

## Title page, Content, etc.

権利	Copyrights 日本貿易振興機構 (ジェトロ) アジア 経済研究所 / Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) <a href="http://www.ide.go.jp">http://www.ide.go.jp</a>
journal or publication title	Indonesian Economy and AFTA - Global Economic Interdependence of ASEAN in the Asia Pacific Era
year	1993
URL	<a href="http://hdl.handle.net/2344/00018640">http://hdl.handle.net/2344/00018640</a>



ASEDP NO. 22

# **INDONESIAN ECONOMY AND AFTA**

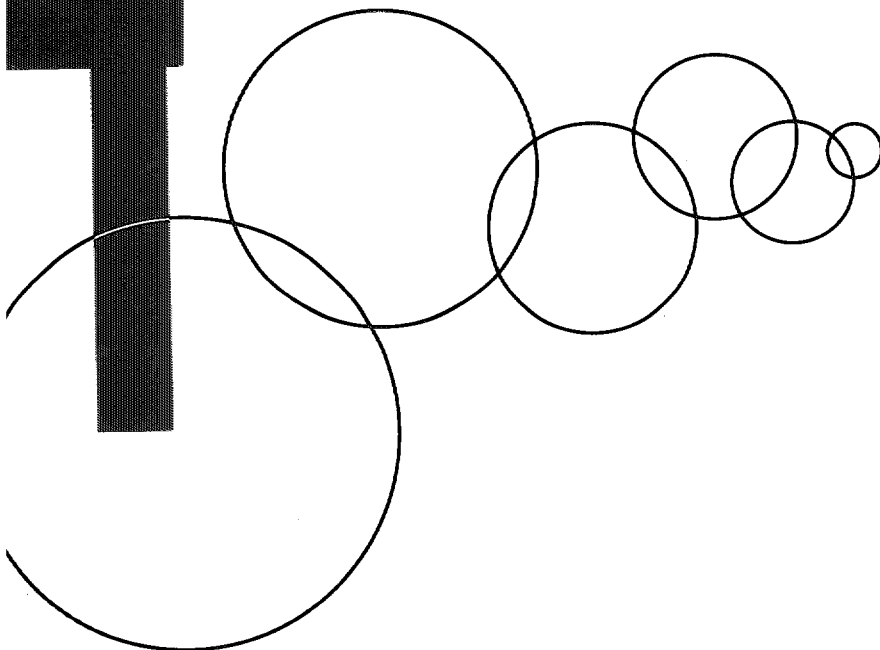
**Global Economic Interdependence of ASEAN in the Asia Pacific Era**

**Edited by**

**BOB WIDYAHARTONO  
KUNIO IGUSA**

**CONTRIBUTED BY**

**MOHAMMAD SADLI  
DJISMAN S. SIMANDJUNTAK  
ANWAR NASUTION  
D. GANDAPRAWIRA  
BUNGARAN SARGIH  
FARID HARIANTO  
SUGIARTO  
ABUZAR ASRA**



**INSTITUTE OF DEVELOPING ECONOMIES  
TOKYO 1993**

Jakarta, April 1993

**TERIRING SALAM  
WITH COMPLIMENTS**

Drs. Bob Widyahartono  
Kunio Igusa

.....

# **INDONESIAN ECONOMY AND AFTA**

**Global Economic Interdependence of ASEAN in the Asia Pacific Era**

**Edited by**

**BOB WIDYAHARTONO  
KUNIO IGUSA**

**CONTRIBUTED BY**

**MOHAMMAD SADLI  
DJISMAN S. SIMANDJUNTAK  
ANWAR NASUTION  
D. GANDAPRAWIRA  
BUNGARAN SARGIH  
FARID HARIANTO  
SUGIARTO  
ABUZAR ASRA**

