

Demand Structure Analysis And Balance Of Payments Indonesia And China Export-Import

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ABSTRACT

The purpose of this research is to use the growth rate model and the ratio value of secondary data to analyze the Structure of Demand (% of GDP at current market prices) for the value of Indonesia's exports of goods and services to China, where China is 0.6% ahead of 3.40% compared to Indonesia 2.80% while for the Balance of Payment value, Indonesia is 1.10% superior from 5.20% compared to China at 4.10% and for the ratio value between Indonesia, it is 1.60% superior from 2.40% compared to China at 0.80%. From the results of the research, the general advice of researchers is that Indonesia needs to improve the structure of export and import demand so that it continues to increase the country's income as listed in Indonesia's trade balance.

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I. Introduction

In international trade transactions, which are better known as exports and imports, in essence, it is a simple transaction and is nothing more than buying and selling goods between different countries (Hubarat, 1997). Every country has a goal in economic development, including Indonesia. The main objective of a country's economic development is to ensure the welfare of its population. Generally, the welfare of the population in the economy can be achieved by economic growth (Lincolyn, 2015). Economic growth is a real picture of the impact of an economic development policy. This growth is intended as a growth rate formed from various economic sectors which indirectly describes the level of economic growth (Prok, 2015)

Basically, economic growth can be seen from the total national income which is calculated from the total sum of aggregate demand. While the elements of aggregate demand are a combination of the four real sectors, namely consumption, investment, government spending, exports, and imports (Abubakar, 2015). In the beginning, trade relations were only limited to one particular region of the country, but with the development of trade flows, these trade relations were not only carried out between entrepreneurs in one country's territory, but also with traders from other countries, including Indonesia. Even the trade relations are increasingly diverse, including the method of payment. Import export activities are based on the condition that no country is truly independent because each other needs and complements each other.

Trading will only occur if no one party gains and no other party is harmed. The benefits obtained from international trade are called trade benefits or gains from trade. Basically, international trade is an activity involving supply (export) and demand (import) between countries. At the time of exporting, the State receives foreign exchange for payment. This foreign exchange will be used to finance imports. Exports of a country are imports for other countries, and vice versa [5]. International trade is considered as a result of the interaction between competing supply and demand. Demand and supply will appear in a familiar form and is an interaction of production possibilities and consumer preferences.

International balance of payments theory is an open macroeconomic theory or international economy. Where in this theory explains that a country must have economic relations with other countries, because by doing this relationship, a country can obtain a number of foreign exchange which will then form foreign exchange reserves as part of a country's development capital [6].

The balance of payments is a systematic document of all economic transactions between residents of a country and residents of other countries within a certain period of time. Transactions that are recorded in the balance of payments are only international economic transactions, military aid transactions are not included in it, because the assistance is only aid that is not exchangeable [2]

The role of the balance of payments in the balance of the domestic economy lies in its ability to influence the amount of money circulating in a country. The condition of a country's balance of payments has always been the center of attention for policy makers, because a continuous deficit and surplus in the balance of payments will result in changes in the flow of foreign exchange inflows and outflows. Consequently, a country's international reserves will change. Meanwhile, changes in international foreign exchange reserves will affect the base money component which then through the transmission process will affect the money supply and affect the internal balance of a country.

According to research (Purba, 2017) imbalances in the balance of payments, there can be a surplus or deficit where the imbalance in the form of a surplus that has a relatively high foreign exchange value can be said to be ideal, while what is considered less good is the balance of payments position which is in deficit and has a low foreign exchange value so that attempted to be improved through adjustment mechanisms. Exports are one of the main sources of foreign exchange for the country. The export portion of foreign trade has a very important function, where the State will get a profit so that national income increases, which in stages has an impact on increasing the amount of output and the rate of economic growth

International trade carried out by a country is also related to the pattern of shifting its economic structure. Meanwhile, the pattern of shifting economic structure is determined by changes in the composition of production and the industrial sector. Thus, it can be seen that there is a relatively close relationship between the shift in economic structure and the trading style of a country. So based on the description above, the author is interested in conducting a study entitled Analysis of the Structure of Demand and Balance of Export-Import Payments for Indonesia and China where the aim is to analyze the development and ratio between Exports of goods and services, Imports of goods and services between Indonesia and China. China and the development of Balance of Payments (% of GDP at current market prices) between Indonesia and China.

