it can be assessed whether imports made by Indonesia are still in a safe corridor, which means that domestic products still dominate the Indonesian market. So that the results of this study are expected to be input for the authorities in determining strategies and taking appropriate policies regarding import problems that occur in Indonesia.

2. Methods

The data used in this study are secondary data obtained from the Indonesian Central Statistics Agency (BPS) and are time series data from 1990-2018. The variables used in this study are Import of Raw Materials, Import of Consumable Goods, Import of Capital Goods and one indicator of economic growth is national income / GDP which is the value of goods and services produced by an economy in a certain period of time in an open economic system. Calculation of national income / GDP with expenditure methods includes elements of international trade, namely exports (X) and imports (M) as well as other elements such as consumption (C), investment (I), and government expenditure (G).

$$Y = C + I + G + (X-M)$$

In international trade, exports are one of the sources of foreign exchange for the country, while imports are the opposite. Imports are carried out to meet the demand for goods and services that cannot be met by domestic production.

The research method used in this study is the method of library research (Library Research). The analytical method applied is a descriptive qualitative analysis or provides an overview and proof of the contribution of the import structure in Indonesia to the total import as well as the share / role of the import structure in Indonesia to the Gross Domestic Product (GDP).

Analysis tools used include:

a. Measuring the contribution of import structures to total imports, the following formula can be used:
   - $\text{Import of Raw Materials} = \frac{\text{Import of Raw Materials}}{Total\ M}\ x\ 100$
   - $\text{Import of Consumable Goods} = \frac{\text{Import of Consumable Goods}}{Total\ M}\ x\ 100$
   - $\text{Import of Capital Goods} = \frac{\text{Import of Capital Goods}}{Total\ M}\ x\ 100$

b. Knowing the share of import structures in Indonesia on Gross Domestic Product (GDP) the following formula can be used:

- Import of Raw Materials = $\frac{\text{Import of Raw Materials}}{GDP} x\ 100$
- Import of Consumable Goods = $\frac{\text{Import of Consumable Goods}}{GDP} x\ 100$
- Import of Capital Goods = $\frac{\text{Import of Capital Goods}}{GDP} x\ 100$

3. Results and Discussion

3.1 Contribution of Import Structure to Total Imports in Indonesia

The structure of imports consisting of imports of raw materials, consumer goods and capital goods made a significant contribution. Especially imports of raw materials and capital goods that use more imported goods to increase productivity and the unavailability of goods needed by domestic industries.

The following will explain how much the contribution of imports of raw materials, consumer goods and capital goods to total imports in Indonesia during the 1997-2018 period.

Table 1. Contribution of Import of Raw Materials, Consumable Goods and Capital Goods to Total Imports in Indonesia in 1993-2005 Period (in the form of %)

Year	Raw Materials	Consumable Goods	Capital Goods	Total
1997	72.53	5.20	22.27	100
1998	71.74	7.01	21.24	100
1999	76.97	10.28	12.75	100
2000	77.63	8.11	14.25	100
2001	77.12	7.27	15.60	100
2002	77.43	8.47	14.10	100
2003	78.33	8.79	12.88	100
2004	77.82	8.14	14.04	100
2005	77.63	8.01	14.36	100
2006	77.25	7.76	14.99	100
2007	75.85	8.78	15.37	100
2008	77.01	6.43	16.56	100
2009	71.92	6.97	21.11	100
2010	72.79	7.36	19.84	100
2011	73.79	7.55	18.66	100
2012	73.10	6.99	19.90	100
2013	76.06	7.04	16.90	100
2014	76.44	7.11	16.45	100
2015	75.04	7.62	17.34	100
2016	74.41	9.11	16.48	100
2017	75.07	8.97	15.96	100
2018	75.03	9.10	15.87	100
Average of Contribution	75.50	7.82	16.68	100

Source: (Badan Pusat Statistik (BPS) , 2019)*(data processed)*

Based on the table above, imports that contributed a lot are as follows: Import of raw / auxiliary materials; Import of capital goods; Imports of consumer goods.

