B.7.

INTERNATIONAL SEMINAR PROCEEDING

THE ECONOMIC PROSPECT OF SOUTHEAST ASEAN IN THE GLOBAL ERA

Penang, July 25-26th, 2011

In collaboration:

School of Social Sciences, USM

&

Post Graduate Program, Faculty Economic and Business, University of Brawijaya

Organized by:

Faculty Economic and Business, UB and School of Social Sciences USM

UNIVERSITAS BRAWIJAYA

USM UNIVERSITI SAINS MALAYSIA

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Editor:
Ananto Basuki
Moh Azis Arisudi

Organized by:
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Massage from
Prof. Munawar Ismail, SE., DEA, Ph.D.
Director of Postgraduate Program, Economic and Business Faculty, Brawijaya University

First of all, I would like to extend my warmest welcome to all speakers and participants of International Seminar on "The Economic Prospect of Shoutheast Asean in Global Era".

Brawijaya University as Universiti Sains Malaysia partner is proud to play our role as an educational institution which dwells and thrive in the complexity and intricacy of the knowledge system, and also play role as global hub in developing and generating knowledge, research and innovation. We intend to bridge all regions for the benefit of knowledge. In order to achieve globalization of knowledge, we integrate and create a collaborative environment across all disciplines and institutions. Thus, this seminar was also initiated to provide opportunities for the young and talented mind to take part in the frontiers of knowledge. In addition, this seminar was also intended as an initiative to strengthen the role of the graduate scholars in responding to the various issues and challenges accompanying the graduate education. As it is in this day and age, knowledge is the key to the future of the nation, and the future of the nation lie upon their younger generation.

I take this opportunity to congratulate the organizing committee of the seminar for their blissful effort. I am certain that this seminar will see not only highly interesting presentation, but also future international collaboration in exploring and venturing the new era of knowledge and research.

Massage from
Prof. Dr. Candra Fajri Ananda, SE., MSc.
Director of Postgraduate Program (Economic Program), Faculty of Economic and Business, Brawijaya University, Indonesia.

It give me great pleasure to extend a very warm welcome to all participants of the International Postgraduate Seminar. This international seminar has collaborated between Postgraduate Program Faculty of Economic and Business, University of Brawijaya Indonesia and School of Social Sciences Universiti Sains Malaysia. The theme of international seminar is Economic Prospect of South East Asean in Global Era.

This international seminar has indeed grown from strength to strength evident from the increase of international participants. This will not only provide a venue to showcase current research trends among Brawijaya University postgraduates and their international peers, but it will also extend a platform for them to share their research findings, exchange of ideas, increase networking as well as explore opportunities for future collaborations. Thus the thrust of this international seminar which is to enhance innovation via their research activities is timely and significant.

Organizing an international seminar of this magnitude is indeed an unenviable task and I would like to take this opportunity to thank the organizing committee for their strong support and congratulate them for rising to the challenge thus ensuring its success.

To all the participants, I wish you a fruitful and successful seminar.

THE EFFECTS OF PER CAPITA INCOME ALTERATION TOWARDS THE TRANSFORMATION OF THE ECONOMIC STRUCTURE OF BULELENG REGENCY, BALI PROVINCE 1985-2010

(A Hypothesis Study on the Theory of Chenery-Syrquin)

I Ketut Nama

ABSTRACT

Chenery Syrquin states that Per Capita Income is one of the important variables influencing the transformation of economic structure of a country. The increasing of Per Capita Income will affect the pattern of consumption in a society through the existance of Engel Law. It says that the industrial goods and services have bigger elasticity values of income (elastic), while other food and agricultural goods have minus-one elasticity values of income (inelastic).