II. Methods

The research method is a scientific way to obtain data with the aim of being able to describe, prove, develop and find theoretical knowledge to understand, solve and anticipate problems in human life (Sugiyono, 2012). In conducting research we need to follow the rules or rules that apply, so that the research results obtained can be said to be valid. The research method is basically a scientific way to obtain data with a specific purpose and use. Meanwhile, the analytical tools used are the growth rate model and the ratio model between variables.

III. Result and Discussion

In accordance with the objectives of the first study, the developments and ratios of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of Indonesian goods and services can be seen in table 1 this below:

Table 1 Developments and ratios of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services Indonesia

| years | Structure of Demand (% of GDP at current market prices) | | | Balance of Payments (% of GDP at current market prices) | | | |
|-------|---|-------------------------------|---------------|---|---------|---------------|---------------|
| | Exports of goods and services | Imports of goods and services | Ratio Eks-Imp | Exports | Imports | Ratio Ekp-Imp | Ratio BoP/SoD |
| 2000 | 41.0 | 30.5 | 10.5 | 39.6 | 24.5 | 15.2 | 4.7 |
| 2001 | 39.0 | 30.8 | 8.3 | 35.8 | 21.6 | 14.1 | 5.9 |
| 2002 | 32.7 | 26.4 | 6.3 | 30.2 | 18.2 | 12.0 | 5.7 |

| | | | | | | | |
|-----------|--------------|--------------|------------|--------------|--------------|------------|------------|
| 2003 | 30.5 | 23.1 | 7.3 | 27.3 | 16.8 | 10.5 | 3.1 |
| 2004 | 32.2 | 27.5 | 4.7 | 25.7 | 18.3 | 7.5 | 2.8 |
| 2005 | 34.1 | 29.9 | 4.1 | 28.3 | 22.4 | 6.0 | 1.8 |
| 2006 | 31.0 | 25.6 | 5.4 | 26.6 | 18.0 | 8.5 | 3.1 |
| 2007 | 29.4 | 25.4 | 4.0 | 25.5 | 17.7 | 7.7 | 3.7 |
| 2008 | 29.8 | 28.8 | 1.1 | 25.5 | 20.8 | 4.7 | 3.7 |
| 2009 | 24.2 | 21.4 | 2.8 | 18.9 | 13.5 | 5.4 | 2.6 |
| 2010 | 24.3 | 22.4 | 1.9 | 19.8 | 15.7 | 4.1 | 2.2 |
| 2011 | 26.3 | 23.9 | 2.5 | 21.4 | 17.6 | 3.8 | 1.3 |
| 2012 | 24.6 | 25.0 | -0.4 | 20.4 | 19.5 | 0.9 | 1.3 |
| 2013 | 23.9 | 24.7 | -0.8 | 20.0 | 19.3 | 0.6 | 1.4 |
| 2014 | 23.7 | 24.4 | -0.7 | 19.7 | 18.9 | 0.8 | 1.5 |
| 2015 | 21.2 | 20.8 | 0.4 | 17.3 | 15.7 | 1.6 | 1.2 |
| 2016 | 19.1 | 18.3 | 0.8 | 15.5 | 13.9 | 1.6 | 0.9 |
| 2017 | 20.2 | 19.2 | 1.0 | 16.6 | 14.8 | 1.9 | 0.9 |
| 2018 | 21.0 | 22.1 | -1.1 | 17.4 | 17.4 | -0.0 | 1.0 |
| 2019 | 18.4 | 19.0 | -0.6 | 15.1 | 14.7 | 0.3 | 0.9 |
| 2020 | 17.2 | 16.0 | 1.1 | 15.4 | 12.7 | 2.7 | 1.5 |
| Σ | 26.85 | 24.05 | 2.8 | 22.95 | 17.72 | 5.2 | 2.4 |
| \bar{x} | 2.79 | | 2.8 | 5.24 | | 5.2 | 2.4 |

Source: ADB Key indicator 2022

Based on the table above that during the period 2000-2020 where the Structure of Demand (% of GDP at current market prices) for the value of Indonesia's Exports of goods and services is an average of 26.85% or 2.79% superior to the percentage value Imports of goods and services by 24.05%. Meanwhile, the Balance of Payments value for Indonesian exports was an average of 22.95%, 5.24% superior to the import BOP value of 17.71%. When compared with the value of the Structure of Demand in China, where the export value is 0.57% superior to Indonesia, while Indonesia is 1.11% superior for the percentage of Balance of Payments from China and Indonesia has a BOP to Structure of Demand ratio of 2.40%. In line with research conducted by (Astuti, 2015) that the international balance of payments has an important role as a fundamental indicator of a country's economy, this is because the balance of payments is related to a country's ability to absorb foreign exchange and foreign payments.