1) Contribution of Import of Raw / Auxiliary Materials to Total Imports

Based on the table, it can be seen that the contribution of imported raw / auxiliary materials to total imports has experienced ups and downs or varied conditions. Raw materials that cannot yet be produced and fully fulfilled by domestic industries make Indonesia import these goods.

In 1997, the contribution of imported raw / auxiliary materials to total imports showed a figure of 72.53 percent. However, this did not last long, because when Indonesia collapsed with the Asian financial crisis in 1998, the contribution of imported raw / auxiliary materials fell to 71.74 percent. A surprising thing happened in 1999, the contribution of imported raw / auxiliary materials to total imports showed an increase of 5.23 percent, reaching 76.97 percent then increasing again in 2000 of 77.63 percent. In terms of type, the increase in imports of raw materials mainly occurred in imports of raw materials for industry, imports of raw materials and lubricants as well as imports of spare parts and accessories. The decline again occurred in the contribution of imports of raw / auxiliary materials to total imports which reached 77.12 percent in 2001 and slightly increased in 2002 which amounted to 77.43 percent then in the following year it increased again by 78.33 percent. The contribution of imports of raw / auxiliary materials to total imports during the 2004 and 2007 periods decreased, but the decline was not very significant. The following contributions were: 77.82 percent, 77.63 percent, 77.25 percent, 75.85 percent and slightly increased in 2008 which was 77.01.

In 2009, after the global economic crisis in the United States, although the effect was not too bad compared to when the Asian economic crisis occurred, however, the global economic crisis affected the import of Indonesian raw materials; the contribution of imported raw materials in Indonesia was recorded at 71.92 percent or decreased by 5.09 percent.

During the period 2010 to 2014, the contribution of imports of raw materials to total imports continued to increase. This increase was due to an increase in imports of main food and beverage ingredients for industry as well as an increase in imports of main fuels and main lubricants.

In contrast to the previous 5 years, in the period 2015 to 2018, the contribution of imports of raw materials in Indonesia again declined. This is due to the weakening of the rupiah against the dollar, causing some commodity imports of imported raw materials to decline. During the period 1997 to 2018, the average contribution of imported raw / auxiliary materials in Indonesia to total imports in Indonesia was 75.50 percent per year.

Based on table 1 above, the average contribution of imported raw / auxiliary materials is higher than imported consumer goods and capital goods. This is in line with research conducted by (Kurniawati & D, 2015) who explained that in its development, imports of raw / auxiliary materials in Indonesia showed a higher increase. This is because almost most of the industries in Indonesia use imported raw materials from other countries to fulfill domestic needs.

2) Contribution of Imported Consumable Goods to Total Imports

In 1997 the contribution of imported consumer goods to total imports was 5.20 percent. Then the increase occurred again in 1998, where the contribution of imported consumer goods to total imports was 7.01 percent. A surprising increase occurred in 1999, where the contribution of imported consumer goods increased 10.28 percent to total imports. This significant increase occurred due to the high number of imported food and beverage goods for households, both main and processed foodstuffs. Furthermore, there was also an increase in consumption of imported goods in the form of fuels and lubricants, which previously in 1998 amounted to 95 million US dollars, increasing to 293 million US dollars.

A 2.17 percent decline occurred in 2000, making the contribution of imports of consumer goods fall to 8.11 percent of total imports. In 2001 the contribution of imported consumer goods again declined to 7.27 percent of total imports. However, during the two years namely 2002 and 2003 the contribution of imported consumer goods increased again, in 2002 the contribution of consumer goods increased by 8.47 percent of total imports and then followed again in 2003, where the contribution of imported consumer goods increased to 8.79 percent of total imports.

During the period of 2004 to 2015, the contribution of consumption goods imports fluctuated up and down. This means that the contribution of imported consumer goods from outside is still relatively safe due to the small increase and decrease. But the surge in purchases of consumer goods from outside occurred in the period 2016 to 2018. In 2016 there was an increase in the contribution of imports of consumer goods by 1.49 percent, which was recorded 9.11 percent compared to 2015 which was only 7.62 percent. This happened due to the increase in imports of consumer goods that were durable, half-durable and not durable during the period of 2016 to 2018. Although the rupiah exchange rate weakened, this did not dampen people's purchasing power on imported goods. To overcome this, there needs to be action in the form of stricter tariffs or customs regulations.