**INSTITUTE OF DEVELOPING ECONOMIES  
TOKYO 1993**

**This Report is a result of Joint Research  
Project between LP3E-KADIN (Jakarta) and  
IDE (Tokyo) in 1992**

## **Name of Contributors**

- Prof. Dr. Ir. Mohammad Sadli**  
Chairman of Institute for Economic Studies, Research & Development(LP3E), Indonesian Chamber of Commerce and Industries (KADIN-Indonesia)
- Dr. Djisman S. Simandjuntak**  
Executive Director, Management Institute of Prasetiya Mulya
- Dr. Anwar Nasution**  
Lecturer, Faculty of Economics, University of Indonesia
- Drs. D. Gandaprawira SH.**  
Legal and Training Advisor, Bank Tiara
- Drs. Bob Widyahartono**  
Member of Institute for Economic Studies, Research & Development(LP3E), Indonesian Chamber of Commerce and Industries (KADIN-Indonesia)
- Dr. Bungaran Saragih**  
Chairman, Yayasan Unit Studi dan Evaluasi Ekonomi, Bogor
- Mr. S.M.H.Tampubolon**  
Member, Yayasan Unit Studi dan Evaluasi Ekonomi, Bogor
- Dr. Farid Harianto**  
Director, Institut Pendidikan dan Pembinaan Manajemen
- Drs. Sugiarto**  
Director, Bureau of Analysis and Development Central Bureau of Statistics
- Dr. Abuzar Asra**  
Senior Researcher Central Bureau of Statistics
- Mr. Komet Mangiri**  
Chief, Division of Inter-Industry Account Central Bureau of Statistics
- Mr. Kunio Igusa**  
Overseas Research Officer, Institute of Developing Economies, Tokyo

# CONTENTS

Preface .....	i
List of Contributors .....	v

## Chapter 1

### ASEAN Economic Integration: a Cautiously Optimistic Prospects

by Mohammad Sadli

1 Introduction .....	1
2 Regionalism and Nationalism .....	3
3 Impacts of Formation of AFTA .....	4
4 Position of Indonesia to Regional Economic Integration .....	6
5 Conclusion .....	9

## Chapter 2

### Prospects of International Trade and AFTA

by Djisman S. Simandjuntak

1 Introduction .....	11
2 The Post-War Trade; Rapid Expansion and Structural Change .....	11
3 Forces Behind Growth and Structural Change of Trade .....	13
4 Growth and Pattern of ASEAN Trade in Recent Years .....	15
5 Better Prospects for Free Trade in ASEAN .....	18

## Chapter 3

### Open Regionalism: the Case of ASEAN Free Trade Area

by Anwar Nasution

1 Introduction .....	23
2 The Slow Progress of Past ASEAN Economic Cooperation .....	23
3 A Mix of 'Maquiladoras' and Regional market to Attract MNCs .....	24
4 The Main Elements of AFTA Agreements .....	25
5 Issues for Implementation of the CEPT Scheme .....	26
6 Conclusion .....	28

## Chapter 4

### Some Legal Implementation of AFTA

by Ganda Prawira

1 Introduction .....	33
----------------------	----

2	Harmonization and Coordination in ASEAN .....	33
3	ASEAN Economic Cooperation from Legal Perspectives .....	34
4	Legal Images of Trade Cooperation in ASEAN .....	36
	4-1 Trade Cooperation among ASEAN .....	36
	4-2 The Birth of AFTA Concepts .....	37
	4-3 EAEC Concept and ASEAN .....	38
5	Framework of ASEAN Free Trade Area .....	39
6	Some Problems for Implementations of AFTA .....	41
	6-1 Deregulation Packages of Indonesia concerning Trade .....	41
	6-2 State Awareness .....	42
	6-3 Problems of Non Tariff Barriers .....	43
7	Conclusion and Recommendations .....	45

## Chapter 5

### Human Resources and Management Development in AFTA Era

by Bob Widyahartono

1	Introduction .....	49
2	The Required Profile of Human Resources in the PJPT II .....	52
3	Human Resources Development Strategy .....	54
4	Entering AFTA Era .....	57

