

CHAPTER V

CONCLUSION

This research has presented the relation between Indonesia and Taiwan that is limited only by the economic cooperation as the consequences of the implementation of One China Policy by Indonesia. Both Indonesia and Taiwan are restricted by China to conduct the diplomatic relation because of One China Policy Indonesia is not allowed to recognize Taiwan as a country. However, both countries could develop the economic cooperation through people to people. As Taiwan intends to reduce its dependency on China, as well as for the sake of seeking for the mutual benefit and maximize the potentials of the cooperation, Taiwan initiated to build Economic Cooperation Arrangement (ECA) with Indonesia.

In the context of International Relations, the relation between Indonesia and Taiwan is not considered as a government to government relation. It is because to have a country to country relation, both countries should have the Embassy Office and has its ambassador. However, by people to people and business to business relation, Indonesia and Taiwan could still conduct the relations and get benefits. The countries also can have the institution to support and maximize the relation but should be still in the context of the economy as Taiwan has projected the ECA to Indonesia and several countries that will enhance the economic relations.

The writer has analyzed why Indonesia is interested in studying Economic Cooperation Arrangement (ECA). ECA actually was so potential to enhance the economy of Indonesia and Taiwan. Indonesia-Taiwan ECA has been conducted in 2010, by conducting the joint study about the 'The Dynamics and Current Status of Indonesia-Taiwan Relations'. It was successfully conducted in December 2011 and showed that Indonesia and Taiwan have conducted the relations mainly in four aspects; agriculture, automotive and electronics, small and medium enterprises (SMEs), and human resource development.

The success of first joint study led to the second joint study that focused on the feasibility of ECA if it's applied by both countries. It is indeed beneficial if ECA is applied because there will be freer movements of goods and services, the sectors of the relations also will be widened. It also investigated about the potential regulation of the relations. Customs procedures and trade facilitations, the standards and procedures, sanitary and phytosanitary (SPS) measures, education, capacity building, and migrant workers are the parts of the potential regulations. Those potential regulations could be the key or as the basis to determine the other ECA policy.

By those joint studies, Indonesia-Taiwan relations with ECA will be more structured. It is because ECA has provided a clear framework and planned the scenarios of the relations based on the WTO principles. On the other hand, the current relation has no framework and scenarios. Hence, it gives clear plans. So, Indonesia-Taiwan relation doesn't also have a clear program.

However, after conducting the joint feasibility study of ECA, there is no significant progress of the agreement. Therefore, the ECA between Taiwan and Indonesia has been postponed. One of the reasons of postponing ECA is non-involvement of the reciprocal institution. The joint study can be conducted by LIPI as LIPI is the governmental research institution. The absence of government or the representative institution could lead to the postponement of ECA. It is because the representative institutions play an important role towards the relation.

As mentioned in Chapter 4, ECA will give more benefits for Indonesia. There are some analyses from the joint feasibility study of ECA that has in two simulations of liberalizations; there are goods liberalization, and wider liberation (more than tariffs in goods). Goods liberalization will affect Indonesia's macroeconomic, which can improve the wealth as the economic growth will increase. The wider liberalization simulation will be more of facilitating the trade, for example, eliminating the customs of goods until 1% efficiency will increase Indonesia's export to Taiwan in several sectors, especially in the agricultural and processed foods.

ECA is also potential to increase Taiwan's investment to Indonesia. It is because, by ECA, the investment will be maximized. If Indonesia signed the FTA with Taiwan, there might be the possibility of Taiwan to increase the amount of investment in Indonesia, as the signing of the FTA will impact to the increasing of Taiwan's GDP. So, it also opens the opportunities to invest the bigger amount to other countries, especially Indonesia.

In addition to the potential aspect that has been unveiled in the joint study, the joining of Indonesia and Taiwan as the members of WTO is making the ECA easier and more convenient for both. It is because both countries could use the existing WTO principles as the basis of the ECA. As the members of WTO, both countries also could benefit from the wider economic trade in the international area.

This research has been successfully finished and can answer the research question. However, according to the writer, this research has the weakness. The weakness of the research is that the sources for the potential impact of ECA are limited. It is hard to find the sources that vary from different actors. However, even the sources are limited, they sources are very complete. So, they can support the analysis for chapter 4.