During the period 1997 to 2018, the average contribution of imported consumer goods in Indonesia to total, imports in Indonesia amounted to 7.82 percent per year. Based on the table above, imports of consumer goods have a lower contribution to total imports compared to imports of raw / auxiliary materials and imports of capital goods. A research conducted by (Richart & Meydianawati, 2014) explained that in the future Indonesia will be increasingly dependent on imported goods, given that the Indonesian consumer is consumptive and most of domestic products have not been able to compete with foreign products and the entry into force of free trade. Moreover, the Indonesian government needs to make a policy to control foreign exchange reserves in controlling imported goods so that the position of foreign exchange reserves is more stable and the condition of the international trade balance in Indonesia can be maintained.

3) Contribution of Imported Capital Goods to Total Imports

In 1997 the contribution of capital goods imports was recorded at 22.27 percent of total imports and decreased to 21.24 percent in 1998. A drastic decrease occurred in 1999, the contribution of capital goods imports fell by 8.49 percent and it made the contribution of capital goods imports decline to reach 12.75 percent of total imports. Similar to the decline in the contribution of imports of raw materials / auxiliary goods, the decline in the contribution of imports of capital goods occurred due to the Asian financial crisis that occurred from mid-1997 to 1998, causing a decrease in imports of capital goods in the form of imports of passenger cars and transportation equipment for industry. After much decline, the contribution of capital goods increased 14.25 percent of total imports in 2000 then increased again in 2001 to 15.6 percent. During the two years that experienced an increase (2000-2001) in 2002, the contribution of capital goods imports again fell 14.10 percent to total imports and continued to decline until it reached 12.88 percent in 2003. This was due to investments that had originally grown by 16.74 percent, decreased in 2001 which was 10.24 percent and in 2002 it fell again to reach 1.71 percent. The fall in imports of capital goods indicates a reduction in foreign investment entering Indonesia. To anticipate this is by producing capital goods in the country so that they are not too influenced by the reduced foreign investment. But the most important thing is to compensate for the decline in capital goods by increasing production capacity.

During the period of 2004 to 2009, the contribution of capital goods imports again increased significantly. A significant increase occurred in 2009, the contribution of imported capital goods was recorded at 21.11 percent. This is due to the increase in imports of transportation equipment for industry which in the year was recorded at 6,675.5 million US dollars. The contribution of capital goods imports has gone up and down varying from 2010 to 2018, this shows that the rise and fall of the Rupiah against the Dollar does not affect Indonesia to import capital goods from abroad. The average contribution of imports of capital goods in Indonesia to total imports in Indonesia during the period 1997 to 2018 was 16.68 percent per year.

Research conducted by (Astuti & Ayuningtyas, 2018) found that imports have a positive effect on economic growth. In other words, an increase in imports will also increase economic growth. This study states that the import of goods from abroad will encourage an increase in domestic economic activity in the form of production, consumption and distribution because the imported goods used are to meet the needs of the community and as raw materials in domestic production activities. Thus, if economic activity can run well, it can increase a country's economic growth.

3.2 Share of Import Structure to GDP in Indonesia

During the 1997-2018 import structure in Indonesia had a role in the Gross Domestic Product (GDP). Just as the contribution of the import structure in Indonesia to total imports, the share / role of the import structure on the Gross Domestic Product (GDP) which has many roles is as follows:

1) Import of raw / auxiliary materials
2) Import of capital goods
3) Import of consumer goods

Table 2. Share Structure of Imports in Indonesia toward GDP Period 1997-2018 (in the form of %)

Year	Raw Materials	Consumable Goods	Capital Goods
1997	0.64	0.05	0.20
1998	0.48	0.05	0.14
1999	0.45	0.06	0.07
2000	0.60	0.06	0.11
2001	0.56	0.05	0.11
2002	0.54	0.06	0.10
2003	0.55	0.06	0.09
2004	0.74	0.08	0.13
2005	0.86	0.09	0.16
2006	0.86	0.09	0.17
2007	0.97	0.11	0.20