Foreign exchange reserves will always be seen in the balance of payments as the net difference between the current account which is determined by the value of exports and imports as well as net service transfers. Meanwhile, the net flow of capital traffic is determined by the difference between the amount of income and capital expenditures entering and leaving the country, both government and private. The balance of payments of a country is a systematic record of international transactions between residents of that country and residents of other countries within a certain period of time (Nopirin, 2000). This dynamic is seen in the situation that at one time the balance of payments could experience a deficit or surplus (disequilibrium) and at other times the balance of payments could experience a balanced position (balance or equilibrium) (Hady, 2009). In general the conditions of development and the ratio of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services Indonesia.

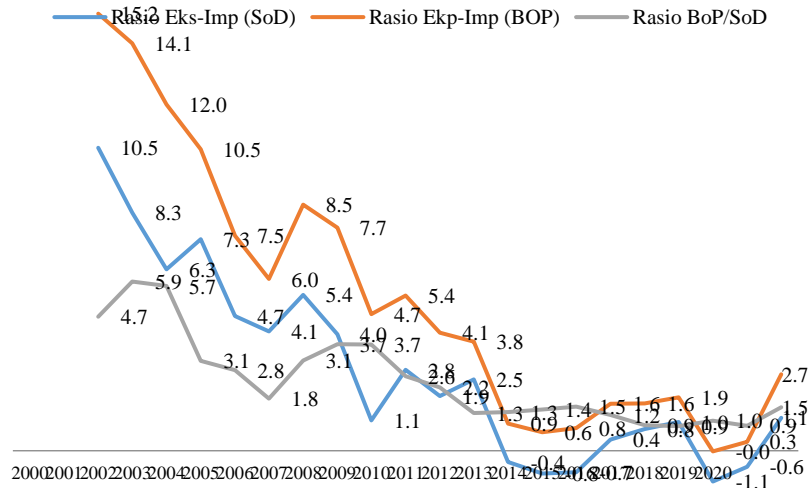


Figure 1 Developments and ratios of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services Indonesia

In accordance with the research objectives, the developments and ratios of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services in China can be seen in table 2 this below:

Table 2 Developments and ratios of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services China

| Years | Structure of Demand (% of GDP at current market prices) | | | Balance of Payments (% of GDP at current market prices) | | Ratio Ekp-Imp | Ratio BoP/SoD |
|-------|---|-------------------------------|---------------|---|---------|---------------|---------------|
| | Exports of goods and services | Imports of goods and services | Ratio Eks-Imp | Exports | Imports | | |
| 2000 | 20.9 | 18.5 | 2.4 | 18.0 | 15.5 | 2.5 | 0.1 |
| 2001 | 20.3 | 18.2 | 2.1 | 17.4 | 15.3 | 2.1 | 0.0 |
| 2002 | 22.6 | 20.1 | 2.5 | 19.5 | 16.9 | 2.6 | 0.0 |
| 2003 | 27.0 | 24.8 | 2.2 | 23.9 | 21.5 | 2.4 | 0.2 |
| 2004 | 31.1 | 28.4 | 2.6 | 27.4 | 24.7 | 2.6 | 0.0 |
| 2005 | 33.8 | 28.4 | 5.5 | 30.1 | 24.7 | 5.4 | -0.0 |
| 2006 | 36.0 | 28.4 | 7.6 | 32.3 | 24.8 | 7.5 | -0.1 |
| 2007 | 35.4 | 26.7 | 8.7 | 31.6 | 23.1 | 8.5 | -0.1 |
| 2008 | 34.4 | 26.8 | 7.6 | 29.0 | 21.6 | 7.5 | -0.1 |
| 2009 | 26.1 | 21.8 | 4.3 | 21.9 | 17.3 | 4.6 | 0.3 |
| 2010 | 27.2 | 23.5 | 3.7 | 24.3 | 20.4 | 3.9 | 0.3 |
| 2011 | 26.6 | 24.2 | 2.4 | 23.9 | 20.9 | 3.0 | 0.6 |
| 2012 | 25.5 | 22.8 | 2.7 | 23.1 | 19.5 | 3.7 | 0.9 |
| 2013 | 24.6 | 22.1 | 2.5 | 22.5 | 18.7 | 3.8 | 1.3 |
| 2014 | 23.5 | 21.4 | 2.1 | 21.4 | 17.3 | 4.2 | 2.0 |
| 2015 | 21.4 | 18.1 | 3.2 | 19.4 | 14.2 | 5.2 | 2.0 |
| 2016 | 19.6 | 17.3 | 2.3 | 17.7 | 13.4 | 4.4 | 2.1 |
| 2017 | 19.7 | 17.9 | 1.8 | 18.0 | 14.1 | 3.9 | 2.1 |