The operation of Engel Law also affects to the transformation of economic structure in Buleleng Regency of Bali Province. However, the transformation of economic structure in the regency is imbalance; furthermore, its pattern is different with the pattern of Chenery-Syrquin. It is said as imbalance since the role of primary sector contribution towards PDRB has been exchanged by the tertier one. As opposed to this, the primary sector still becomes the main provider of job vacancies for the society of Buleleng Regency in compare with the other two sectors. In addition to this, the transformation pattern of Chenery-Syrquin structure is Primary-Secondary-Tertiery, while the pattern of transformation in Buleleng Regency is Primary-Tertiery. It does not involve the secondary sector.

Keywords: per capita income alteration, transformations of economic structure

Introduction

Eventhough it is not a good indicator, public prosperity seen from the economic aspect, can be measured through the rate of per capita income. To improve per cpaita income, the economy growth becomes one of the very important targets that has to be gainnes during economy building process. Therefore, it is undoubtedly that in the beginning of economy building of a country, its planning brought into growth issues orientation (Tambunan, 2001:2).

There is a tendency that the faster the average economic growth per year that makes the process of social per capita income getting higher, the faster the economic structure alteration. This statement is by assumption that other determining factors encourage the process, such as employment, raw materials and provided technologies (Tambunan, 2001:59)

Borrowing Kuznets's term, the economic structure, is generally mentioned as strcutural transformation. It can be defined as a series of related-alteration one each other, under the composition of agregat demand, export-import trading, agregat supply (production and the use of production factors and capitals) which are needed to support the process of continuant economic building and economic growth (Chenery: 1979)

In Indonesia, the process of structure alteration is defined as fast alteration. During the period of thirty years before the economic crisis in 1997/1998, the economy of Indonesia has found its significant growth of 7.4% in average. Indonesia has also met its significant decreasing as the impact of economic crisis which defeated the region of East Asia and South-East Asia in the period of 1997/1998. In the beginning of 2003, within the recovery of economic crisis, the economy of Indonesia was getting better in presening its significant growth on the average rate of 4,5%.

The effects of the economic growth as mentioned above, it has brought a fundamental alteration on the economic struture of Indonesia. The movement of farming-mining based economic structure into the balance economic structure (tertiary-secondary sector development). These sectors are strong industries and services, supported by the farming sector that walk in harmony.

Chenery (1960) through his empirical study describes that the rate of economic growth and the role of one sector in creating national products depend on the rate of social income and the number of population in that country. The higher number of income and the higher number of population in the country, the wider market rate in it. Furthermore, the higher rate of economic growth, the more important the role of secondary and tertiary sectors. As opposed to this, the role of primary sector is getting left behind.

In one side, Chenery and Syrquin (1975) stated that in the low rate of income, the improvement of balance role of industrial sector and the service sector with the lowering of farming sector role. On the other side, on the rate of middle-up income, the increasing of industrial sector as same as the lowering role of primary sector. In this case, the service sector is relatively constant. This is caused by the elastic demands towards food productions and farming productions which is in elastic as a result of Engel Low.

Chamon and Kremer (2008) state that the rate of growth and velocity of the transformation of economic structure in one country depends on the trading policies released by the developed countries. The more open trading policies upheld by the country (e.g. China and India), the stronger rate of economic growth gained by both countries. This is as a result of invesments issued by the developed countries flow over the developing countries in the high numbers. However, this investment releases another effect of the low-rate payment of both countries.

Another finding of the empirical study of Chenery (1960), mention that the other factors that influence the process of economic structure transformation in one countryis the government policy, climate of the country,anf the socio-cultural factors. The same explanation is delivered by Barro as well (1990) that the contribution of the productive government outcome as for infrastructure (road, bridge, harbour, electricity, and etc) has a positive influence towards the economic growth, and the development of per capita income, which later affect

Griffin (126:1999) mentions that there is a positive relation between culture and economic growth. When a culture exists in an area, there will be an interaction with the

local culture, which later influence the pattern of local people daily life gradually. The alteration of social life is reflected through the bettermen of education quality, the alteration of healthy life style, and the bettermen of information and communication pattern. These bettermen continually develop the wuality of human resources of the local area. This will lead into the positive effects of economic growth.