2008	1.61	0.13	0.35
2009	1.08	0.10	0.32
2010	1.44	0.15	0.39
2011	1.80	0.18	0.45
2012	1.81	0.17	0.49
2013	1.74	0.16	0.39
2014	1.59	0.15	0.34
2015	1.19	0.12	0.28
2016	1.07	0.13	0.24
2017	1.19	0.14	0.25
2018	1.36	0.16	0.29
Average of Share	1.42	0.11	0.24

Source: (Badan Pusat Statistik (BPS) , 2019) *(data processed)*

1) Share of Import of Raw Materials to GDP in Indonesia

Entering 1997 the share of imports of raw / auxiliary materials to GDP declined until 1999. In 1997 the role of imports of raw / auxiliary materials to GDP fell by 0.64 percent compared to the previous year. In 1998, when Indonesia was hit by an economic crisis as indicated by the decline in GDP growth by 15.11 percent plus the weakening of the Rupiah against the Dollar and high inflation which in 1998 was recorded at 77.63 percent, causing the role of imports of raw / auxiliary materials to GDP come back again. decrease and reach 0.48 percent. The decline in the role of imports of raw / auxiliary materials again occurred in 1999 to reach 0.45 percent.

After four years of decline, in 2000 the share of imports of raw / auxiliary materials to GDP rose again to make the role of imports of raw materials / auxiliaries to GDP perched at 0.60 percent. The increase did not last long because in 2001 to 2002 the role of imports of raw / auxiliary materials to GDP declined again. In 2001 the role of imported raw / auxiliary materials to GDP fell by 0.56 percent compared to the previous year and again fell by 0.54 percent in 2002.

During the period 2003 to 2008 the role of imports of raw / auxiliary materials to GDP continued to increase. This increase was experienced by all imported raw materials in Indonesia such as: food and beverages for industry; raw materials for industry; fuel and lubricants; parts and supplies. When the world was hit by a global economic crisis, the effect was also felt by Indonesia, although not as great as the Asian economic crisis occurred in the last 97/98 period. But in 2009, the import of raw materials / auxiliary goods fell to 1.08 percent compared to 2008 which was 1.61 percent of GDP. Until 2010, the contribution of imported raw materials has strengthened again at 1.44 percent and continued to experience fluctuating increases and decreases until 2018. During the period from 1997 to 2018, the average role of imports of raw / auxiliary materials in Indonesia in economic growth was 1.42 percent per year.

An empirical study from (Kurniawati & D, 2015) found that GDP had a dominant contribution to the import of raw / auxiliary materials in Indonesia. For that reason, the study recommends that the Government implement the import substitution industrialization in the local industry so that it can produce its own raw materials that were originally imported from outside, so that dependence on imported raw / auxiliary materials can be limited.

2) Share of Import of Consumable Goods to GDP in Indonesia

In contrast to the role of imports of raw materials which tend to fluctuate, in general the role of imports of consumer goods in the Gross Domestic Product (GDP) during the period 1997 to 2018 showed a lower percentage, but continued to increase even though there was no significant change in numbers.

During 1997 to 2006 the role of imports of raw materials to GDP did not show a large increase, it was noted that the contribution of consumption goods imports to GDP in Indonesia was 0.05 percent up to 10 years after the contribution of consumption goods imports was at 0.09 percent. After continuing to experience an increase in shares, in 2001 the role of imports of consumer goods to GDP decreased by 0.55 percent. The decline did not last long, until in 2002 the role of imported consumer goods to GDP increased again to reach 0.62 percent and again decreased in 2003 by 0.56 percent.

After experiencing insignificant up and down conditions, entering the year 2007 the role of imported consumer goods to GDP increased by 0.11 percent and this condition continued to occur until 2011 which was at 0.18 percent. This increase was due to an increase in each imported commodity of consumer goods both imported food and beverage goods for households as well as imports for consumer goods that were durable, half-durable and not durable. Until 2018, the contribution of imported goods will be 0.16 percent.

