

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This research is focused to analyze the demand of Indonesian salt import by developing econometrics model. The model chosen in this research is Almost Ideal Demand System (AIDS). The models focus to the variables that we use in this research in each country such as market share, value import and volume import from the major countries of salt exporter for Indonesia. The data used in this research monthly time series data during January 2006- August 2017. Data from major countries as exporter salt for Indonesia, they are Australia, India, Germany and New Zealand and other imported source countries (Rest of World).

The result of Seemingly Unrelated Regression (SUR) proves that the price setting from 4 major countries of the salt exporter for Indonesia significantly affect the market share of imported salt in each of these countries. It was found that p-value F (statistics) in four major sources of imported salt in Indonesia significant at 5 percent ($0.0000 < 0.05$) indicates that the independent variables can simultaneously explain the variable share of imports of the countries.

The result shows that the market shares of salt between countries have a correlation relationship. The finding of correlation of errors is show that most of the inter-state relationships indicate that the SUR method is appropriate and it sign that the economies in this region are related and influence each other. For variance and covariance matrix results indicates that the common trend of the major countries of salt exporter to Indonesia is same and has symmetric trend. It indicates that this research fulfilled the ideal result method of SUR.

After the analysis of SUR method is stated to be a good result, then from the result the estimation parameter are taken to measure the level of elasticity. Based on the results of the expenditure elasticity value from each country source export is positif. This indicates that salt from the major countries of exporter for Indonesia is normal goods. All own price elasticities were negative and have unit inelastic. These own price elasticity value indicate that all sources would increase from salt sales to Indonesia by lowering salt price.

Beside that the calculation of the AIDS model indicates by cross price of elasticity that Indonesia has experienced a specific dependence on imported salt especially on salt of Australia and India. The condition is exacerbated by finding that there is a complementary relationship between the two countries (complement), so domestic salt production is facing tough competition from exported salt from both countries.

5.2. Recommendation

Referring to the discussion on the implications of the above salt import policy it is advisable. The first is governments should synchronize national salt data, particularly in data on domestic production and demand for salt to express clear and transparent import requirements. The second is efforts to increase production in quality and quantity through the provision of subsidies or in the form of research. There is a need for consistency of policies in the form of supervision by the government to ensure that no person takes advantage of opportunities by doing irregularities. For further research, it is necessary to add

the domestic elements and other imported commodities in the AIDS model to get a real picture of the level of competition between the domestic salt of the country.