Fisher (1975), through his study, derives that the economic growth will cause an altertaion of the production structure of working efficiency. As a consequence, the velocity of farming sector production will be lower than the growing rate of non-farming sector. This is happened as a result of the relatively low elasticity of long-term demands on the food and farming prouctions.

Hagen (1975) through his empirical study, finds that the higher income, the lower role of primary sector as thejob vacancy provider. On the other side, the secondary and tertiary sectors have higher bargaining positions as job-vacancy overviewer. The alteration of vacancies based on the production sector occurs because: (1) economic growth walks within the working-hours productivity that are different in each sectors. (2) the workers move ahead from low productivity into high productivity.

Kuznets dan Balwin (1986), whocindcuted a research in some developing countries, find that the higher income per capita of a country, the smaller role of primary sector, farming based one, as the main job for the society. As opposed to this, industrial and service sectors are turned over their role as the object of working hours.

The same idea is presented by Lewis (1954). Lewis through his model of unlimited employees market, says that the building process begins and goes on continually as a result of profit re-investment created by the industrial sector (modern) and in the ens, it will increase the productions and economic buildings. Moreover, in the long-term period, it will attract the increasing rate number of higher investment and it will devote a great development of faster economic growth. Therefore, the number of human resources working in modern sectors will fall into its peak.

Lewis Model focuses his attention on the offerance of unlimited farming employees. Therefore, the offerance of the employees from rural into urban area is adjectively perfect-elastic about the income rate which is over subsistance. The insentive of the offerance is the intended numbers to stimulate the movement of employees from farming sector into the urban modern-sector.

This process occurs if these phenomenons walk within, such as the demand of industrial goods is growing, the consument desire is changing, the government outcome is rising, and the international market is well-developing. The offerance of low-skill and low-payment employees will take into high profit on modern sector in urban development. If this profit is re-invested, the demand about industrial output will increase because of two causes: (1) the rising income of the employees will increase the demand of consumption goods, and (2) the increasing of the demand of capital goods as a result of profit improvement that is going to be re-invested. The demand rising brings the employees to shift away from traditional into modern sector.

Dekle and Broucke (2006), who cunducted the research about the economy of China, they find that during the period of 1978- 2003, the economy of China has an average growth of 5,7% per year, per employees. The impacts of the economic growth have made employees-shifting from farming sector into non-farming sector. The employees absorbtion

decreases from 70% into 50%. There are three sectors observed as the causes of economic growth such as private farming sector, private non-farming sector, and public non-farming sector. The finding of the research shows that the main source of the growth is total factor of productivity in non-private farming sector. From 5.7% growth, the relocation of employees from farming sector into the non-farming one contributes 1.9%.

During this recent thirty years, the economic rate of Indonesia grows averagely on 7% per year. By this significant growth, it leads into the alteration of Indonesian economic structure from primary sector based into the balance economic structure as it goes into tertier and secondary sector. The process of economic structure alteration cannot be fully separated into the role of economy in each area in Indonesia, including Buleleng Regency, Bali.

Buleleng regency is one the regencies of nine city-regency in Bai province. It has some different characteristics in compare with other regencies in Bali Province. The differences are reflected through (a) it does not have popular tourism objects as the others, (b) it is the widest regency in Bali Province, (c) the farming basis is better than the others, (d) it is the city of education, (e) its area is relatively far from the main tourism objects in Bali. Moreover, this regency is not passed by the tourist, especially the tourist from Java areas. These all characteristics makes the regency attracts the researcher to have a study on the theory of Chenery-Syrquin as applied in this regency.

Formulation of the problem

How does an alteration in per capita income of the community change the economic structure of Buleleng regency of Bali Province 1985 - 2010.