| | | | | | | | |
|----------------|--------------|--------------|------------|--------------|--------------|------------|------------|
| 2018 | 19.1 | 18.3 | 0.8 | 17.4 | 14.7 | 2.7 | 2.0 |
| 2019 | 18.5 | 17.3 | 1.2 | 16.7 | 14.0 | 2.8 | 1.6 |
| 2020 | 18.6 | 16.0 | 2.6 | 17.0 | 13.5 | 3.5 | 0.9 |
| $\bar{\Sigma}$ | 25.33 | 21.97 | 3.4 | 22.50 | 18.38 | 4.1 | 0.8 |
| \bar{r} | 3.36 | | 3.4 | 4.13 | | 4.1 | 0.8 |

Source: ADB Key indicator 2022

Based on the findings in the table above, it shows that the Structure of Demand (% of GDP at current market prices) for China's export value is an average of 25.33%, 3.36% greater than the import value of 21.97%, while for the Balance of Payments (% of GDP at current market prices) China's exports are 22.50%, 4.13% higher than imports of 18.38% and the ratio of Balance of Payments to Structure of Demand is 0.8%. Meanwhile, a country's balance of payments is related to the ability to absorb foreign exchange and foreign payments. The economy will be disrupted if the balance of payments is always negative. International transactions that require foreign exchange to pay for imports and foreign debt payments and other transfers the balance of payments can also be influenced by domestic factors, namely the amount of money in circulation.

In theory, there are three approaches that can be used to examine the international balance of payments, namely the elasticity approach, the absorption approach and the monetary approach. The three approaches are further grouped into two major approaches, namely the Keynesian approach (elasticity approach and absorption approach) and the monetarist approach. The elasticity approach is centered on changes in the exchange rate as a means of modifying the balance of payments imbalance. The absorption approach is a combination of changes in income, expenditure and exchange rates to restore the external balance of payments (Jamli, 2001). To see fluctuations in developments and the ratio of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services China is shown in the image below:

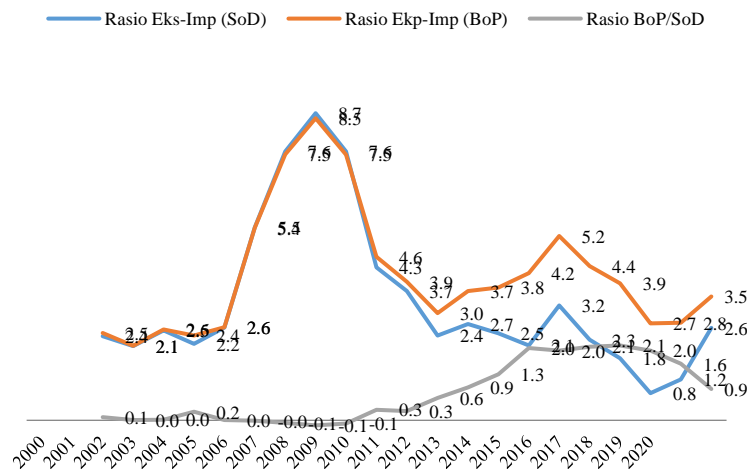


Figure 2 Developments and ratios of Structure of Demand (% of GDP at current market prices) and Balance of Payments (% of GDP at current market prices) Exports of goods and services and Imports of goods and services China

IV. Conclusion

During the period 2000-2020 where the Structure of Demand (% of GDP at current market prices) for the value of Indonesia's Exports of goods and services to China where China was 0.6% superior from 3.40% compared to Indonesia's 2.80% while for the value of Indonesia's BOP is 1.10% superior from 5.20% compared to China at 4.10% and for the value of the ratio between countries, Indonesia is 1.60% superior from 2.40% compared to China at 0.80%. From the results of the research, the general advice of researchers is that Indonesia needs to improve the structure of export and import demand so that it continues to increase state revenues listed in Indonesia's trade balance.

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