

ABSTRACT

In recent years, e-commerce has become a popular method of shopping and obtaining goods. It offers a simple and quick of obtaining goods for the users. In Indonesia, both local and foreign e-commerce are accessible which creates wider option for the buyers. However, it creates a negative effect for domestic business ventures such as small-medium enterprises. Imported goods purchased via e-commerce saw an increase from 2017-2019 which create a stiff competition for small-medium enterprises. They have to compete with imported goods which have affected them badly. This drives the government of Indonesia to reduce the import duty exempt limit from US\$75 to US\$3 in 2019 to reduce the import level and protect small-medium enterprises. It is quite a drastic decrease which drives this research to find out the reason why the government decided to decrease the import duty exempt limit and to find out the actors and alternatives behind the policy formulation process of decreasing the import duty exempt limit in 2019.

The research will analyse the decision-making process of the said policy and to find out what other factors that supported the government decision. The qualitative use of this research resulted in several factors other than high level of imported goods that supported the government decision. It also provided insight on how policies created by the government institution can be different from those created by the government.

The result is that the main driving force for the decision to decrease the import duty exempt limit to US\$3 is the high number of imported e-commerce goods from 2017-2019. While it is the most obvious factor, there are other factors as well such as unhealthy import practices and ineffective previous exempt limit of US\$75. In addition, the research also highlighted the actors involved in the decision-making process of the policy which includes government, business associations, and other actors that were affected by the import trend of 2017-2019. Overall, the actors were in favour of the government decision which led the government to reduce the import duty exempt limit for imported goods to US\$3.

Keyword: Decision-making process, government institution, import tariff, import duties