Theoretical Framework

Normal Pattern of Structural Alteration

Fisher (1935), suggests that economic growth is accompanied by the transition and shift in demand gradually from primary sector activities (agriculture, mining), to the secondary sector (manufacturing, construction), and the tertiary sector (services), which in turn resulted in alterations in production structure through a shift in employment and allocation of funds. Different productivity levels by sector, differences in growth rates among sectors of economic activity concerned. In this connection, there was a shift in the role of each sector in the composition of national product. Agricultural production is increased in absolute terms, but the relative contribution to national product continued to decline. The trend is accompanied by the growing role of manufacturing industry and service sectors, which increased both in absolute and relative terms in the national production.

Structural alterations can also be seen from the angle shift in employment, namely the ability of each economic sector in absorbing the labor force. Labor absorption in agriculture is relatively likely to decrease, whereas absorption of labor in the industrial and service sectors, are relatively likely to continue to rise. Clark (1957) argued that there is a close relation between alterations in production structure with the structure of employment by sector. Absorption of high labor force can be achieved by: (1) an increase in labor productivity in each sector, (2) shifting of labor from low-productivity sectors into sectors with higher productivity. Besides the development of the pattern and

direction of foreign trade also point to structural alterations. The development is meant to reflect the process of diversification in production and international market.

The results Kuznets (1957) using cross section data and time series suggests that, alteration the distribution of income and labor force by sector. First State Kuznets grouping into seven groups based on income per capita, to see alterations in three sectors namely agriculture sector (agriculture, fisheries, forestry), industrial sector (manufacturing, mining and construction) and services sector. Kuznets found a negative relationship between income per capita contribution to national income in the agricultural sector, meaning that the higher the income per capita, the smaller the contribution of agriculture in national income. As for the industrial sector, there is a positive, while the service sector there is no systematic relationship.

Alterations in economic structures are described by Kuznets, suggesting that the agricultural sector, production has developed more slowly than the development of national production than the growth rate of industrial sector. The absence of alterations in the services sector in the national production, meaning development services sector is the same with the development of national production. It is only a kind of shifted, for example, from informal to formal services. Such a growth pattern caused by factors as follows:

(A) Applicability of Engel's Law, which essentially states that, the higher income levels, the lower the percentage of income used to purchase agricultural products, whereas the percentage of income used to purchase industrial products and services is increasing.
(B) technological advances that continue. Advances in technology will enhance the productivity of economic activities, which will further expand the market and trading activities. These alterations will produce new goods. In addition the technology can also add new items that are optional. The first thing is called a principal responsibility (compulsory), while the second diversification of types of goods (inductive).
(C) Alterations in economic structure that gives a greater role to the industrial sector in creating national production, because developed countries are experiencing such development has gained a comparative advantage in producing industrial products.

Thus, it can be described the factors that cause alterations in economic structures such as the following figure appears:

Alterations occur due to alterations in economic structure from a number of factors, which according to the source can be distinguished on the factors of the aggregate Demand (AD) and aggregate supply (AS). Alterations in economic structure are also affected directly or indirectly by government intervention in economic activities.

In terms of aggregate demand, which is the dominant factor is the alteration in domestic demand caused by a combination of an increase in real per capita income of the community and the changing tastes of society. Alterations in demand not only in terms of increased consumption, but also alterations the composition of goods consumed. Alterations in the composition can be explained by the theory of Engel: if real income increases, the growth of the community will demand non-food goods will be greater than the growth in demand for food. In general food, such as rice have an income elasticity of demand is less than one (inelastic), while non-food items such as household equipment,

electronic goods, and clothing has a value of income elasticity of demand greater than one (elastic).

In terms of aggregate supply, important factors include the shift of comparative advantage, alterations, or advances in technology, increased education or the quality of human resources, discoveries of new materials for production, and accumulation of capital goods. All of this allows for innovation in products and production processes.