## Chapter 6

### AFTA and Manufacturing Industries

by Farid Harianto

1	Introduction .....	69
2	The Potentials of AFTA .....	70
3	The Development of Manufacturing Industries .....	75
4	Discussions .....	82

## Chapter 7

### Development of Agriculture and Agro-Industries in AFTA Era

by Bungaran Saragih

S.M.H.Tampubolon

1	Introduction .....	85
2	The Structure of Agriculture .....	86
	2-1 The Existing Agro-Base .....	86
	2-2 Growth and Structural Change .....	89
	2-3 Resources Productivities .....	92
3	Agribusiness and Agricultural Related Industries: the Present Status .....	93
	3-1 Agribusiness .....	93
	3-2 Agricultural Related Industries .....	95



4	Agricultural Related Trade Aspects .....	98
4-1	Global Features .....	98
4-2	Agricultural Primary Commodities .....	99
4-3	Comparative and Competitive Advantages .....	100
5	The Challenge: Problems and Future Outlooks .....	103
5-1	Structural and Institutional Problems .....	103
5-2	Future Outlooks .....	104
6	Concluding Remarks .....	106

## Chapter 8

### The Estimated Impact on Indonesian Economy of Tariff Reductions in AFTA

by Sugiarto  
Abuzar Asra  
Komet Mangiri

1	Introduction .....	109
2	The Model for Evaluation of Impact .....	111
3	Two-Country Case Analysis .....	112
4	Estimation Procedures .....	112
4-1	Data Used and the Adjustment .....	112
4-2	The Results of Simulation .....	113
4-3	The Results of Analysis .....	115
5	Concluding Remarks .....	120

## Chapter 9

### AFTA and Japan: a Historical Perspectives

by Kunio Igusa

1	Introduction .....	127
2	Meaning of ASEAN for Japan and AFTA Concept .....	128
3	Dynamism of ASEAN Economies and its Relations to Japan .....	130
3-1	Dynamic Expansion of ASEAN Economy .....	130
3-2	Economic Structural Change of ASEAN .....	132
3-3	Export Oriented Industrialization .....	134
3-4	New Investment Move of Japan and NIEs .....	135
4	Analysis on the ASEAN Trade and Japan .....	136
4-1	Main Trade Partners for ASEAN Countries .....	136
4-2	Trade Structure of ASEAN and Japan .....	137
4-3	Japanese Trade Patterns to ASEAN .....	139
4-4	ASEAN's Export Patterns to Japan .....	141

5	Impacts of Japanese Investment on ASEAN .....	143
5-1	Significant Expansion of Japanese Investment .....	143
5-2	New Wave of Investment fro NIEs Countries .....	145
5-3	Beginning of ASEAN's Investment to New Area .....	147
6	Expansion of Production Network in ASEAN by Japanese Multinational Enterprises .....	149
6-1	Expanding Production Network of Matsushita in Asia.....	149
6-2	Matsushita's Main Target of Business .....	149
6-3	Transfer of Production Center to Asia .....	150
6-4	Development Strategy in Indonesia .....	152
7	Concluding Remarks .....	154

## APPENDIX

I	Main Documents on ASEAN Free Trade Area	
1	Singapore Declaration of 1992 (4th ASEAN Summit Singapore, 27-28 January 1992) .....	159
2.	Framework Agreement on Enhancing ASEAN Economic Cooperation (28 January 1992, Singapore) .....	166
3	Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the AFTA (28 January 1992) .....	172
4	Press Statement: 3rd Meeting of the AFTA Council for CEPT (11 December 1992, Jakarta) .....	179
5	General Formula of Programs for Tariff Reduction (31 December 1992) .....	182
6	Organization Chart of the ASEAN Secretariat .....	186
II	Basic Statistics on ASEAN Economies and AFTA	
1	Basic Indicators .....	189
2	Trade Matrix of ASEAN and Asia Pacific by SITC .....	202
3	Main Industrial Export Commodities of Indonesia .....	222
4	Main Industrial Production of Indonesia .....	226