The average share / role of imports of consumer goods in Gross Domestic Product (GDP) during the period 1997 to 2018 was 0.11 percent per year. The share / role of imports of consumer goods is lower than the role of imports of raw materials. This means, the government has succeeded in suppressing the growth rate of imported consumer goods by establishing import policies on consumer goods in the form of tariff barrier and non-tariff barrier policies (Hadi, 2009).

Imported consumer goods are a type of import that is low in giving a role to GDP. In his research (Richart & Meydianawati, 2014) suggested that the government should grow and develop domestic industries. Thus, dependence on consumption goods from abroad is getting lower. In addition, the availability of domestic goods will increase GDP and simultaneously increase economic activity in Indonesia.

3) Share of Import of Capital Goods to GDP in Indonesia

In 1997 the share of capital goods imports to GDP fell by 0.40 percent and in 1998 when Indonesia was hit by an economic crisis the role of capital goods imports again declined by 0.06 percent to 0.14 percent. This decrease is quite large when compared to what happened in 1997. A surprising thing happened in 1999 where the role of imports of capital goods to GDP fell by 0.07 percent to be at 0.07 percent.

The decrease is thought to be caused by a decrease in several types of capital goods, namely capital goods except transportation equipment, which previously dropped -3.23 percent, again dropped to -37.01 percent and passenger cars dropped to -77.61 percent compared to the previous year which was 11.07 percent and decreased import value transportation equipment for industry which previously was -14.68 percent again dropped to -47.31 percent. The repeated decline was allegedly caused by a decrease in the value of imports of capital goods for types of capital goods except transportation equipment by -49.39 percent plus investment growth that continued to decline (Badan Pusat Statistik (BPS) , 2019)

After continuing to decline during the period of the economic crisis, finally in 2000 the role of imports of capital goods to GDP increased by 0.11 percent and the percentage was stable until 2001. This is because investment in that year grew by 16.74 percent compared to the previous year which is -18.19 percent. In 2002 to 2003 the role of capital goods imports to GDP declined again by 0.10 percent and 0.09 percent, respectively.

During the period of 2004 to 2012, the increase was quite high from 0.13 percent in 2004 to 0.49 percent in 2012. This increase was due to high import demand for the capital goods category except transportation equipment. However, different conditions were shown in the last 6 years (2013 - 2018) where imports of capital goods continued to decline in share in GDP. Where in 2013 it was recorded at 0.39 percent, down by 0.10 percent compared to 2012 to 0.29 percent in 2018 last.

The fall in imports of capital goods indicates a reduction in foreign investment entering Indonesia. To anticipate this is by producing capital goods in the country so that they are not too influenced by the reduced foreign investment. But the most important thing is to compensate for the decline in capital goods by increasing the production capacity of domestic goods. During the period of 1997 to 2018 the average share of imports of capital goods on GDP was 0.24 percent per year.

The results of research conducted by (Widiya, Siregar, & Hilmiatussahla, 2019) found that GDP has a positive effect on the development of imports of capital goods in Indonesia. Where in the long run, national income can affect investment. Thus industrial companies will increase the number of imports of capital goods.

4. Conclusion

Basically, international trade policies adopted by the government plays an important role in influencing fluctuations in trade in goods between countries. In practice, international trade between two countries is usually detrimental to weak countries belonging to developing countries. Developed countries dominate international trade. In the case that not all foreign products are guaranteed to be better in quality compared to domestic products. These factors are one of the causes of the weak competitiveness of domestic products on the international market, which in turn causes domestic companies to close down or die. However, it cannot be denied that Indonesia still has a high dependence on imported goods because Indonesia is not a capital-intensive country so there are still many raw materials and capital goods that are still low in production level or cannot be produced by Indonesia themselves. One way to overcome this is the development of domestic industries based on domestic resources.

This study utilizes a secondary data, this data available in the annual report of the Indonesian Central Statistics Agency (BPS), which has limitation on validity and reliability of information provided. Thus, the time period studied only covered period 1997 – 2018. Errors and mistakes may occur over the data collecting, but researcher has no controls over how this secondary data was collected and how the data calculation formula.

Moreover, since this study analyses one country for the period specified in this study, the scope of study can be considered limited. Further researches can consider few studies to get better ideas for the factors of determining import structure in the different countries.

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