In terms of comparative shifting advantage according to Chenery in Tambunan (2001), he says that the process of structural transformation will be slow. At times even turn around or suffered a setback in terms of reduction in the contribution of manufacturing industry output in the formation of the Gross Domestic Product, if comparative advantage is not going according to directions shifting patterns of domestic demand towards the manufacturing industry output and patterns of alteration in export composition.

Alterations in the economic structure of the aggregate supply is also caused by a reallocation of investment funds and other major resources, including technology and manpower or human resources from one sector to another. This reallocation may occur due to differences in productivity or real income across sectors, the existence of poverty in one sector or because of government policies more favorable to certain sectors, such as the policy of industrialization and foreign trade policy that promotes development or growth of output in the industrial sector.

In government intervention, a policy, which directly influences the alterations of economic structure, is the policy of providing incentives for industry sectors or indirectly through the provision of infrastructure. This intervention affects the aggregate supply side of the sector. From the aggregate demand side, policies that directly affect the sales tax, which makes selling price of the goods in question to be expensive, which can further, reduce the demand for these goods. While not directly influencing policy is a reduction in income tax (citeris paribus), can increase the consumption of products from specific sectors such as manufacturing and services.

Factors of the aggregate demand and aggregate supply of the above is an internal factor, while the external factors that are responsible for alterations in economic structures, among others, technological advances and alterations in the structure of global trade is partly due to the increase in world income and the impact of regulations on trade regional and international levels. Alterations in the structure of such exports from the export of primary commodities to manufacturing commodities cannot be separated from structural alterations in world demand caused by the increase in world income.

Chenery (1960), showing shades of industrial structure alterations in the development process. Analysis conducted more emphasis on the quantitative relationship between incomes per capita by the percentage contribution of various economic sectors in the industrial processing industry sub-sector to national production. Thus, the analysis can be used for forecasting of the role and style alterations between sectors at different levels of development economics. The trick is to determine alterations in the contribution of various sectors of the national production when the per capita income rose from U.S. $ 100 to $ 1000 and alteration the role of manufacturing industries where income per capita rose from U.S. $ 100 to $ 600. From the results of his research, Chenery make the following conclusion:

(1) The role of industrial sector in creating national production rose from 17 percent in

the level of income per capita of U.S. $ 100 to 38 percent in the level of income per capita of U.S. $ 1000. Especially for the manufacturing industry, role in creating national production rose from 12 percent in income per capita of U.S. $ 100 to 33 percent at the pen level income per capita of U.S. $ 600.

(2) The role of communications and transportation industries increased by two-fold, while income per capita increased from U.S. $ 100 to $ 1000. While the role of the agricultural sector declined from 45 percent to 15 percent increase in per capita income for the same.

(3) The role of the services sector did not experience any significant alteration that is still about 38 percent of national production, although income per capita increased from U.S. $ 100 to $ 1000.

According to Chenery, when income per capita is U.S. $ 100, the contribution of industrial sector contributed by the industrial consumer goods is on 68 percent, producing industrial raw materials by 20 percent, and capital goods industries by 12 percent. When income per capita increased up to U.S. $ 600, the role of industry sub-sectors of consumer goods declined to 43 percent, sub-sector role model of industrial goods increased to 35 percent, while the sub-sector of industries producing raw materials by 22 percent.

Chenery and Taylor (1986) proposed a model to predict the pattern of structural alterations due to increased revenues for time series data as follows:

$$\text{Ln } X1 = a + b \ln Y$$

Which are:

Xi = the i sector contribution to GDP (percentage)
Y = GDP per capita
a = constant
i = 1,2,3, which consists of: primary sector (agriculture and mining), industrial sector, and service sectors.

Model Kuznets (1966), regarding alterations in economic structures in the development process, not only describes the alteration in the percentage of people who work in various sectors in economic development, but also indicate alterations in the composition of the various sectors of national product in the process. The definition of alterations in economic structure according to Kuznets, means: (1) production of the agricultural sector experienced slower growth than the growth of national production, while (2) industrial sector growth rate is faster than the growth rate of national production, and (3) no alteration in the role of the sector services in national production, means the level of development of the services sector is equal to the rate of growth of national production.

