

CHAPTER V

CONCLUSION

After having done the analysis related to Indonesian-China bilateral trade post ACFTA implementation, the writer concludes that China get more benefit from ACFTA implementation. In the era 1990-2003 or before ACFTA implemented, Indonesia still able to equaling China, and Indonesia could get benefit from the trading activity even though the gap was not so wide. Furthermore, after the implementation of ACFTA, the trade balance between both states shift and make China got the surplus from Indonesia. The implementation of ACFTA seems make China became more aggressive and creates a big surplus gap between Indonesia and China, especially in the non petroleum and gas sector. Those things shown by the deficit which is persisting for several years, started from 2007 up to 2009.

In conduct trading with China, Indonesia relies on petroleum and gas commodity, this sector which is still giving surplus for Indonesia in trade with China. Meanwhile, China is very strong at non petroleum and gas product. In this sector, China created a big gap of trading with Indonesia, and it makes Indonesia suffer a deficit, even the surplus from petroleum and gas trading can not cover the deficit of Indonesia's total trading with China.

Apparently, the implementation of ACFTA which contain the rule to eliminate the trade barriers, either in form of tariff or non tariff has made the better prepared state getting more benefit from this agreement, which in this case is China. China

already set kind of policy that make them ready to face the free trade. They are better at infrastructure, banking policy, tax policy, and etc.

China also grew as one of the new economic power, and it is shown by their economic growth which is considered as the highest economic growth in the world. China also succeeded to surpass German as the biggest exporter state in the world. Meanwhile Indonesia as the developing state, apparently has not ready to implement the ACFTA agreement because of their unpreparedness. Indonesia still faces a lot of problem toward their infrastructure, banking policy, bad bureaucracy, and also the extortion which weaken the national industry. Moreover, the workers of Indonesia also less competitive compared to China.

Beside that, there is a competition between Indonesia-China on the similar product. Those products would compete face to face because ACFTA would reduce and eliminate the trade barriers, which mean that products from China would be treated equally with Indonesia's product in the local market. Whereas, it has been known that China's products is cheaper and has more interesting packaging compare to Indonesia's product.

This condition is feared could harm the Indonesia's economy because Indonesia has to face with China in free trade and it has been proved that Indonesia always loose and get deficit from non petroleum and gas sector in the last few year.

However, ACFTA is a chance and also chalengge. If the government of Indonesia would like to get benefit of this free trade, and protect the local product

from the invasion of China's product, they have to ameliorate the internal supporting factor, such as the infrastructure, banking policy, tax policy, bureaucracy, the eradication of extortion, and other factors that could weaken the competitiveness factor of Indonesia's industrial sector and local producer. The government of Indonesia should issue the policy that effectively support the SME, such as giving credit with low interest, build and improve the infratructure, and actively give consolidation and establish good cooperation between the indonesia's business man and the government owned entities that deal with trade and economic issues.

The government of Indonesia also expected could be confidence in the frame of diplomacy with China, especially in the trading dispute settlement and seek the fair trade and create the fairer market and non predatory to local small businesses, so the existence and performance of local industries can be assured. That is the benefit of China over Indonesia by the application of ACFTA, and the China's excellence that could threaten the Indonesia's local producer.

My review of the benefit of China over Indonesia by the implementation of ACFTA is the implementation of the benefits of International Relations courses, especially in Indonesian Foreign Policy, International Trade and international political economy.