Table 1: Outcomes Research Kuznets Regarding Changes in Economic Structure Thirteen Year 1801 - 1963

Building Process	The percentage of the GNP of the Development Phase		
	Agriculture	Industry	Services
Early	50 – 60	20 – 30	20
End	10 – 20	40 – 50	40

Sources: S. Kuznets, Modern Economic of Growth, Yale University Press, 1966.

Kuznets explained that changes in economic structure as described above, is caused by (1) human nature in the consumption activities that follow the law of Engel, namely the income elasticity of agricultural products are in elastic, while the income elasticity for industrial goods is elastic, (2) changes in technology rapid, (3) the comparative advantage of industrial goods led the industry sector is increasingly important role in national production.

Results Analysis and Discussion

1. Production Structure

Effect of Changes in per capita income of the role of the primary sector Buleleng Regency Bali Province

Y = 8.92 to 0.023 X1

From the results of regression analysis yield a value of minus 0.023 koerisien elasticity which can be defined as any increase in income per capita by 1 percent, will be followed by a decline in the role of the primary sector by 0.023 percent in GDP formation Bali regency of Buleleng.

This is supported by the results of the analysis of contributions as shown by Tabel.2 follows:

Tabel.2: Relationship between income per capita by Primary Sector Contribution to GDP Buleleng Bali

Per capita income	Rp 624.414,93	Rp 5.168.247,00
Primary sector contribution to GDP	51,6 %	30,5 %

Source: BPS data processed

From Table-2 shows that when per capita income of Rp 624,414.93 Buleleng district, - the role of the primary sector to GDP amounted Buleleng District 51.6 percent, and when income per capita increased to Rp 5,168,247, - the role of the primary sector to GDP Buleleng district is only 30.5 percent.

Decrease in the primary sector contribution to GDP is Buleleng regency, in line with the pattern of changes in the structure of Chenery-Syrquin stating a consistent decline of the role of the primary sector for each of the increase in per capita income of the community.

Effect of changes in per capita income of the role of the secondary sector Buleleng Regency Bali Province.

Y = 7.64 + 0.386 X2

From the results of regression analysis produces the value of the elasticity of 0.386 which can be defined as any increase in income per capita by one percent, will be followed by a rise in the role of the secondary sector to GDP by 0.368 percent Buleleng regency. This is supported by the results of the analysis of contributions as shown by Table 3 below:

Tabel.3: Relationship between per capita income of the Secondary Sector Contribution to GDP Buleleng Bali

Per capita income	Rp 624.414,93	Rp 5.168.247,00
Primary sector contribution to GDP	4,6 %	14,2 %

Source: BPS data processed

From Table 3 above shows that: when the per capita income of Rp 624,414.93, - the secondary sector's role in contributing to the new Buleleng Regency GRDP of 4.6 percent, and when per capita income increased to Rp Buleleng Regency 5,168,247, - the role of the secondary sector in contributing to the GDP has increased by more than 3-fold, which has been 14.2 percent.

Effect of changes in per capita income of the role of the tertiary sector Buleleng Bali

Y = 5.615 + 0.501 X3

From the regression equation shows the value of elasticity coefficient of 0.501 which can be interpreted as any change of one percent in per capita income, will be followed by an increase in the role of the tertiary sector by 0.501 percent of the contribution of these sectors in GDP Bali regency of Buleleng. Demikisn also from Table 4 shows that an increase in the role of the tertiary sector from 43.8 percent to 55.3 percent for every increase in income per capita of USD 624,414.93 to Rp 5,168,247

Tabel.4: Relationship between income per capita in the Tertiary Sector Contribution to GDP Buleleng Bali

Per capita income	Rp 624.414,93	Rp 5.168.247,00
Primary sector contribution to GDP	43,8 %	55,3 %

Source: BPS data processed

2. Structure of Employment Absorption

Effect of Changes in income per capita of labor-absorptive capacity of the primary sector Bali regency of Buleleng Province.

The results of regression analysis produced the equation

Y = 14.29-.104 X4

From the equation shows the value of elasticity coefficient of 0.104 which can be interpreted as any change in income per capita by one percent will be followed by a decrease in absorption of labor from the primary sector by 0.104 percent. Likewise, from Table 5, shows that any increase in income per capita of USD 624,414.93 to $ 5,168,264 will be followed by a decline in primary sector employment from 57.6 percent to 47.18 percent.

Tabel.5: Relationship between per capita income of the Power Sector Manpower Absorption Primary Buleleng Regency Bali Province

Per capita income	Rp 624.414,93	Rp 5.168.247,00
Primary sector contribution to GDP	57,6 %	47,18 %

Source: BPS data processed

Effect of Changes in income per capita to Absorb the Power Sector Manpower Secondary Buleleng Regency Bali Province

From the results if the data with SPSS produces regression equation

Y = 13.18 + .418 X5

From the equation shows the value of the regression coefficient of 0.418 which can be interpreted as any change in income per capita by one percent will be followed by an increase in the secondary sector's role in absorbing labor in Buleleng regency of 0.418 percent. Similar results are shown by the results of the analysis of contributions as shown in Table 6, which can be read as any increase in income per capita of USD 624,414.93, - to Rp 5,168,247, - will lead to secondary sector's role in absorbing labor in Buleleng district increased from 8.62 percent to 15.37 percent.

Tabel.6: Relationship between per capita income of the Power Sector Manpower Absorption Secondary Buleleng Regency Bali Province

Per capita income	Rp 624.414,93	Rp 5.168.247,00
Primary sector contribution to GDP	8,62 %	15,37 %

Source: BPS data processed

Effect of Changes in per capita income of Power Tertiary Sector Labor Absorption Buleleng Regency Bali Province

From the results if the data with SPSS produces regression equation

Y = 12.68 + 0.251 X6

From the equation shows the correlation coefficient of 0.251 which can be interpreted as any change in income per capita by one percent will be followed by an increase in the tertiary sector's role in absorbing labor in Bali Buleleng regency of 0.251 percent

Similar results are shown by the results of the analysis of contributions as shown by Table 7. Here:

Tabel.7: Relationship between per capita income of the Power Sector Manpower Absorption Tertiary Buleleng Regency Bali Province

Per capita income	Rp 624.414,93	Rp 5.168.247,00
Primary sector contribution to GDP	33,88 %	37,45 %

Source: BPS data processed

From Table 7 it is seen that, when per capita income of Buleleng regency Rp 624,414.93 then the absorption of labor in the tertiary sector kabupeten new Buleleng of 33.88 percent. And when the income per capita has increased to $ 5,168,247 then the absorptive capacity of tertiary sector employment also rose to 37.45 percent.

Although the primary sector's role in contributing to GDP has declined from Buleleng regency 51.6 percent to 30.5 percent, and its role has been replaced by the role of the tertiary sector that increased from 43.8 percent to 55.3 percent. Therefore, it can be said that the transformation economic structure have occurred in the district, but in terms of employment the role of primary sector is still a major foothold in Buleleng district because it is caused by the primary sector's role in absorbing labor only decreased from 57.6 percent to 47.18 percent, while the tertiary sector only increased from 33.88 percent to 37.45 percent. It can be said that the transformation of economic structures that occurred in Buleleng district runs out of balance and tend to be too forced. The hallmark of the transformation of economic structures that are running out of balance is the primary sector. It remains the backbone of the labor-absorbing the most, although not dominant in contributing to GDP, which can be interpreted as an investment of labor in Buleleng regency still relatively low, resulting in a quality workforce is less educated and eventually led to the concentration of manpower is concentrated in the agricultural sector that does not require quality-empowering working style. The next impact will cause the process differsivication production of low-tech products to high-tech products also will be slow as the impact of low labor ability to provide much needed skills to produce high-tech products. This also causes the secondary sector role both in terms of contributing to the GDP and in terms of labor absorption, the lowest contribution compared to two other economic sectors.

Other causes are still primary sector-based which the largest provider of employment is not apart from Buleleng regency economic conditions. It does not have many attractions like any other area of Bali, Buleleng Regency relies only on Lovina Beach, which is not as beautiful panoramic view of Kuta beach, Sanur beach, beach Tanah Lot and other beach. Lovina beach besides that it also does not have a wave big enough and did not have white sand, so it is not surprising that not enough tourists both foreign countries and local tourists who visited this area. Because of having low -tourism recognization, it leads the society to be well-educated workforce. They do urbanization from this area into a major tourist cities such as Kuta, Sanur, Denpasar and other major tourist areas. Thus, the workforce that remains in this district is the most power work is not educated, so it is not surprising if they eventually concentrated work in the agricultural sector. In addition, Buleleng district is the district that has the largest agricultural region in comparison with other districts in Bali.

The pattern of economic structural changes that occur in Buleleng Regency somewhat different from the findings of Chenery-Syrquin, where the pattern of economic structural transformation that occurred in Buleleng regency of the primary sector is not through the secondary sector, but rather directly to the tertiary sector. Whereas, the pattern of Chenery-Syrquin is the Primary - Secondary - Tertiary. The difference can be explained by the pattern because of Buleleng Regency are part of the Province of Bali, where government policies such as Bali is known to make tourism sector, and other support services as the main engine of economic growth in Bali. So the pattern of

transformation that occurred in Buleleng district will follow the pattern of economic transformation that occurred in Bali Province. This is mainly due to: (1) the island size is not too large so there will be the impact of forward and backward linkage effects of tourism growth in each district town in Bali. (2) Means of inter-city districts transportations in the province of Bali is relatively good, this will bring good impact on the spread effects and backwash effect of the growth centers of the major tourist attractions in Bali such as Kuta, Sanur, Nusa Dua, Tanah Lot, Bedugul, Ubud , Kintamani and other so on.

Conclusion

From the results of data analysis can be concluded, that the economic Buleleng District has undergone changes in structure, visible from the primary sector's role in contributing to the Buleleng Regency GRDP has been replaced by the role of the tertiary sector. If in 1985 GDP Buleleng Regency primary sector contributed the largest by 51.6 percent, followed by the tertiary sector 43.8 percent, 4.6 percent and secondary sectors. In 2010 the sector contributed 30.5 percent of primary residence, while the contribution of the tertiary sector rose to 55.3 percent and the secondary sector accounted for 14.2 percent.

Although it has undergone changes in structure, but the structural changes that happen to walk out of balance, ie in the year 2010 the primary sector remains the largest provider of employment than the other two sectors are: primary sector 47.18 percent, 37.45 percent and the tertiary sector secondary sector 15.37 percent.

The increase in income per capita of USD 624,414.93 in 1985, to Rp 5,168,247, - in 2010, has a role to the decline in both the primary sector contribution to GDP and employment, on the contrary increase the role of the tertiary sector and the secondary sector in contributing to GDP and labor absorption. Thus, it is in line with the hypothesis Chenery-Syrquin.

Although consistent with the hypothesis Chenery-Syrquin, but the pattern of economic structural transformation that occurred in Buleleng district's economy is rather different from the pattern of Chenery-Syrquin. Chenery-Syrquin pattern is Primary - Secondary - Tertiary, while the pattern of transformation that occurred in Buleleng regency is Primary - Tertiary, without going through the secondary sector.

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ISBN 978-979-185-380-4